



## MINUTES

**Board Members Present:** Councilmember Tim Burgess, Chair; Robert Harvey; David Stewart; Glen Lee; Lou Walter; Jean Becker; Sherri Crawford

**SCERS Staff Present:** Ken Nakatsu; Tony Smith; Claire Foster; Tim Morrison; Lisa Carns

**Others Present:** Mike Monaco, Song Mondress Law Firm; Carlton Seu, Seattle City Attorney's Office; Tom Kirn, FAS; George Emerson, FAS

Mr. Lou Walter called the meeting to order at 9am.

**Public Comment:**

No public comment.

**Administrative Consent Agenda**

**Minutes:**

Provided in the Retirement Board packet was the minutes from the November 14, 2013 Retirement Board regular meeting.

**Ratification of Retired Payroll, Office Payroll, Other Payments and Withdrawals**

<b>Service</b>	\$ 11,143,836.52
<b>Beneficiary</b>	\$ 936,182.60
<b>Disability</b>	\$ 74,567.26
<b>Pension Payroll – PPE November 30, 2013</b>	<b>\$ 12,154,586.38</b>
<b>Office Payroll – PPE November 5 and 19, 2013</b>	<b>\$112,488.37</b>
<b>Vouchers Processed – November 30, 2013</b>	<b>\$847,948.40</b>
*Expert and Consultant Services – \$145,853.00	
*Investment Management Fees – \$564,913.63	
*Interdepartmental Charges - \$98,794.29	
*Miscellaneous - \$38,387.48	

**Immediate Withdrawals of Contributions for the month of November 2013:**

Member Name	Department Name	Position	Amount
Boland, Jeremy J	City Light	Elect Spvr Rep Sr	\$3,688.07
Carlson, Sara Jean	Parks	Cashier	\$1,652.43
Carvajal, Maria I	Parks	Lifeguard Sr	\$14,887.55
Conaway, Katherine E	SPU	Mtc Laborer	\$50,997.75
Ellis, Justin L	Library	Lib Assoc I	\$2,673.68
Fleege, Cecilia C	Seattle Center	Admin Spec I	\$23,395.72
Guin, Kacey K	Neighborhoods	Strat Advr 2	\$41,740.18
Guy, Brian L	SDOT	Bridge Op	\$86,054.80
Harlan, River Glen	FAS	Equip Svcr	\$2,393.08
Ismail, Hayat	City Light	Accountant	\$12,885.01
Lake, Zachary C	SPU	Drain & Wstwtr Coll Wkr	\$2,482.02
Larson, Kristin A	City Light	Strat Advr 2	\$4,696.83
Lopez, Robert	Library	Janitor	\$4,170.09
Luong, Bich Thuy	City Light	Accountant Prin	\$23,764.49
Portnoy, Linda S	Muni Court	Magistrate Pro	\$66.73

Member Name	Department Name	Position	Amount
Schneider, Rae A	Library	Lib Assoc I	\$938.82
Seavey, David Lee	FAS	Exec 2	\$17,455.83
Tumba, Stephanie M	HSD	Counselor	\$11,644.73
Wernli, David B	City Light	Manager 3	\$18,486.72

Bold entries above indicate refund payout made to beneficiary of a member dying while in active status.

**Withdrawals for a total of: \$326,715.31**

**Ratification of Service Retirements for November:**

Retiree	RetireDt	Age	Years	Days	DeptName	Position	PenAmt	Options	GrossPayout
Belcher,Glenda L	10/12/2013	57	20	2	Police	Accountant Sr	2,514.66	S	
Bell,Deborah E	11/6/2013	60	17	231	City Light	Actg Tech III -BU	1,440.96	A	
Claeys,Katherine M	11/6/2013	54	28	306	SDOT	Strat Advsr 3	\$ 5,734.43	C-20	
Connolly,Theresa L	10/17/2013	59	14	176	Library	Vested	\$ 1,335.38	C-5	
Dreyer,Nicholas D	10/23/2013	57	23	2	City Light	Engry Res&Eval Anlyst	\$ 3,132.49	S	
Kader,Ghazy M	10/17/2013	76	26	351	City Light	Actg Tech II	\$ 2,341.16	E	
Keen,Harrison D	11/6/2013	69	24	227	City Light	Lnwkr	\$ 3,360.93	E	
<b>Mattson,Robert</b>	<b>11/2/2013</b>	<b>64</b>	<b>41</b>	<b>289</b>	<b>NeighbDept</b>	<b>Neighb District Coord</b>	\$ <b>6,013.37</b>	<b>D/F</b>	
Rodriguez,M. Teresa	11/6/2013	60	23	13	FAS	Strat Advr 2, P&FM	\$ 3,978.98	S	
Ryan,Jane G	11/2/2013	65	13	68	Muni Court	Admin Spec I	\$ 1,004.93	E	
Shaw,Mary E	11/1/2013	57	15	338	Human Svcs	Vested	\$ 1,769.56	A	
Spillers,Roberta P	11/2/2013	65	9	3	Parks Dept	Maint Laborer	\$ 712.90	S	
Stoner Jr.,Ronald K	10/31/2013	53	23	160	FAS	Vested	\$ 1,766.32	A/G-50	\$98,218.85
Tiura,Patricia A	10/14/2013	57	11	290	Human Svcs	Vested	\$ 1,338.66	A/G-50	\$72,019.80
Tracy,Yvonne L	11/2/2013	63	29	267	InfoTech	Data Network Services	\$ 3,778.38	D/G-50	\$164,136.39
Weber,Patricia S	10/31/2013	65	13	95	EXEC DEPTS	Vested	\$ 1,053.96	E/G-100	\$158,265.78
						Total Added to Monthly Pension Payroll	\$41,277.07	Total G Payout	\$492,640.82
	Average	61	21	176		Average Pension Amount	\$2,579.82		
	Median	60	21	202		Median Pension Amount	\$2,055.36		

For the month of November 2013: 52 new Members entered the System, 38 terminations, 16 Members retired in the System, 12 Members removed (\$18,628.24), 5 D/E Option, 4 Option F reductions, and 1 over 60% benefit.

Mr. Nakatsu stated the retiree payroll is a little higher this month.

Ms. Becker requested staff begin presenting the Dashboards to the Board on a quarterly basis.

**Motion:** Upon motion by Lou Walter, seconded by Jean Becker the Retirement Board of Administration approved the Administrative Consent Agenda.

- Minutes of the November 14, 2013, Board Meeting
- Ratification of Retirement Payroll, Office Payroll, Other Payments and Withdrawals
- Ratification of Service Retirements for the month of November 2013

The motion carried unanimously.

**Investment Committee Report**

The Investment Committee met on November 21, 2013 at 12 noon at the Seattle City Employees' Retirement System, 720 Third Avenue, Suite 900 (Pacific Building)

Committee members present: Lou Walter, Chair; David Stewart; Bob Harvey; Jean Becker; Sherri Crawford

Staff Present: Ken Nakatsu; Jeff Davis; Tony Smith; Jill Johnson; Tim Morrison; Lisa Carns

Others present: Neil Rue, Ryan Lobdell, Andrew Bratt, Ahman Dirks, and Austin Carmichael from PCA; John McCoy, Legislative Central Staff; George Emerson, FAS

### **Investment Accounting Summary Report – October 2013**

Mr. Tony Smith, SCERS staff reported on the Investment Accounting Summary for October 2013. The total portfolio had a market value of \$2.1 billion. The change in market value for October was 2.9% and 11.5% year-to-date. The funding ratio was at 68.94%. It was noted that this was the highest the funding ratio had been since 2008.

Mr. Walter thanked the Investment staff for their work.

Councilmember Burgess arrived at 9:10am.

Mr. Tony Smith, SCERS staff provided the Board of Administration with a recap of the November 21, 2013 Investment Committee meeting:

### **SCERS Performance Report Q3 2013**

Mr. Smith reported that PCA presented the Q3 2013 SCERS Performance Report to the Investment Committee. An overview of the presentation included the SCERS Total Portfolio had an aggregate value of \$2.104 billion as of September 30, 2013 which represents an \$91.4 million increase in value over the last quarter. SCERS beat the median public plan by 0.8% for the quarter, 0.9% for one year and down 0.1% for the past three years.

### **SCERS Private Equity Performance Report Q2 2013**

Mr. Smith reported that PCA presented the Q2 2013 Private Equity Performance Report. An overview of the presentation included SCERS' Private Equity remains underweight relative to its policy benchmark. As of June 30, 2013, SCERS' Private Equity Portfolio had \$124.1 million in commitments across ten partnerships and four direct investments. The SCERS' Private Equity Performance had a reported value of \$50.4 million as of June 30, 2013. The net internal rate of return (IRR) was 4.6% for the quarter.

### **SCERS Real Estate Performance Report Q2 2013**

Mr. Smith reported that PCA presented the Q2 2013 Real Estate Performance Report. An overview of the presentation included SCERS Real Estate Portfolio had a net asset value of \$215.4 million. Mr. Smith reminded the Board of Administration that the Real Estate Asset Class is undergoing some restructuring and that as the new managers AEW and Heitman begin making capital calls, the overweight to JP Morgan will be reduced. A capital call from AEW is due in January and Heitman is due 2Q 2014.

### **Overlay Service Finalists Interviews**

Mr. Smith reported the Investment Committee interviewed the two Overlay Service finalists which were (1) Clifton Group and (2) Russell Investments. Both managers made compelling presentations. The Investment Committee discussed the merits of each one and recommended the Board of Administration select Russell Investments contingent on SCERS Staff negotiating on a contract and fees. Mr. Smith reported that the base fee was reduced from \$150,000 to \$135,000 and SCERS staff is continuing to work on other contract terms.

**Motion:** Upon motion by Lou Walter, seconded by Bob Harvey the Retirement Board of Administration accepted the Q3 2013 Seattle City Employees' Retirement System Performance Report. The motion carried unanimously.

**Motion:** Upon motion by Lou Walter, seconded by Bob Harvey the Retirement Board of Administration accepted the Q2 2013 Seattle City Employees' Retirement System Private Equity Performance Report. The motion carried unanimously.

**Motion:** Upon motion by Lou Walter, seconded by Bob Harvey the Retirement Board of Administration accepted the Q2 2013 Seattle City Employees' Retirement System Real Estate Performance Report. The motion carried unanimously.

**Motion:** Upon motion by Lou Walter, seconded by Bob Harvey the Retirement Board of Administration approved the selection of Russell Investments to provide Overlay Services to the Seattle City Employees' Retirement System contingent on SCERS Staff negotiating and agreeing on a contract and the fees with Russell  
The motion carried unanimously.

### **Administrative Committee**

Ms. Becker, Administrative Committee Chair reported that the committee developed for the Board of Administration consideration and approval an Investment Advisory Committee Charter.

Mr. Nakatsu stated that the charter reflects and follows the rules within the Washington State Law and the Seattle Municipal Code. Mr. Nakatsu highlighted the following within the charter: the Investment Advisory Committee must have at least three members, there will be three formal meetings each year (1) April/May; and (2) September/October timeframe to review the performance reports; and (3) December/January timeframe to produce the Annual Report, and that the appointed members would serve two year terms.

Mr. Nakatsu stated that the current Investment Advisory Committee members would be notified about the reconstituted committee.

Mr. Seu, City Attorney recommended a language change under the "Structure" section, 3<sup>rd</sup> paragraph within the first sentence to include the following: *"A newly-appointed member of the Investment Advisory Committee shall serve a initial term of two years from the date of his/her appointment."*

Ms. Becker asked the Board to consider and approve the proposed Investment Advisory Committee Charter and appoint Mr. Joseph Boateng as Committee Chairperson, Mr. Alan Hess, and Mr. Dwight McRae.

**Motion:** Upon motion by Lou Walter, seconded by Jean Becker the Retirement Board of Administration approved the Investment Advisory Committee Charter which included reconstituting the Investment Advisory Committee.  
The motion carried unanimously.

**Motion:** Upon motion by Tim Burgess, seconded by Bob Harvey the Retirement Board of Administration appointed Mr. Joseph Boateng as the Investment Advisory Committee Chairperson, Mr. Alan Hess, and Mr. Dwight McRae to the reconstituted Investment Advisory Committee effective immediately for a two year term.  
The motion carried unanimously.

### **Executive Director Report**

#### **Work Plan Update**

Mr. Nakatsu highlighted the updated changes on the work plan. The updates included the following:

The Executive Director search will be postponed due to submitting a reclassification, recruiting, and hiring of a Chief Investment Officer.

Due to the postponement of the Executive Director search, the current Interim Executive Director assignment will be extended to July 31, 2015.

Investment Consultant Services RFP was issued on November 14, 2013. Mr. Nakatsu recognized and thanked Mr. George Emerson for his work on the RFP. There was a pre-proposal conference call on November 21<sup>st</sup>. The RFP deadline is January 10, 2014. Mr. George Emerson and Mr. John McCoy have agreed to assist with reviewing the proposals received.

At the Strategic Planning Session on December 6<sup>th</sup> there was a consensus for SCERS to pursue the "discretionary separate account" method for private equity and the Investment Consultant contract will be revised accordingly.

No Board action was necessary on the work plan.

### **SCERS Operations – Project Initiative Update (Claire Foster)**

Ms. Foster reported on the following:

Staff is preparing for the year-end activities in the new Oracle environment and preparing data for Milliman reports.

The CRM project is moving forward. The goal is to implement in 1Q 2014.

The policy review initiative has begun. Mr. Tim Morrison is leading the project.

Staff is working on how to approach the data audit. Staff continues to work on operational improvements to better secure and audit our data.

**New Business:**

**Chief Investment Officer** (Ken Nakatsu)

Mr. Nakatsu reported that at the Strategic Planning Session on December 6th the Board discussed and came to a consensus to hire a Chief Investment Officer. Mr. Nakatsu requested the Board make a motion authorizing SCERS staff to proceed with the reclassification, recruitment and hiring of a Chief Investment Officer.

Ms. Becker requested Mr. Nakatsu explain the business need for a Chief Investment Officer.

Mr. Nakatsu responded that the current investment staff are very capable and proficient in their jobs. After an assessment of the SCERS business needs SCERS management staff recommended adding a Chief Investment Officer to the team with an individual that has extensive and broad investment background and the ability to present investment information to the Board.

**Motion:** Upon motion by Lou Walter, seconded by Bob Harvey the Retirement Board of Administration authorized SCERS Management Staff to proceed with creating a Chief Investment Officer position, and to recruit and hire a Chief Investment Officer.  
The motion carried unanimously.

**Mission, Vision, Values**

Mr. Nakatsu reported that the Board developed the Mission, Vision and Values at the Strategic Planning and also began discussions to establish goals and strategies. The Mission, Vision and Values statements were agreed upon and it is requested that the Board approve those today. Mr. Natalie along with SCERS staff are going to sort out the goals and strategies and bring those back to the Board for approval.

Mr. Nakatsu thanked Mr. Natalie for facilitating the meeting and for his good work.

Councilmember Burgess noted the key words within the mission statement are promise and earn, and the vision statement are trusted, financially strong, and exceptional customer service.

Councilmember Burgess also noted the importance of public service and that the pension is an earned benefit.

Mr. Walter further commented the importance of the Board's fiduciary responsibilities.

**Motion:** Upon motion by Tim Burgess, seconded by Bob Harvey, the Retirement Board of Administration approved the following Mission, Vision and Values Statements for the Seattle City Employees' Retirement System:

**Mission:** To fulfill the promise to deliver the retirement benefits our members have earned.

**Vision:** SCERS is a trusted financially strong institution whose members receive their retirement benefits through exceptional customer service.

**Values:** Excellence, Stewardship, Integrity, Responsibility and Service  
The motion carried unanimously.

Councilmember Burgess asked if there was any other business to discuss before entering into Executive Session. There was no further business.

The Board of Administration entered into Executive Session at 9:46am for 30 minutes to discuss an investment matter and a disability retirement application appeal.

Executive session ended and the meeting resumed to public session at 10am.

**PCA Investment Contract**

**Motion:** Upon motion by Lou Walter, seconded by Glen Lee, the Retirement Board of Administration authorized the Executive Director to revise the contract with PCA to reflect SCERS' needs for investing in private markets.  
The motion carried unanimously

**Appeal - Disability Retirement Application – Mr. Gary Doran**

**Motion:** Upon motion of Tim Burgess, seconded by Bob Harvey, the Retirement Board of Administration denied Mr. Gary Doran's Appeal for Disability Retirement.  
The motion carried unanimously

**Adjournment**

The meeting adjourned at 10:02am.

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David L. Stewart, Secretary