



MINUTES

Board Members Present: Councilmember Nick Licata, Chair; Lou Walter (via phone); Susan Coskey; Glen Lee; Jean Becker; Sherri Crawford

Board Members Absent: Robert Harvey

SCERS Staff Present: Ken Nakatsu; Jeff Davis; 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; Frankie Tsoming, Member; Charles Primm, Local 17

Councilmember Licata called the meeting to order at 9am.

Councilmember Licata introduced himself as the new Seattle City Employees' Retirement System Board Chair and thanked Mr. Lou Walter for chairing the January 2014 Board meeting.

Councilmember Licata asked if there was anyone present who wanted to make public comment. There was no public comment.

Administrative Consent Agenda

Minutes:

Provided in the Retirement Board packet was the minutes from the January 9, 2014 Retirement Board regular meeting.

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

Service	\$ 11,186,979.88
Beneficiary	\$ 907,570.87
Disability	\$ 73,726.88
Pension Payroll – PPE January 31, 2014	\$ 12,168,277.63
Office Payroll – PPE January 14 and 28, 2014	\$112,224.51
Vouchers Processed – January 31, 2014	\$286,679.34
*Expert and Consultant Services – \$30,703.00	
*Investment Management Fees – \$100,633.38	
*Interdepartmental Charges - \$106,984.63	
*Miscellaneous - \$48,358.33	

Immediate Withdrawals of Contributions for the month of January 2014:

Member Name	Department Name	Position
Anderson, Susan T	Police	Evidence Warehouser
Archer, Shirley J	SPU	Util Acct Rep II
Bemer, Alan V	Muni Court	Admin Spec II
Benerza, Esther	City Light	Info Tech Prof B
Bird, Eric A	SPU	Manager 2
Charbonneau, David P	FAS	Tax Auditor
Ching, Robert S	Neighborhoods	Info Tech Sys Anlyst
Collins, Timothy E	Police	Exec I
Devenaro, Karen R	City Light	Manager 2
Espinosa, Lisa A	SPU	Exec I
Franklin, Jenna E	SPU	Strat Avdr 1
Gibson, Claire L R	SPU	Civil Engr Supv
Irwin, Stacy R	Law	Paralegal
Langston, Jasmine L	SPU	Personnel Spec, Asst
Larson, Kristen J	HSD	Proj Funds & Agree Coord

Member Name	Department Name	Position
McAlerney, Kevin B	Seattle Center	Laborer
Merrill, Nathaniel O	Exec	Mayor Staff Asst 2
Song, Kyung S	City Light	Elecl Engr
Thomas, Sonja R	Seattle Center	Laborer
Troka, April	Parks	Naturalist
Wabinga, Lisa J	Police	Personnel Spec Sr
Wyatt, Matthew J	SPU	Wtr Pipe Wrk, Sr

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

Withdrawals for a total of: \$785,719.25

Ratification of Service Retirements for January:

Retiree	RetireDt	Age	Years	Days	DeptName	Position
Canizzaro,Verl L	1/1/2014	70	23	331	KC Health	Social Worker
Chapman,David M	1/1/2014	66	40	3	Parks Dept	Admin Staff Asst
Charleston,Patricia A	12/26/2013	57	15	270	Parks Dept	Vested
Conlin,Richard B	1/1/2014	65	16	0	LegCtyCncl	Council Member
D'Eugenio,Betty J	12/12/2013	67	23	134	Library	Library Assoc II
Ko,Elaine	1/1/2014	59	16	123	LegCtyCncl	Legislative Asst
McKechnie,Roberta	12/18/2013	61	13	289	SDOT	Vested
O'Brien,Julia A	12/26/2013	58	12	174	InfoTech	Vested
Parsons,Christopher J	1/1/2014	63	21	315	Personnel	Vested
Reece,Terry L	12/27/2013	54	32	258	City Light	Meter Reader
Solinsky,Randi	12/7/2013	60	17	308	Human Svcs	Early Ed Spec
Thibodeaux,Rebecca A	12/25/2013	65	39	60	KC Health	Adv Practice Nurse Specialist
Wiswell,Jonathan W	1/1/2014	69	30	202	InfoTech	Manager 3
Wolfe,Ronni B	1/1/2014	66	7	268	SDOT	Admin Spec II - BU
Woods-Pollard,Sandria Y	12/14/2013	65	22	217	Human Svcs	Manager 2

For the month of January 2014: 61 new Members entered the System, 10 terminations, 15 Members retired in the System, 24 Members removed (\$32,421.83), 1 D/E Option, 3 Option, F reductions, and 4 over 60% benefit.

Councilmember Licata asked the Board if they had any questions concerning the Administrative Consent Agenda. There were none.

Motion: Upon motion by Nick Licata, seconded by Glen Lee the Retirement Board of Administration approved the Administrative Consent Agenda.

- Minutes of the January 9, 2014, Board Meeting
- Ratification of Retirement Payroll, Office Payroll, Other Payments and Withdrawals
- Ratification of Service Retirements for the month of January 2014

The motion carried unanimously.

Investment Committee Report

The Investment Committee met on January 30, 2014 at 12 noon at the Seattle City Employees' Retirement System, 720 Third Avenue, Suite 900 (Pacific Building)

Committee members present: Lou Walter, Chair; Bob Harvey; Glen Lee; Jean Becker; Sherri Crawford; Susan Coskey
Staff Present: Ken Nakatsu; Jeff Davis; Tony Smith; Jill Johnson; Tim Morrison; Lisa Carns

Others present: Neil Rue and David Sancewich from PCA; John McCoy, Legislative Central Staff; George Emerson, FAS

Mr. Nakatsu reported that Tony Smith and Jill Johnson are conducting on-site due diligence visits at the finalists Investment Consultant firms.

Mr. Nakatsu provided the Board of Administration with an overview of what was presented to the Investment Committee on January 30, 2014. The items presented are outlined below:

PIMCO Transition

Mr. Todd Staley and Mr. Matt Clark briefed the Investment Committee on how PIMCO is handling the departure of Mohamed El-Erian, CEO and CO-CIO. The purpose of their presentation was to reassure their client base that the management of funds will not be affected. Mr. Nakatsu advised the Board that SCERS staff and the Investment Consultant will monitor the situation.

Authorization to Issue Discretionary Separate Account RFP for Private Equity

The Investment Committee recommended the Board of Administration approve the authorization for SCERS staff to issue a RFP for a Private Equity Discretionary Account Manager. Mr. Nakatsu stated the goal is to issue the RFP by mid-March.

Policy Weights and Rebalancing Ranges

Pension Consulting Alliance presented recommended changes to the rebalancing ranges around the policy weights of asset classes in SCERS' portfolio. The reason for the recommended changes is due to the newly incorporated overlay program with Russell Investments. PCA recommended that SCERS revise Section 4.A of its Statement of Investment Policy and Procedures to include (1) adjust the long-term targets to reflect the Board's latest allocation decisions; and (2) refine the rebalancing of ranges to account for the use of SCERS' new policy implementation overlay mandate. The Investment Committee recommended the Board of Administration approve the proposed rebalancing ranges.

2014 Real Return Asset Class Update

Pension Consulting Alliance (PCA) presented an overview of the Real Return Asset Class. PCA explained to the Investment Committee that the Real Return Asset Class can provide an inflation hedge and diversification from equities and fixed income. PCA recommended that the Investment Committee proceed with establishing the Real Return Asset Class. PCA recommended that SCERS implement two new components to the Real Return Asset Class. The component areas are (1) commodities; and (2) infrastructure. PCA also recommended the component weighting as follows: commodities 20%; infrastructure 20%; TIPS 40%; and Absolute Return 20%. The Investment Committee recommended the Board of Administration approve the implementation of the two Real Return component areas.

Investment Advisory Committee – Appointment of Monica Butler

Mr. Nakatsu presented Monica Butler's BIO to the Investment Committee and they recommended Ms. Butler be appointed to the Investment Advisory Committee. Mr. Nakatsu recommended the Board of Administration appoint Ms. Butler to the Seattle City Employees' Retirement System Investment Advisory Committee effective February 13, 2014 for a two year term.

Investment Accounting Summary Report – December 2013

Mr. Nakatsu reported December 2013 was a positive month. The Total Portfolio had a market value of \$2.2 billion. The Plan change in market value was up 1% for December and up 13.6% for year to date. The estimated funding ratio on a marked to market basis was 69.9%.

The Board members discussed fiduciary responsibilities in regards to understanding what is expected of the Board and how much they should rely on the Investment Advisory Committee, the Investment Consultant and the SCERS staff. The Board stated having SCERS staff evaluate the investments and engaging the Investment Advisory Committee and the Investment Consultant as needed, supports the Board.

The Board of Administration legal counsel stated that this process fulfills the Board's fiduciary responsibilities.

Motion: Upon motion by Nick Licata, seconded by Susan Coskey, the Retirement Board of Administration authorized SCERS staff to issue a RFP for a Discretionary Private Equity Manager as recommended by the Investment Committee.
The motion carried unanimously.

Motion: Upon motion by Nick Licata, seconded by Glen Lee, the Retirement Board of Administration approved the revision of Section 4.A of the Investment Policy and Procedures. The revisions include: (1) adjust the long-term targets to reflect the Board's latest allocation decisions; and (2) refine the rebalancing ranges to account for the use of SCERS' new asset overlay service as recommended by the Investment Committee.
The motion carried unanimously.

Motion: Upon motion by Nick Licata, seconded by Jean Becker, the Retirement Board of Administration authorized SCERS staff and PCA to implement two new Real Return component areas: (1) commodities; (2) infrastructure. Restructure absolute return component to a customized account, and approve the component weightings as follows:
Commodities 20%
Infrastructure (energy, environmental, power, etc) 20%
TIPS 40%
Absolute Return 20%
The motion carried unanimously.

Motion: Upon motion by Nick Licata, seconded by Jean Becker, the Retirement Board of Administration appointed Monica Butler to the Seattle City Employees' Retirement System Investment Advisory Committee effective February 13, 2014.
The motion carried unanimously.

Administrative Committee Meeting

The Administrative Committee met on January 21, 2014 at 2pm at the Seattle City Employees' Retirement System, 720 Third Avenue, Suite 900 (Pacific Building)

Committee members present: Jean Becker, Chair; Bob Harvey; Susan Coskey

Staff Present: Ken Nakatsu; Lisa Carns

Others present: Mike Monaco, Song Mondress Law Firm; Carlton Seu, City of Seattle Attorney's Office

Ms. Becker, SCERS Administrative Committee Chair reported the Administrative Committee met on January 21st to draft a SCERS Executive Director Evaluation process for the Board of Administration to review and approve. The Administrative Committee came to a consensus to evaluate the Executive Director as follows (1) key staff evaluation of the Executive Director; (2) Executive Director self-evaluation; and (3) Board Evaluation. Ms. Becker stated that the Board was provided a draft evaluation process outline, and the evaluation forms.

There was dialogue among the Board members and it was recommended to the Administrative Committee that they revise the evaluation process by expediting and abbreviating it.

Motion: Upon motion by Nick Licata, seconded by Susan Coskey, the Retirement Board of Administration approved the SCERS Executive Director Evaluation process subject to the Seattle City Employees' Retirement System Administrative Committee adjusting the process as they see fit for the Interim Executive Director and to modify and distribute the forms to SCERS key staff, Board Members, and the Interim Executive Director.
The motion carried unanimously

Executive Director Report

Mr. Nakatsu provided the Board of Administration with the Work Plan updates. The updates included:

- Board of Administration 2014 Election-the retired seat (currently held by Lou Walter) is up for election in 2014.
- Experience Study – the Experience Study will be conducted in 2014.
- Pension Administration System - the operation needs will be defined for the Pension Administration System RFP.
- Chief Investment Officer position – the position is close to being reclassified and the exemption status needs to be approved by City Ordinance.
- Strategic Plan – SCERS staff have hired a consultant to assist with developing and finalizing the Seattle City Employees' Retirement System Strategic Plan.
- 2013 Annual Report – SCERS staff are ahead of schedule.

- City Auditor: Implementation and Recommendations – Mr. Tim Morrison is working on the code revisions and is in discussions with legal counsel on addressing the inconsistencies, removing out of date material and ensuring the code is more readable.
- CRM project – Ms. Claire Foster is the project lead. Implementation is scheduled for April 2014.
- Investment Policies and Procedures – due to the Investment Consultant change; the deadline has been delayed in order to obtain advice from the new consultant.
- Asset Overlay Service – Mr. Nakatsu reported there has been a delay with implementing this service due to contract negotiations. Mr. Lee, SCERS Board member stated that the overlay service is a critical component and the implementation of the services is a priority. Mr. Carlton Seu, Seattle City Attorney’s Office stated the contract should be finalized by the end of the week.

After dialogue concerning the delay in contract negotiations for the Asset Overlay Services the Board came to a consensus that if the contract was not finalized by end of week that a meeting including selected Board Members, Mr. Seu, and SCERS staff should be scheduled immediately to determine what actions are needed.

SCERS Operations Report

Mr. Jeff Davis, SCERS Chief Finance/Operations Officer reported that SCERS staff is compiling data for the year-end processes for Milliman, the Annual Financial Report and the upcoming Experience Study.

Mr. Davis further reported that SCERS staff will begin Budget proposal discussions with the Board in the upcoming months.

Cash Management

Mr. Davis reported that over the past year there have been many discussions with the Board of Administration about cash management. The Board of Administration requested SCERS staff to develop and propose a Cash Management strategy.

Mr. Tim Morrison, SCERS staff presented the Board of Administration with three options to consider and brief explanations for each option. The options included:

- Option 1: Minimize liquidation of SCERS’ investments
- Option 2: Maintain an average yearly balance of zero
- Option 3: Maintain an average monthly greater than zero

Mr. John McCoy, with Legislative Staff recognized the excellent work SCERS staff has done on this project but requested the Board to table this item for further review.

There was dialogue related to proposed options and possible policy variations to consider.

The Board came to a consensus to proceed with a vote to minimize liquidation of SCERS’ investments allowing staff to pursue refinement of the option.

Motion: Upon motion by Nick Licata, seconded by Glen Lee, the Retirement Board of Administration approved the cash management approach that minimize the liquidation of SCERS’ investments, consistent with the 90 day limit for using the central cash pool.
The motion carried unanimously

Ms. Susan Coskey, SCERS Board member left the meeting at 10:50am.

Councilmember Licata asked if there was any other business to come before the Board before entering into Executive Session. There were none.

The Board of Administration entered into Executive Session at 10:50am for 10 minutes to discuss a legal matter and a Disability Retirement Application.

Executive session ended and the meeting resumed to public session at 11am.

Motion: Upon motion by Nick Licata, seconded by Sherri Crawford, the Retirement Board of Administration concurred with Mr. Mike Monaco's, Song Mondress Law Firm recommendations to have the possible beneficiaries of Mr. Scott Morgan's retirement benefits attempt to resolve their claims.
The motion carried unanimously

Motion: Upon motion by Nick Licata, seconded by Sherri Crawford, the Retirement Board of Administration denied Mr. David Lizotte's disability retirement application.
The motion carried unanimously

Adjournment

The meeting adjourned at 11:15am

Susan Coskey, Secretary