



MINUTES

Board Members Present: Councilmember Nick Licata, Chair; Susan Coskey; Glen Lee; Jean Becker; Sherri Crawford; Bob Harvey

Board Members Absent: Lou Walter

SCERS Staff Present: Ken Nakatsu; Jeff Davis; Claire Foster; Tim Morrison; Tony Smith; Jill Johnson; 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; Ken Yaeger, Member; John McCoy, Legislative Staff

Councilmember Licata called the meeting to order at 9:05am.

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

The Board of Administrative requested Councilmember Burgess attend the meeting in order to express their appreciation for his service as Board Chair to the Seattle City Employees' Retirement System the past two years (2012-2013).

Administrative Consent Agenda

Minutes:

Provided in the Retirement Board packet was the minutes from the February 13, 2014 Retirement Board regular meeting.

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

Service	\$ 11,264,460.29
Beneficiary	\$ 918,869.80
Disability	<u>\$ 73,726.88</u>
Pension Payroll – PPE February 28, 2014	\$ 12,257,056.97
 Office Payroll – PPE February 11 and 25, 2014	 \$114,569.58
 Vouchers Processed – February 28, 2014	 \$453,671.29
*Expert and Consultant Services – \$45,552.50	
*Investment Management Fees – \$253,018.11	
*Interdepartmental Charges - \$106,924.24	
*Miscellaneous - \$30,176.44	

Immediate Withdrawals of Contributions for the month of February 2014:

Member Name	Department Name	Position
Bernstein, Darryl S (Active Death)	Seattle Center	Usher
Chin, Leroy M	FAS	Treasury Cashier
Gunter, Anthony H	FAS	Pntr
Holloway, Brian W	SDOT	Civil Engr Sr
Huang, Ted N	City Light	Student Engr
Jeffries Jr, Stephen (Active Death)	SPU	Drainage&WW Lead Wkr
Johnston, Jerry-Mac	Seattle Center	Accountant, Prin
Naten, Kimberley A	Police	Admin Staff Asst
Patel, Jason B	Police	Comm Dispatch I
Pretlow, Cecelia M	FAS	Acctg Tech II
Schlag, Mykael R	City Light	Mgmt Sys Analyst, Sr
Somera, Enrique R	HSD	Reg Nurse Consultant
Van Winkle, Robert L	SDOT	Accountant, Prin
Vatne, Katarina A	Library	Coordin Lib Assoc

Member Name	Department Name	Position
Voltin, Amy P	FAS	Animal Control Ofcr
Wills, Teresa M (Active Death)	SPU	Meter Reader

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

Withdrawals for a total of: **\$539,444.58**

Ratification of Service Retirements for February:

Retiree	RetireDt	Age	Years	Days	DeptName	Position
Albertson,Ann A	1/29/2014	66	39	291	City Light	Elect Svc Rep, Supvsng
Berg,Patricia A	1/15/2014	62	7	320	City Light	Graphic Art Designer
Cofer,William	1/7/2014	64	38	221	City Light	Pwr Structs Mech CC
Cox,Charles R	1/22/2014	55	31	105	PublicUtil	Manager 2, Info Tech
Demick,Judy A	1/9/2014	70	21	271	City Light	Ofc Equip Op
Fruehling,Sandra L	1/25/2014	66	10	46	Human Svcs	Admin Support Supv - BU
Harris,Sally L	1/21/2014	62	8	10	Police	Vested
Hendrix,Linda J	1/8/2014	57	32	215	SDOT	Radio Dispatcher
Hooper,Richard C	1/3/2014	66	33	302	EXEC DEPTS	Executive 3
Hubert,Linda W	1/15/2014	62	37	315	Parks Dept	Manager 2
Israel,Gina A	1/15/2014	53	28	280	Police	Strat Advr 2
Jewell,Christopher L	1/15/2014	55	10	224	Parks Dept	Strat Advr 2
Laurance,James	1/29/2014	67	17	83	SDOT	Heavy Truck Driver
Ling,Shu Chen L	1/15/2014	58	23	77	City Light	Civil Engr Spec Asst III
McKinney,Kevin M	1/9/2014	59	22	256	Police	Parking Enf Ofcr
Miller,Suzi M	1/8/2014	67	21	1	City Light	Warehouser, Chief
Minato,Michael	1/8/2014	63	32	357	FAS	Auto Maint CC
Mitchell,James E	1/29/2014	65	6	352	City Light	Civil Engr Spec, Asst II
Murray,Cheryl A	10/30/2013	62	24	310	Sea Center	Vested
O'Day,John E	1/8/2014	65	39	279	FAS	Auto Mechanic, Sr
Paquette,Ronald W	1/29/2014	62	9	257	Parks Dept	Lead Tree Trimmer
Plumridge,Christopher N	1/3/2014	66	9	135	Library	Library Assoc I
Purainer,Emmy B	1/27/2014	66	41	17	PublicUtil	Actg Tech III -BU
Ramirez,Perlita R	1/29/2014	66	27	325	PublicUtil	Senior Accountant
Sage,Elizabeth	1/22/2014	63	10	52	VarDept	Vested
Santos,Barry M	1/3/2014	52	21	173	SDOT	Cement Finisher Sr
Sheets,John W	1/3/2014	65	41	191	Library	Librn
Sheldon,Ann C	1/15/2014	76	29	134	City Light	Admin Spec II
Walker,Carol A	1/17/2014	54	21	25	Law Dept	Paralegal Assistant II
	Average	63	24	19		
	Median	63	23	221		

For the month of February 2014: 62 new Members entered the System, 27 terminations, 28 Members retired in the System, 13 Members removed (\$16,260.37), 1 D/E Option, 2 F Option, and 10 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 Bob Harvey the Retirement Board of Administration approved the Administrative Consent Agenda.

- Minutes of the February 13, 2014, Board Meeting
- Ratification of Retirement Payroll, Office Payroll, Other Payments and Withdrawals
- Ratification of Service Retirements for the month of February 2014

The motion carried unanimously.

Investment Committee Report

The Investment Committee met on February 27, 2014 at 10:30am at the Seattle City Employees' Retirement System, 720 Third Avenue, Suite 900 (Pacific Building)

Committee members present: Lou Walter, Committee Chair; Nick Licata; Glen Lee; Jean Becker; Susan Coskey

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

Others present: Neil Rue, PCA; John McCoy, Legislative Central Staff; George Emerson and Tom Kirn, FAS

Mr. Smith provided the Board of Administration with a recap of the Investment Committee on February 27, 2014. The items presented are outlined below:

SCERS 4Q 2013 Performance Report

The 4Q 2013 Performance Report was presented to the Investment Committee. The total portfolio has a value of \$2.221 billion as of December 31, 2013. In absolute terms, the portfolio gained 5.1% for the quarter and 15.5% for the year. Relative to the Policy Benchmark, returns were flat for the Quarter and down 50 basis points for the year. Relative to The Median Public Fund, the portfolio outperformed for the quarter and the year. The portfolio remained underweight to the policy weight target for the private equity asset but was within target policy ranges for the other asset classes.

PIMCO Pathfinder Watch List

PCA recommended that the Investment Committee place the PIMCO Pathfinder account on watch list status. The reason is due to a few key staff departures.

Investment Advisory Committee 2013 Annual Report

The Investment Committee was provided the Investment Advisory Committee 2013 Annual report. The report included the 2013 major developments and 2014 recommendations. SCERS staff responded to the Investment Advisory Committee indicating how SCERS addressed their recommendations.

Mr. Nakatsu noted that the Investment Advisory Committee's Annual Report is a state law requirement.

Investment Accounting Summary Report – January 2014

The Investment Summary for January 2014 had a market value of \$2.2 billion. The change in market values of the plan's asset classes moved in line with the markets. SCERS received net distributions from the private equity managers. The final investment for AEW was completed in January. A Heitman capital call is scheduled for 2Q 2014.

General Investment Consultant

The two finalist chosen for the Investment Committee to interview were Wilshire and NEPC. The firms presented to the Investment Committee on February 27th. Following the presentations the Investment Committee discussed both firms. The Investment Committee was in favor of NEPC contingent on SCERS staff following up on the following:

1. What service would be covered under the original fee amount quoted
2. What would Allan Martin commitment to the NEPC team
3. Is NEPC amendable to SCERS Staff having direct access to NEPC subject matter experts (research analysts, in-house actuaries, etc.)

Mr. Smith reported that the services required are covered under the original fee amount NEPC quoted, Mr. Allan Martin committed to attending at least 50% of the SCERS meetings, and staff will have access to NEPC subject matter experts.

Mr. Nakatsu further reported that the Investment Committee questioned the term of the contract and inquired about the potential to reduce from a 5 to 3 year term. Although that is possible it is recommended SCERS go with a 5 year contract with the provision to terminate contract at any time the SCERS Board of Administration may see fit.

Ms. Coskey requested that the contract also include that Mr. Martin commit to being an integral part of the consulting team as well as attending the meetings, and that he is identified as a key person in the contract.

There were discussions about the unfunded liability, ARC and expected rate of return. SCERS staff stated that the Experience Study and Actuarial Study will outline the numbers for the Board.

Motion: Upon motion by Nick Licata, seconded by Jean Becker, the Retirement Board of Administration accepted the Seattle City Employees' Retirement System 4th Quarter 2013 Performance Report as recommended by the Investment Committee. The motion carried unanimously.

Motion: Upon motion by Nick Licata, seconded by Bob Harvey, the Retirement Board of Administration approved placing PIMCO Pathfinder on Watch List status 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 accepted the Investment Advisory Committee's 2013 Annual Report. The motion carried unanimously.

Motion: Upon motion by Nick Licata, seconded by Sherri Crawford, the Retirement Board of Administration approved the selection of NEPC as the Seattle City Employees' Retirement System General Investment Consultant, and authorized the Executive Director to pursue contract negotiations. The motion carried unanimously.

Administrative Committee Report

The Administrative Committee met on February 13, 2014 at 1pm at the Seattle City Employees' Retirement System, 720 Third Avenue, Suite 900 (Pacific Building)

Committee members present: Jean Becker, Chair; Sherri Crawford

Staff Present: Ken Nakatsu; Jeff Davis; Lisa Carns

Others present: Mike Monaco, Song Mondress Law Firm

Ms. Becker reported that the Board of Administration and key staff were provided and requested to complete a performance review on Mr. Nakatsu. The Board will enter into Executive Session at the end of the meeting to review and perform the Executive Director's performance evaluation.

Executive Director Report

Mr. Nakatsu thanked Lisa Carns for her service to the Seattle City Employees' Retirement System.

Ms. Becker also thanked Lisa for supporting the Board of Administration.

Mr. Nakatsu provided the Board of Administration with an update on the Work Plan. The updated included the following:

- Mr. Bob Harvey will be reappointed to his current seat on the Board of Administration for a three year term.
- SCERS staff will present a preliminary 2015-16 Budget to the Board at the April meeting.
- The Chief Investment Officer position has been classified and is scheduled to be presented to City Council for Ordinance approval 2Q 2014. Mr. Nakatsu stated at that time they would begin recruiting for the position. The Board questioned if it was possible to obtain approval before 2nd Quarter. Mr. John McCoy, Legislative Staff stated he would look into expediting the Ordinance.
- SCERS hired a consultant to assist with the Strategic Plan Values and Goals.
- The Customer Service Management system is scheduled to be implemented in April. System testing begins the week of March 17th.
- The Asset Overlay Program began operating on March 1, 2014.
- SCERS staff's objective is to issue the Private Equity RFP posted on or before Monday, March 17th. The selected finalists will present to the Investment Committee at the May 29th meeting.

Ms. Coskey questioned the SCERS staff's Performance Evaluation timeline and recommended that SCERS management conduct the reviews before the end of April. Mr. Nakatsu stated the reason for the delay is due to other priority objectives. Mr. Nakatsu stated the performance evaluations will be completed by the end of April if not before.

New Business

The Board of Administration selects and appoints the at-large member seat for a three-year term. The seat is currently held by Mr. Bob Harvey.

Motion: Upon motion by Nick Licata, seconded by Jean Becker, the Retirement Board of Administration appointed Mr. Bob Harvey to serve on the Seattle City Employees' Retirement System Board of Administration in the at-large member seat for a 3-year term (expiring on June 30, 2016). Mr. Harvey abstained from vote. The motion passed.

SCERS Operations Report

Mr. Davis reported on the following operation items:

- SCERS staff will present baseline Budget proposals to the Board of Administration at the April Board meeting.
- The member statements will be issued the month of March.

Mr. Davis thanked Lisa Carns for her service to the Seattle City Employees' Retirement System.

Mr. Davis also thanked Mr. John McCoy for his service.

Ms. Claire Foster reported on the following IT projects:

- The implementation of CRM is on schedule. The system will enhance the management of customer service, provide visibility of the work load, and secure files. The selected staff will begin testing the week of March 17th and training for all staff will be provided mid-April.
- SCERS staff is continuing to improve the Retirement Information System. The latest enhancement focused on reporting. All changes entered in the system is now tracked which improves the security of records.
- The Pension Administration System RFP is on track as scheduled. The objective is to issue an RFP in October 2014 and have a vendor on board May 2015.

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

The Board entered into Executive Session at 9:50am to discuss a personnel matter for 30 minutes.

It was announced at 9:20am that the Executive Session was extended an additional 30 minutes.

Public session resumed at 10:40am.

There were no motions.

Adjournment

Motion: Upon motion by Nick Licata, seconded by Bob Harvey, the Retirement Board of Administration voted to adjourn the meeting at 10:40am.

Susan Coskey, Secretary