



Seattle City Employees' Retirement System
Board of Administration Meeting
 Thursday, July 10, 2014 @ 9:00 a.m.
 720 Third Avenue, 9th Floor (Pacific Building)
 (206) 386-1293

MINUTES

Board Members Present: Chair Nick Licata, Lou Walter, Robert Harvey, Glen Lee, Sherri Crawford, Jean Becker, Susan Coskey (9:04 a.m.)

SCERS Staff Present: Ken Nakatsu, Jeff Davis, Tony Smith, Jill Johnson, Claire Foster, Tim Morrison, Carmen Valerio

Others Present: Gavin Park, Song Mondress Law Firm; Carl Seu, Seattle City Attorney's Office; Tom Kirn, FAS, Florence Katz; City Personnel, Erik Sund, Legislative; Jennifer Senta, Milliman, Nick Collier, Milliman, Charles Primm Local 17

Call to Order Chair Nick Licata called the meeting to order at 9:00 a.m.

Public Comment: The Seattle City Employees' Retirement System Board of Administration welcomes comments from the public at regular meetings. Each speaker is limited to two (2) minutes total speaking time, regardless of the number of items of he/she wishes to address.

Public Comment:
No public comment.

Administrative Consent Agenda

Minutes:
Provided in the Retirement Board packet was the minutes from the June 12, 2014 Retirement Board regular meeting. The following items represent normal expenses and nothing extraordinary.

Motion: Upon motion by Councilmember Nick Licata, seconded by Jean Becker, the Board of Administration accepts the Administrative Consent Agenda. The motion carried unanimously (6-0).

Call to Order

1. **Administrative Consent Agenda**
 - a. Minutes
 - b. Ratification of Retired Payroll, Office Payroll, Other Payments and Withdrawals:

The following items represent normal expenses and nothing extraordinary.

Service	\$11,474,319.63
Beneficiary	\$918,246.29
Disability	\$73,048.39
Pension Payroll – PPE June 2014	\$12,466,214.31
Office Payroll – PPE June 3 and June 17, 2014	\$111,923.52
Vouchers Processed –June 30, 2014	
*Expert and Consultant Services – \$29,675.40	
*Investment Management Fees – \$454,392.77	
*Interdepartmental Charges - \$106,179.06	
*Miscellaneous - \$26,864.59	

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Immediate Withdrawals of Contributions for the month of June 2014:

Member Name	Department Name	Position
Blank, Scott D	City Light	Lnwkr
Canono, Patrick	Library	Lib Assoc II
Corum, Marcia A	City Light	Admin Spec II
Cwinar, Julie T	Law	City Attorney Asst
Daugherty, Glenn L	Seattle Center	Stage Tech
Dequoy Jr, Bruce E	Seattle Center	Stage Tech
Edlefsen, Carol L	Library	Librn
Galarpe, Bill S	Muni Court	Marshal
Hoover, Laura S	Personnel	Admin Spec I
Ledet, Suzette M	Library	Lib Assoc IV
Leevey, Darlene M	DoIT	Computer Op, Sr
Lynch, Brian P	SPU	Wte Pipe Wkr
Morgan, Scott N	City Light	Line C CC
Phillips, Jessie M	Police	Strat Advr 2
Rochon, Anne M	HSD	Counslr
Rutter, Thomas H	HSD	Prgm Supv Sr
Seeber-Reynolds, Rhea V	FAS	Personnel Spec Sr
Stamboulieh, Latif N	Seattle Center	Usher
Sterkel, Meagan L	Library	Mats Distib Spec
Zherebchuk, Surge	FAS	Animal Ctrl Offcr II

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

Withdrawals for a total of: \$801,476.98

c. Ratification of Service Retirements

The following list represents the retirements that have been processed since the last Retirement Board meeting.

Retiree	RetireDt	Age	Years	Days	DeptName	Position
Anderson, Wayne L	6/2/2014	53	30	235	SDOT	Truck Driver
Bryant, Sally J	5/15/2014	55	26	364	Police	Parking Enforcement Offcr
Callahan, Ellen L	5/21/2014	60	6	9	Vested	Vested
Chapa, Omar	6/3/2014	65	6	301	PublicUtil	Personnel Spec, Sr
Frith, Richard S.	6/4/2014	63	21	62	Parks	Sr Real Property Agent
Harwood, John R	6/4/2014	63	30	363	PublicUtil	Sr Constr & Maint Equip Op
Hill, Melissa J	6/4/2014	65	27	337	PublicUtil	Sr. Civil Engrng Specialist
Humber, Linda	6/4/2014	66	17	153	PublicUtil	Admin Staff Asst
Kirlin, Vincent J	6/2/2014	61	23	223	FAS	Bldg Operating Engr
Kuper, Janice K	5/9/2014	62	8	342	Vested	Vested
Lau, Jeany I	6/4/2014	60	29	32	PublicUtil	Strat Advr I
Long, Cheryl R	6/4/2014	63	22	317	FAS	IT Prof C
Mills, Lynn C	6/4/2014	63	13	236	City Light	Manager 3
Puente, Jessica	6/2/2014	68	24	76	Vested	Vested
Rackowski, Paula S.	6/4/2014	57	27	97	FAS	Admin Spec I
Remme, Lanny J	6/4/2014	67	6	207	Muni Court	Admin Spec II
Rolstad, Jerry E	6/4/2014	66	42	225	SDOT	Constr & Maint Equip Op
Safford, June E	6/4/2014	52	20	328	PublicUtil	Util Acct Rep I
Sarsfield, Craig R	5/24/2014	62	5	129	Vested	Vested

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Taylor-Dupont, Gail N.	6/4/2014	66	20	266	Light	Accounting Tech II
Thies, Gregory J	6/3/2014	64	16	210	Vested	VESTED
Troyer-Merkel, Marian	6/3/2014	65	28	178	Police	Manager 3
Wegzyn, Susanna A	6/4/2014	64	31	205	City Light	Admin Spec II
	Average	62	21	218		
	Median	63	22	224		

For the month of June 2014: 47 new Members entered the System, 22 terminations, 23 Members retired in the System, 11 Members removed (\$15,613.01), 0 D/E Option, 2 F Option, and 0 over 60% benefit.

Final Audit Report – CliftonLarsonAllen

Mr. Davis presented in lieu of Mr. Thomas Ray. Mr. Davis reminded the Board of Mr. Thomas' presentation at the June 12th meeting of the analysis of SCER's financial performance during the years December 31, 2012 and December 31, 2013. Mr. Davis reported a procedure will be established for monthly and mid-year reporting. Mr. Lee acknowledged that it is a problem completing the annual report and thanked Mr. Nakatsu and Mr. Davis for their work. Mr. Davis mentioned that the new procedure will involve more work on a monthly basis but will save time at the end of the year.

Motion: Upon motion of Councilmember Licata, seconded by Jean Becker, the Board of Administration accepts the 2013 Year-End Audited Financial Statements as presented by SCERS Staff and CliftonLarsonAllen, LLP. The motion carried unanimously (7-0).

Valuation Study – Milliman

Jennifer Senta and Nick Collier with Milliman presented the January 1, 2014 Actuarial Valuation study. The fund ratio increased from 63.5% in 2013 to 64.2% in 2014. The ARC for January 1, 2014 is 25.76% compared to 24.34% January 1, 2013. Unfunded actuarial accrual liability January 1, 2014 increased to \$1,165.8M compared to \$1,105.2M in January 1, 2013. Active membership increased by 1.6%. Ms. Senta mentioned the funding ratio on January 1, 2014 on a "market to market" basis was 68%.

Motion: Upon motion of Lou Walter, seconded by Bob Harvey, the Board of Administration accepts the January 1, 2014 Actuarial Valuation Report as presented by Milliman. The motion carried unanimously (7-0).

Credit Interest – (SCERS' Staff)

Staff presented a memo that included the recommendation that the Board set the 2015 interest rate for contributions received after December 31, 2011 according to the method used for the last two years; making the rate equal to the average yield on 30-year U.S. Treasury Bonds during the mostly recently preceding June 1 to May 31 period. Following this practice would result in a rate of 3.66% in 2015, up from a rate of 2.91% in 2014. The memo pointed out that the Board's 2011 credit interest policy established a "policy target" for the rate of the Treasury Bond rate plus 0.25%. The policy target was met in 2012, but not in 2013 and 2014 when the Treasury Bond rate without the 0.25% increment was used. Board members raised question about this difference. The decision about the 2015 rate was deferred until the August meeting, at which time the Board requests that it be provided with:

- Information about credit interest practices at peer person systems;
- The history of the union position on the policy as adopted in 2011 and executed in 2012 and 2013; and
- A recommendation for a rationale for setting the rate that can be consistently applied from year to year.

Investment Committee Report (Tony Smith)

Investment Accounting Summary Report – May 2014

- a. As of May 31, 2014, the Total Portfolio had a market value slightly more than \$2.3 billion. The change in market values of the plan's asset classes generally moved in line with the markets.

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- b. The Portfolio's change in market value rose 1.9% in May and 4.2% year-to-date. The funded ratio was approximately 71% as of the end of May.
- c. We received net distributions of approximately \$908k from the private-equity managers. This includes a capital call from Harborvest of \$337,500. Distributions from real estate totaled approx. \$408k.
- d. The cash overlay program contributed \$440k in May.

Administrative Committee Report (Jean Becker)

Ms. Becker explained that the development of the strategic plan began at the Board retreat last December. The Board developed the vision and mission statements, a list of values, and a preliminary set of goals. In early 2014 the Board directed staff to continue this work and return to the Board with a completed set of goals and strategies. With support from a consultant, this work was undertaken as an all-staff project. In addition to drafting goals and strategies, staff added two values to the list and wrote descriptive statements for each value. Strategies were renamed "initiatives". For the most part, these initiatives were aligned with the items on monthly work plan. The Administrative Committee reviewed staff work at the June 12th meeting. Ms. Becker said that the plan should be viewed as an internal document. Ms. Coskey asked that "strategic plan" be removed from the title of the document and that "performance" (in the sense of financial performance) be added as a value. Mr. Harvey asked that the phrase "exceptional customer service" be defined. Ms. Becker asked that the Board accept the document as a draft with the two changes requested by Ms. Coskey.

Motion: Upon motion of Jean Becker, seconded by Sherri Crawford, the Board of Administration accepts the strategic plan draft submitted by staff with the following changes:

- The words " Strategic Plan" are removed from the title; and
- "Performance" shall be added to the list of values

The motion carried unanimously (7-0).

Executive Director Report (Ken Nakatsu)

SCERS's Work Plan (shifted timelines on plan),
General Investment Consultant Policy
Office Space

Councilmember Licata read the draft proposed General Investment Consultant Policy. Ms. Coskey suggested that the policy be broadened to apply to all of SCERS' consultants. The draft policy was for informational purposes only to the Board and will be formally considered at the August 14 meeting.

Office Space- At the December SCERS work session, it was suggested that it would be beneficial to members to move SCERS to the Seattle Municipal Tower (SMT). SCERS' lease runs through 2021. SCERS would pay a cancellation fee if SCERS moved before 2021. Facilities Administration Services is optimistic they can find a new tenant for the Pacific Building space and SCERS would not need to pay the cancellation fee. The move would cost an additional \$40,000 per year. The commitment to relocate might need to be made soon. Ms. Crawford suggested the Board authorize Mr. Nakatsu to move forward with negotiations and other board member concurred.

SCERS Operations/Finance

SCERS Operations Project Updates (Jeff Davis)
Due to time, there was no report.

Nick Licata departed at 10:25 a.m.

Susan Coskey departed at 11:02 a.m.

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The Board reserves the right to enter into executive session if necessary

Executive Session

Retirement Disability

The Board of Administration entered into Executive Session at 11:14am to discuss a matter relating to a disability retirement request. Executive Session concluded at 11:16.

Motion: Upon the motion by Glen Lee, seconded by Bob Harvey, the Board of Administration approved the Disability Retirement for Shirley Banda (5-0).

Adjournment

Motion: Upon motion by Lou Walter, seconded by Bob Harvey, the Board of Administration votes to adjourn the meeting (5-0).

Adjournment

The meeting adjourned at 11:20 a.m.