



MINUTES

Board Members Present: Councilmember Nick Licata, Chair; Lou Walter; Susan Coskey (via phone); Glen Lee (9:12 a.m.); Jean Becker

SCERS Staff Present: Ken Nakatsu; Jeff Davis; Jill Johnson; Claire Foster; Tim Morrison; Nina Melencio

Others Present: Mike Monaco, Song Mondress Law Firm; Jeff Slayton, Seattle City Attorney's Office; Tom Kirn, FAS; George Emerson, FAS; Erik Sund, Council Central Staff; Florence Katz, SDHR; John Massey, ARSCE.

Councilmember Licata called the meeting to order at 9:03 a.m.

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 August 14, 2014 Retirement Board regular meeting.

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

Service	\$11,559,275.95
Beneficiary	\$935,344.11
Disability	\$75,295.38
Pension Payroll – PPE August 31, 2014	\$12,569,915.44

Office Payroll – PPE August 12 and August 26, 2014 **\$136,300.68**

Vouchers Processed –August 31, 2014

- *Expert and Consultant Services – \$153,700.88
- *Investment Management Fees – \$800,816.65
- *Interdepartmental Charges - \$106,700.78
- *Miscellaneous - \$165.88

Immediate Withdrawals of Contributions for the month of August 2014:

MEMBER	Department Name	Position
Boswell, Joseph S	Sea Ctr	Laborer
Burkes, Rhonda Leigh	Personnel	Actg Tech III
Doolittle, Gary Wayne	LIB	Sr. Mgmt Sys Anly
Ferguson, Karen Melissa	Personnel	Admin Spec I
Harvey, Steven P	Parks	Exhibits Tech
Hollingsworth, Yvonne R	Parks	Rec Attendant
Mack, Terrance D	SPU	Util Act Rep I
Mares, Kathy L	SDOT	Manger 3
McDonald, Frank E	SPU	Manger 3
Mesec, Rose	FAS	Carpenter
Moseray, Magnus C	Parks	Rec Attendant
Mullarkey, Theresa Espina	FAS	StratAdvsr 1
Muwanguzi, Christabel	HSD	Registered Nurse
Naples-Smith, Orianna R	Parks	Cashier

Page, David S	CBO	Fin Anlyst
Popochock, Heidi Shamelle	SDOT	Fin Anlyst Sr
Pratt, Steven D	SDOT	Executive 2
Smith, Juanda Rene	Sea Ctr	Admin Spec II
Truelove, Kerry	SPU	Util Act Rep I
Wolfe, Hill L	SPU	Util Act Rep Trne

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

Withdrawals for a total of: \$697,599.17

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
Alderete, Mary L	7/16/2014	67	27	21	Parks Dept	Admin Staff Anlyst
Birkland, Ila G	7/8/2014	67	47	146	Police	Admin Spec II - BU
Brazel, Eleonore E.	7/30/2014	67	26	364	Light	Executive Assistant
Cheng, Lennon W	7/8/2014	65	16	0	SDOT	Sr. Civil Engineer
Ernsdorff, Corrie S	7/30/2014	65	30	33	Parks Dept	Actg Tech III - BU
Ferrell, Jennifer P	7/6/2014	62	7	247	Vested	Vested
Ferrer Jr., Eddie S	7/7/2014	60	11	231	EXEC DEPTS	Info Technol Sysys Anlyst
Gilliam, Beverly J	7/29/2014	60	16	18	Vested	
Hargrave, Margarite D	7/16/2014	63	15	165	Parks Dept	Special Events Scheduler
McRae, Vernon L	7/9/2014	69	21	51	Police	Equip&Facils Coord, Sr.
Reynolds, Maureen E	7/29/2014	55	26	28	Police	Pol Comms Dispatcher, Chief
Richardson, Earl	7/26/2014	66	19	138	Vested	
Roberts, Gregory A	7/16/2014	64	1	279	FIRE	Executive 2
Salley, Sylvester T	7/16/2014	57	32	314	Sea Center	Painter CC
Schley, Charles (Ex)	7/8/2014	62	23	339	Police	Admin Spec I
Schnad, Michael R	7/4/2014	64	40	207	SDOT	Aboriculturist
Searing, Betsey L.	7/9/2014	61	28	355	Parks	Landscaping Supervisor
Snow, Paul F.	7/16/2014	67	5	277	HSD	Counselor
Sparks, Regina R	7/8/2014	58	13	364	Muni Court	Admin. Specialist

Speer, Thomas E	7/12/2014	66	8	234	InfoTech	Video Specialist II
Sutherland, G. Bruce	7/30/2014	68	2	53	Vested	vested
Thompson, James C	7/30/2014	66	27	73	DPD	Housing/Zoning Inspector Supv
Underwood, Sharron K.	7/8/2014	70	23	339	SPD	Admin Spec I-BU
Webster, Richard	7/15/2014	60	20	145	SPD	Victim Advocate
						Total Added to Monthly Pension
	Average	63.71	20.13	184.21		Average Pension Amount
	Median		20.5	186		Median Pension Amount

For the month of August 2014: 26 new Members entered the System, 38 terminations, 24 Members retired in the System, 4 Members removed (\$5,422.53), 0 D/E Option, 1 F Option, and 3 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 Lou Walter, seconded by Robert Harvey, Jr. the Retirement Board of Administration approved the Administrative Consent Agenda. (Unanimously, 5-0)

- Minutes of the August 14, 2014, Board Meeting
- Ratification of Retirement Payroll, Office Payroll, Other Payments and Withdrawals
- Ratification of Service Retirements for the month of August 2014

Credit Interest

Tim Morrison summarized the memo prepared for the meeting which gave two options to the board; one of which the staff is recommending. The first states that when the funded ratio is at or above 80%, we will provide .25% in addition to the average of the 30 year Treasury bond from June 1 to May 31. The second option has additional, broader criteria which give the Board greater discretion in making a decision about whether to grant the 0.25% increment.

The staff recommended the first option because it is simpler, clearer and easier for people to understand.

Executive Director Ken Nakatsu added that the first option mirrors provisions in existing code and that there was precedent.

Councilmember Licata made a motion to adopt the staff recommended option.

Jean Becker offered an amendment to the motion that would eliminate the 5.75% cap on the variable portion of the credited interest rate.

There was discussion on a potential third option in using 30 year treasury bonds, without a possible 0.25% increment but, also without the existing 5.75% maximum cap. Ms. Becker is concerned that members would be penalized by being capped. Board members had further clarifying questions so Mr. Morrison presented information that was reviewed at the August 2014 Board meeting which provided a historical review of the rate increases. The 5.75% rate cap was established in the 1970s.

Mr. Harvey supported Ms. Becker's option in removing the cap (Mr. Walters indicated he prefers to maintain the current policy).

Mr. Morrison mentioned that in the 1980s not having a cap would have given members double-digit interest credit, which could have significant impact on SCERS' funded status.

Councilmember Licata emphasized that the Board did not have analysis on the option of removing the cap.

Mr. Lee stated they needed the analysis to understand the effect of removing the cap on credit interest.

A decision was made to table the motion to give staff time to do the analytics.

Motion: Upon motion by Jean Becker, seconded by Robert Harvey, Jr., the Retirement Board of Administration tabled the motion to adopt a revised credit interest policy for all employee contributions received into the pension trust after December 11, 2011.

The motion carried unanimously (6-0).

Administrative Committee Report

Jeff Davis presented a summary of the Administrative Committee meeting held at its new time on August 28, 2014. The committee was joined by Mr. Lou Walters.

The committee discussed the desired dashboard and had many suggested possibilities. Mr. Davis said he would work on integrating their ideas into a single report.

The committee also discussed the Pension Administration System (PAS). Last year the board authorized the RFP. This is scheduled to go out in November 2014. Responses will come back to staff and will be evaluated. Staff will select one "apparent successful" vendor and present their recommendation to the Administrative Committee. The Administrative Committee would then vote on whether to forward the recommendation to the whole Board for approval to enter into negotiations and execute the contract.

The Board orally approved the recommend approach for selecting the PAS vendor.

Investment Committee Report

Jill Johnson presented a summary of the Investment Committee meeting held on August 28, 2014.

Introductions were made of Jason Malinowski as SCERS new Chief Investment Officer (starts with SCERS on October 22, 2014); NEPC representatives Don Stracke and Phil Nelson; and Investment Advisory Committee members Joseph Boateng, Alan Hess, Dwight McRae, and Monica Butler.

Mr. Stracke provided a Second Quarter SCERS Portfolio performance review as well a presentation on Unconstrained Fixed Income to the Investment Committee and Investment Advisory Committee. The Investment Advisory Committee and the Investment Committee members engaged in an in-depth discussion of this topic with the consultants from NEPC. They requested additional analyses showing the impact of adding an unconstrained strategy to both the fixed income portion of the Fund and the total Fund in general.

Mr. Stracke gave a brief educational presentation on Real Return.

Ms. Johnson gave an Investment Accounting Summary Report as of July 31, 2014 in which the Total Portfolio had a market value of approximately \$2.3 billion.

- The Portfolio's change in market value dipped 1.23% in July, resulting in a 4.15% increase year-to-date (down from 5.44% at the end of June). The funded ratio was 68.72% as of the end of July.
- We received net distributions of approximately \$193k from the private-equity managers.
- The cash overlay program detracted (for the first time) approximately \$350k in July, but accomplished its primary goal of minimizing the deviation between the plan's physical portfolio versus that of the policy portfolio.

Executive Director Report

Ken Nakatsu stated that the City's law department has executed an agreement with a litigation monitor who had approached SCERS. Litigation monitors are law firms that provide services without charge. Some pensions use multiple firms and we may engage others in future. Mr. Walters stated that NCPERS recommended the use of litigation monitors for monitoring portfolios.

Mr. Nakatsu summarized changes in the revised work plan that was included in the meeting packet. Notable changes are highlighted in yellow.

Claire Foster gave a technology update which included starting a project to image member files.

Councilmember Licata asked that we add a key to the Work Plan to indicate which goals the numbers on the work plan refer to e.g., "1" was "Customer Service", "2" was "Technology", and "3" was "Investment".

Mr. Harvey asked if there was an update on SCERS moving to another space.

Mr. Nakatsu responded that there was no new information. SCERS would like to move to the Seattle Municipal Tower (SMT), but there is a domino effect. FAS is aware of SCERS' needs but there is no specific plan for moving.

Adjournment

Motion: Upon motion of Lou Walters, seconded by Jean Becker, The Retirement Board of Administration Voted (6-0) to adjourn the meeting.

The meeting adjourned at 10:10 a.m.

Susan Coskey, Secretary