



**Seattle City Employees' Retirement System  
Board of Administration Meeting  
720 Third Avenue, 9<sup>th</sup> Floor (Pacific Building)  
(206) 386-1293**

Minutes of Thursday, March 12, 2015

**Board Members Present:** Nick Licata (Chair), Glen Lee (arrived at 9:10 a.m.), Jean Becker, Lou Walter (called in at 9:07 a.m.), Robert Harvey, Jr., Sherri Crawford, Susan Coskey (arrived at 9:04 a.m.)

**SCERS Staff Present:** Ken Nakatsu, Jeff Davis, Jason Malinowski, Tony Smith, Jill Johnson, Nina Melencio

**Others Present:** Tom Kirn (FAS), George Emerson (FAS)

Nick Licata, Committee Chair, called the meeting to order at 9:00 a.m.

Mr. Licata asked if there was anyone present who wanted to make a public comment.

There was no public comment.

**Administrative Consent Agenda**

**Minutes:**

Provided in the Retirement Board packet was the minutes from the February 12, 2015 Retirement Board regular meeting.

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

<b>Service Beneficiary Disability</b>	\$12,033,619.65 935,920.90 <u>77,965.58</u>
<b>Pension Payroll – PPE February 2015</b>	<b>\$13,047,506.13</b>
 <b>Office Payroll – PPE February 10 and 24, 2015</b>	 \$163,189.44
 <b>Vouchers Processed – February 2015</b>	
• Expert and Consultant Services	\$ 41,087.96
• Investment Management Fees	\$ 304.64
• Interdepartmental Charges	\$113,274.33
• Miscellaneous	\$ 8,963.32

**Immediate Withdrawals of Contributions for the month of February 2015:**

MEMBER	Department Name	Position
Becker, Laura Elizabeth	Arts	Arts Prgm Spec, Sr
Berens, Donald L	City Light	Line Worker
Burke, Steven J	King Cty	Heath
Christensen, Corby	Parks	Park Ranger
<b>Esqueda, Joaquin P</b>	Legal	Legal Asst, Sr
Gazin, Dena J	Library	Systems Librarian
Guerra, Elizabeth J	Civil Rights	Civil Rights Analyst
Harris, Darlene Denise	Parks	Rec Attendant

Hawkins, Danny A	SPU	Util Svc Rep
Hillyard, Naomi Lynn	CBO	Strat Advsr 1
Kentros, Maro M	Sea Ctr	Usher
Krieger, James W	King Cty	Heath
Lafayette, Donna R	City Light	Electrician
Mitchell, Steven Donald	SDOT	Traffic Marking Lead
Morehead, Sarah Kanwit	Law	City Attorney, Asst
Noyola, Richard Allen	SPU	Util Acct Rep Trne
Pulliam, Tobias Jabaar	Legislative	Legislative Asst
Rowe, Dean J	City Light	Meter Elec Crew Chief
Spahn, Emily Y	SDOT	Civil Engr Spec, Assoc
Thompson, Kenya D	SPU	Util Svc Rep
Young, Park Mi	Muni Court	Prob Counslr I

Bold entries (if any) above indicate refund payment made to beneficiary of a member dying while in active status.  
**Withdrawals for a total of: \$1,530,526.63**

c. Ratification of Service Retirements

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

Retiree	RetireDt	Age	Yrs	Days	DeptName	Position
Asim,Zahra B	1/3/2015	59	23	135.13	Muni Court	Admin Spec I-MC
Baker,Martin W	2/4/2015	67	14	273.4	PublicUtil	Executive 3
Bangert Jr.,Donald V	1/14/2015	68	32	60.13	City Light	Mat Suplr-Asg Phd/Cw/D
Beleford,June	12/31/2014	65	24	47.45	KC Health	
Black,Phillip M	1/28/2015	65	21	306.6	InfoTech	Management Systems Anlyst
Boland,Marilyn A	1/28/2015	56	31	7.3	City Light	Elecl Svc Rep
Bonner,Fred L	1/16/2015	72	18	251.85	Muni Court	Judge
Chan,K. W	1/1/2015	66	39	62.05	KC Health	AS II
Cifuentes,Nancy A	1/8/2015	62	21	340.1	Parks Dept	Gardener
Corado,Ana V	12/31/2014	66	12	361.35	Parks Dept	Cashier, Sr.
Cowan,Jeffrey M	1/28/2015	69	5	14.6	Law Dept	Asst. City Attorney
Davis III,Edward C	1/1/2015	66	39	281.05	KC Health	HEI-III
Esquillo,Edison A	1/14/2015	62	14	3.65	City Light	
Evans,James P	1/8/2015	63	30	40.15	City Light	
Feely,Teresa M	1/1/2015	67	30	350.4	KC Health	PHSS-clinic
Fuller,L. Cynthia	1/1/2015	65	29	102.2	KC Health	Dental Hygientist
Gustafson,John A	1/28/2015	60	5	36.5	City Light	Manager 2
Habben,Judy L	1/15/2015	67	28	32.85	EXEC DEPTS	
Henry,Glenn E	1/8/2015	62	34	308.36	City Light	Pole Yard Crew Chief
Hoyle,Christine A	1/1/2015	64	27	171.55	KC Health	Nurse Practitioner
Humburgs,Martinez	1/8/2015	55	21	98.55	Parks Dept	Util Laborer
Hunter,Christine L	1/1/2015	64	7	196.66	Vested	Vested Member



**Seattle City Employees' Retirement System  
Board of Administration Meeting  
720 Third Avenue, 9<sup>th</sup> Floor (Pacific Building)  
(206) 386-1293**

Hurley,Molly M	1/8/2015	57	24	15.56	DPD	Land Use Planner IV
Kim,John M	1/3/2015	66	18	116.8	Sea Center	HVAC Tech
Klug,Robert H	1/14/2015	68	22	255	City Light	Strategic Advisor 2
Lane,Timothy	2/6/2015	57	9	244.55	Vested	VESTED
Lasby,Bill M	12/31/2014	63	40	21.9	KC Health	
Lockwood,Linda M	1/14/2015	68	25	102.09	City Light	Strategic Advisor 2
Lopez,Josefina	1/13/2015	60	28	162.57	City Light	Claims Adjuster I
Mauden,Galen R	1/28/2015	67	25	277.4	FAS	Executive 2
Morgenroth,Leil C	1/30/2015	53	22	313.9	Vested	
Morse,Michael E	1/8/2015	72	46	54.75	PublicUtil	
Mozeika,Nanette W	1/9/2015	61	11	193.45	Vested	
Naughton,James J	1/28/2015	58	12	357.7	Vested	
Neal,Faylene J	1/14/2015	67	43	324.85	City Light	Sr. Pub Rel Specialist
Noonan,Timothy A	1/8/2015	59	25	51.1	City Light	Elec Con
O'Neill,Paula A	1/2/2015	65	11	40.15	Police	ID Data Spec
Pedersen,Marilyn W	1/1/2015	60	13	156.17	Vested	Vested Member
Pena,Vincente A	1/16/2015	65	24	215.35	Parks Dept	Plumber
Rappleyea,Diane M	1/12/2015	57	10	113.15	Vested	
Sueda,Odette T	1/2/2015	59	24	10.95	KC Health	Staff Physician
Tschirgi,Marie A	1/28/2015	56	21	211.7	FAS	
Wheaton,Edna C	1/8/2015	64	25	277.4	Law Dept	Legislative Info Spec I
White,Lari A	1/3/2015	63	7	280.92	Vested	Vested Member
Wolak,William J	1/8/2015	66	38	186.15	Police	Plng&Dev Spec, Sr.
Wren,Edward O	1/8/2015	57	24	21.9	City Light	
Yesuwan,Chollada	1/21/2015	66	35	106.1	PublicUtil	Sr. Civil Engineer
Zeigler,Kathleen S	1/22/2015	62	34	194.19	City Light	Credit Representative
Zimmerman,Michael L	1/14/2015	65	35	292.5	DPD	Sr. Management Systems Analyst

For the month of February 2015: 13 new Members entered the System, 30 terminations, 49 Members retired in the System, 20 Members removed (\$23,523.85), 1 D/E Option, 2 F Option, and 5 over 60% benefit.

- Motion:** Upon motion by Sherri Crawford, seconded by Robert Harvey, Jr., the Retirement Board of Administration approved the Administrative Consent Agenda. The motion passed unanimously (5-0).
- Minutes of the February 12, 2015 Board Meeting
  - Ratification of Retirement Payroll, Office Payroll, Other Payments and Withdrawals
  - Ratification of Service Retirements for the month of February 2015

**Investment Advisory Committee 2014 Report**

The Investment Advisory Committee's 2014 Annual Report was presented. The Investment Committee, at its February 26, 2015 meeting recommended that the Board accept the report. Also included in the board packet was a response to the report from Interim Executive Director Ken Nakatsu.

**Motion:** Upon motion of Nick Licata, seconded by Jean Becker, the Board of Administration accepted the Investment Advisory Committee 2014 Annual Report unanimously (4-0).

## **Investment Committee Report**

Tony Smith reported on the Investment Committee that was held on February 26, 2015. He stated that in addition to the Investment Advisory Committee 2014 Report, the Investment Committee also had further discussion on the asset allocation study.

(Susan Coskey arrived.)

Mr. Smith said that they utilized several methodologies and did not rely on just one. Increased diversification of the plan would be beneficial for responding to the expected low return environment. The goal would also be to maintain liquidity of the portfolio and remain fee and cost conscious.

SCERS is primarily relying on NEPC's 5-7 year capital market assumptions rather than the 30-year assumptions. It was re-iterated that we needed to consider taking some modest increase in risk to respond to the expected lower returns.

Five asset mixes in addition to Seattle City Employees' Retirement System (SCERS) current asset allocation were presented to the Investment Committee. The Investment Committee wanted further analysis of "Mix C", comparing that mix to the current target portfolio. That comparison will be reviewed at the March 26, 2015 Investment Committee meeting. At the March meeting, the committee will also discuss the liability piece of the equation which they will review in-depth.

(Lou Walter called in to the meeting at 9:07 a.m.)

Mr. Smith summarized the 4<sup>th</sup> quarter performance report from NEPC. He indicated that for the 4<sup>th</sup> quarter SCERS outperformed the policy benchmark by about 90 basis points.

Mr. Smith said that for the past 3-year period we are about even with the median public plan and things have been improving.

SCERS has been doing quite well with performance vs median public plans.

Mr. Smith indicated that overall things are looking good. The current portfolio is performing fairly well, but there are more tweaks around the edges that can be made through the asset allocation study.

Ken Nakatsu said that SCERS is still being challenged by the under investment in private equity and underperforming investments made in the past, before we had sufficient professional staff and consultants.

Nick Licata pointed out that being in the median is more positive than it seemed due to this deadweight.

(Glen Lee arrived at 9:10 a.m.)

## **Investment Accounting Summary Report – January 31, 2015**

Mr. Smith stated that in January the markets were a little bit rocky in the US and flat in non-US markets.



**Seattle City Employees' Retirement System  
Board of Administration Meeting  
720 Third Avenue, 9<sup>th</sup> Floor (Pacific Building)  
(206) 386-1293**

SCERS was down 55 basis points in public markets, underperforming the policy index by 22 basis points. In February, the market came back in both the US and non-US. Tentatively, February looks up over the policy benchmark by about 80 basis points. For month-to-date in March, it looks flat.

There have been no material movements of cash in the portfolio.

Bob Harvey asked when are we finally going to see rising rates.

Mr. Smith stated that he and Mr. Malinowski have had discussions about this topic. There have been record returns in treasury returns. No one in 2014 would have predicted what would have happened at the end of 2013. If they were to press them for an answer, they would say that it would go up incrementally, although the 10 year US Treasury yield did go up 60 basis points since February.

Mr. Malinowski said that the market is already anticipating higher interest rates. Short-term interest rates are expected to rise considerably in the next several years. There is a hyper focus on the particular timing of when the Fed will act. It is definitely not going to stay at zero percent level.

There is a concern about the level of the dollar right now. It is at a 12 year high. US exports are less desirable. The dollar is up almost 25% since August. Tony said that some are calling for US Dollar parity with the Euro. There was parity around 12 years ago.

Lou Walter asked how that would affect SCERS' non-domestic portfolio.

Mr. Malinowski replied that this has not been a good time for us because we are exposed to foreign currency risk. We have talked to Don Stracke (NEPC) about that. It is something we want to evaluate once we decide what our asset risk is.

### **Executive Director Report**

Mr. Nakatsu gave the Executive Director's Report. He stated that beginning today; we are posting on the SCERS' website an announcement for the filing period for Sherri Crawford's trustee seat. We have expanded the candidacy period to a two-week period from April 9-23, 2015.

We are also sending postcards to active members and retirees.

Jeff Davis met with city auditor last week. SCERS had an audit a couple of years ago which pointed out a number of challenges with retirement estimates. They looked at 30 estimates and 22 had small errors in calculations. That is what prompted us to pursue a Pension Administration System (PAS). There were ten recommendations from the auditor. The auditor acknowledged that SCERS had complied with nine out of the 10 recommendations since the time of the audit. We still desperately need a PAS.

Mr. Nakatsu said that we are about ready to work with Glen Lee's staff with the lockbox with checks that was from the financial auditor findings. This will improve security and accountability for receipt of checks.

We are in the middle of evaluating proposals for PAS. We have received five proposals. There has been a great deal of support from Finance and Administrative Services (FAS) and the Department of Information Technology (DoIT) staff.

Mr. Davis stated that we are going through the process to narrow the field. We hope to select the vendor for recommendation in the July time frame.

The Board Room will need to be converted for a teaming/work room for our staff and DoIT/FAS for the data conversion/PAS process. We have scheduled the Boards and Commissions room in City Hall for future meetings and a room at the Seattle Municipal Tower.

### **SCERS' Work Plan**

Mr. Nakatsu reported that there are four new additions to the work plan: annual report, a financial audit, preparation of our budget, and the actuarial valuation study.

The motion that was adopted last month on the ESG was also added. We also noted the completion of three items: fossil fuel divestment, customer service phase 2, and performance evaluations in February.

Ms. Coskey asked that #7 (engaging SDHR) be extended farther since it has not been completed.

Mr. Davis stated that right now we are trying to define the work scope. He met last week with Renee Freiboth of Seattle Department of Human Resources Benefits.

Ms. Coskey stated that she appreciated the coordination and collaboration between SCERS and SDHR.

### **SCERS Operations/Finance**

Mr. Davis reported on Operations and Finance and stated that there has been a big customer service push and they have been making good progress. The staff is down to 130 retirement estimates outstanding. In November 2014, we were at 290 retirement estimates outstanding. Tim Morrison and the retirement specialists have done a stellar job and it keeps getting better.

Mr. Davis gave an update on one of the customer service projects which involved exempt employees joining the system. It is optional for exempt employees to join and sometimes they lose track. One month after they start employment, SCERS sends them an email reminder. Anecdotally, at least ten members have responded that they enrolled after receiving the reminder email.

### **Executive Session**

The Board of Administration entered into Executive Session at 9:56 a.m. for 15 minutes to discuss a disability application.

Executive Session was closed and the Board re-entered into regular session at 10:53 a.m. a.m.

The Board of Administration entered into Executive Session at 10:53 a.m. for 5 minutes to discuss a personnel matter.

The Board re-entered into regular session at 10:57 a.m.

### **Retirement Disability Application of Brian K. Schaller**

**Motion:** Upon motion of Nick Licata, seconded by Robert Harvey, Jr., the Retirement Board of Administration voted to refer the disability application of Brian K. Schaller back to the Panel of Consultants for more information. The motion passed unanimously (7-0).

### **Adjournment**



**Seattle City Employees' Retirement System  
Board of Administration Meeting  
720 Third Avenue, 9<sup>th</sup> Floor (Pacific Building)  
(206) 386-1293**

**Motion:** Upon motion of Robert Harvey, Jr., seconded by Nick Licata., the Retirement Board of Administration voted to adjourn the meeting. The motion passed unanimously (7-0).

The meeting adjourned at 10:57 a.m.

---

Susan Coskey, Secretary