



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

Minutes of Thursday, August 13, 2015

Board Members Present: Nick Licata (Chair), Glen Lee (9:08 a.m.), Jean Becker, Robert Harvey, Jr., Susan Coskey

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

Others Present: Carlton Seu (Seattle City Attorney's Office), Mike Monaco (Song Mondress Law Firm), George Emerson (FAS), Tom Kirn (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 July 9, 2015 Retirement Board regular meeting.

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

Service	\$12,243,785.58
Beneficiary	\$ 932,673.64
Disability	<u>\$ 75,383.78</u>
Pension Payroll – PPE July 2015	\$13,251,843.00
Office Payroll – PPE July 14 and July 28, 2015	\$ 163,565.95
Vouchers Processed – July 2015	
• Expert and Consultant Services	\$ 47,411.23
• Investment Management Fees	807,507.80
• Interdepartmental Charges	113,868.93
• Miscellaneous	48,501.19

Immediate Withdrawals of Contributions for the month of July 2015:

MEMBER	Dept Name	Position
Beason, Jeremy Michael	SDOT	Maint Laborer
Bracher, Carol J	SPD	Comms Dispatcher II
Brown, Patricia K	SDOT	Radio Dispatcher
Burkhalter, Charles H	City Light	Elecl Engr, Assoc

Busalacchi, Bryan Phillip	Parks	Groundkeeper
Carmona, Ashley, Marie	Law	Admin Spec I
Chanez, Judith Denise	SPU	Water Treatment Op
Chase, Robin	Parks	Laborer
Chin, Leroy Max	FAS	Cashier
Clester, Kaylan Marie	Parks	Ed Prgm Asst
Connolley, Laura Darline	FAS	Admin Staff Asst
Davis II, Ronald (Arnetia)	Parks	Rec Prgm Coord, Sr
Dawson, Bonita L	SPD	Police Data Tech
Dizon, Rolando S	City Light	Janitor, Lead
Geissinger, Laurie G	City Light	Strat Advrs 2
Hammond, Lucile E	HSD	Human Svcs Prgm Supv Sr
Hernandez-Alvarado, Roberto	Library	Bldg Maint Worker
Hinshaw, Robert L	SPD	Comms Dispatcher II
Jeung, Glenda	FAS	Info Tech Prof B
Johnston, Brent Michael	Parks	Lifeguard
Kiss, Ryan C	City Light	Hydroelec Maint Mech
Linguist, Kathleen Elizabeth	HSD	Grants&Contracts Spec, Sr
Monnahan, Thomas William	Executive	Mayoral Staff Asst 2
Negron, Janice Rios	City Light	Elecl Engr Spec, Sr
Noell, Sharon Kau	SCL	Engy PIng Supv
Ringnalda, Ronald	SDOT	Constr & Maint
Rogers, Jaurel Damien	Library	Security Officer
Sall Diop, Aida	SCL	Elec Egr, Asst I
Smith, Craig Maurice	Sea Center	Laborer
Smith, Laura C	SPD	Comms Dispatcher I
Sorrell II, Albert	SDHR	Truck Driver, Heavy
Starrett, Valerie J	HSD	Finance Analyst, Sr.
Thompson, Christi L	SPD	Sr. Accountant
Thomson, Elliot	Library	Library Assoc I
Wilson, Reginald Lamont	SDHR	Manger 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: \$1,042,928.34



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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
Aggenbach, Wilhelmus J	6/20/2015	63	7	333	Vested	Vested
Boler, Jean M	6/17/2015	61	13	248	Law Dept	City Attorney, Asst
Carlson, Candace	7/1/2015	65	4	315	Vested	Vested
Carrasco, Jorge	6/19/2015	65	11	271	City Light	City Light General Mgr&CEO
Castillo, Max B	6/17/2015	53	30	164	City Light	Elect Svc Rep, Supvsng
Feavel, Paul T	6/30/2015	58	21	307	Vested	Vested
Holland, Elizabeth	6/23/2015	66	11	299	Vested	Info Technol Sys Analyst
Hudson, Daniel D	7/1/2015	55	26	104	InfoTech	Info Technol Prof B
Kleckner, Jerome L	6/17/2015	65	24	89	PublicUtil	Drainage&Wstwr Coll Lead Wkr
Linley, Constance M	6/5/2015	68	27	167	Library	Library Assoc II
Mitchell, Denise M	6/13/2015	59	35	246	Police	Pol Data Tech, Sr
Moimoi, Fuamai	6/24/2015	62	22	93	Parks Dept	Rec Attendant
Raitzer, Gerald A	6/11/2015	64	7	63	City Light	Enrgy Mgmt Anlyst, Sr
Stewart, William T	7/1/2015	65	35	91	City Light	Elctn-Con-Wkg CC
Storm, Dennis J	7/1/2015	62	30	364	SDOT	Commercial Veh Enf Ofcr
White, Louella U	6/17/2015	62	15	330	PublicUtil	Drainage&Wstwr Coll Wkr CI

For the month of July 2015: 65 new Members entered the System, 34 terminations, 17 Members retired in the System, 22 Members removed (\$27,591), 1 D/E Option, 5 F Option, and 2 over 60% benefit.

- Motion:** Upon motion by Nick Licata, seconded by Robert Harvey, Jr., the Board of Administration approved the Administrative Consent Agenda. The motion passed unanimously (4-0).
- Minutes of the July 9, 2015 Board Meeting.
 - Ratification of Retirement Payroll, Office Payroll, Other Payments and Withdrawals.
 - Ratification of Service Retirements for the month of July 2015.

Administrative Committee Report – July 23, 2015

a. Search Firm for Executive Director Recruitment

Jean Becker stated that the Administrative Committee met with Linda Paul of Search Partnerships who had been recommended by Susan Coskey. Ms. Paul talked about her experience and the process involved in recruiting an executive director. Ms. Becker stated that committee members were favorably impressed and that they recommended bringing forward a contract.

Ms. Coskey said that Ken Nakatsu and the Seattle Department of Human Resources (SDHR) will assist in the recruitment process. The Administrative Committee will be the working group. The Board and Mr. Nakatsu will comprise the selection committee. Kate Moore will work with Mr. Nakatsu to finalize the contract to move forward.

Motion: Upon motion by Jean Becker, seconded by Susan Coskey, the Board of Administration accepted the Administrative Committee's recommendation to retain The Search Partnership as the firm to conduct SCERS's Executive Director Search, contingent upon the successful negotiation and execution of an agreement with The Search Partnership. The motion passed unanimously (4-0).

Investment Committee Report – July 31, 2015

a. Public Equity Portfolio

Jill Johnson gave a review on SCERS's public equity portfolio.

Ms. Johnson stated that it is modestly overweight versus the target because we are investing in public equities until our private equity commitments are called. The allocation to public equity will decrease as private equity investments grow over time.

Glen Lee arrived at 9:08 a.m.

b. Fisher Termination Recommendation

Ms. Johnson then reviewed the reasons why Staff and NEPC were recommending the termination of the Fisher Investments US small cap equity value strategy. Fisher has been on Watch Status since February 2015. She stated that the recommendation was based on:

- Potential for organization instability when CEO Ken Fisher relinquishes his CEO title in November 2015; Fisher Investments has communicated that Mr. Fisher will remain Chairman and Chief Investment Officer of the firm;
- General lack of transparency; and
- Style drift concerns

Motion: Upon motion by Nick Licata, seconded by Robert Harvey, Jr., the Board of Administration accepted the Investment Committee's recommendation to terminate the Fisher US Small Cap Equity Value strategy. The motion passed unanimously (5-0).

c. Parametric Restructuring Recommendation

Ms. Johnson reviewed Staff and NEPC's recommendation to restructure the Parametric Covered Call Strategy from a US to a global mandate. The Investment Committee accepted the recommendation at its July 31, 2015 meeting.

Motion: Upon motion by Nick Licata, seconded by Glen Lee, the Board of Administration accepted the Investment Committee's recommendation to restructure the Parametric Covered Call strategy as detailed by Staff. The motion passed unanimously (5-0).

d. Direct Lending Education

Ms. Johnson stated that an Investment Committee educational piece was provided by Allan Martin and Don Stracke of NEPC on direct Lending. These are senior loans secured by collateral. This is a relatively new market which



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appeared after the global financial crisis. Tony Smith and George Emerson are meeting with managers and are planning to bring them to a future Investment Committee meeting.

e. Investment Summary Report – June 30, 2015

Ms. Johnson stated that SCERS just received the June 30, 2015 Investment Summary Report from BNY. There were some distributions in private real estate, and some are capital calls. The funding ratio is 67.7%. The index is up a little over 2% and the fund is up 1.8%.

Executive Director Report/Work Plan/Dash Board

Ken Nakatsu reported that Board of Administration meetings are expected to be held at City Hall and other venues beginning in September due to the new Pension Administration System (PAS) coming on board. Staff is hoping to have PAS contractors begin by the end of October. One of the first projects to begin is the scanning of records and the board room is the ideal project room for that task.

Jeff Davis and Mr. Nakatsu met with Financial Administrative Services (FAS) staff yesterday regarding finding space for SCERS's staff at Seattle Municipal Tower (SMT). There will likely be some space in SMT in a year or so.

It would make more sense to move some of the staff to SMT due to the implementation of the PAS. Besides the electronic content management (ECM), there will also be a project management team working with the SCERS team.

Also, proximity to the City's Deferred Compensation Plan staff, which is located on the 40th floor of SMT would be beneficial to members.

Mr. Nakatsu stated that there were two items of note on the work plan:

1. Extended time frame for executing the contract for the PAS. Things were still moving well. Staff is working closely with DoIT as well as FAS.
2. Working on cleaning up the retirement code. Staff is working with Carlton Seu and Mike Monaco because the current code is quite challenging to read, understand, and apply.

Mr. Harvey asked who had to sign off on legislative changes before the council. Mr. Nakatsu replied that when the retirement code was amended the previous year, the proposed revisions were reviewed with the labor coalition.

Jeff Davis then reviewed the dashboard.

He stated that the time to produce the retirement estimates was increasing. This is due to one of our retirement specialists being selected for an out of class assignment in another department.

Mr. Harvey asked why the budget was being underspent by so much. Mr. Davis replied that a large unspent amount was associated with the PAS and will be carried over to next year.

Mr. Davis stated that staff is finishing the annual report this month. Information will be used to update the upper left graph on page 3 of the dashboard. Board members should note that the information will be reflected in the September report.

Jason Malinowski reported that while it looks like we are overweight on fixed income that is not the case. Staff did a lot of rebalancing on June 30th, and transactions extended to July 1st.

Executive Session

The Board of Administration entered into Executive Session at 9:44 a.m. for approximately 45 minutes to discuss a disability retirement application, a current litigation and a pending legal matter.

Executive Session was closed and the Board re-entered regular session at 10:35 a.m.

Motion: Upon motion Nick Licata, seconded by Glen Lee, the Board of Administration approved the retirement disability application of Mr. Scott Jerochim. The motion passed unanimously (5-0)

Motion: Upon motion by Nick Licata, seconded by Robert Harvey, Jr., the Board of Administration voted to follow the recommendation of legal counsel in the Akiyama litigation. The motion passed unanimously (5-0).

Motion: Upon motion by Nick Licata, seconded by Robert Harvey, Jr., the Board of Administration voted to follow the recommendation of legal counsel and staff to attempt to resolve certain retirement benefit matters. The motion passed unanimously (5-0).

Adjournment

Motion: Upon motion of Nick Licata, seconded by Susan Coskey, the Board of Administration voted to adjourn the meeting. The motion passed unanimously (5-0).

The meeting adjourned at 10:40 a.m.

Susan Coskey, Secretary