



Seattle City Employees' Retirement System
Board of Administration Meeting
Seattle Municipal Tower, Room 1610, 700 5th Avenue, Seattle, WA
(206) 386-1293

Minutes of Thursday, October 8, 2015

Board Members Present: Lou Walter (Chair), Robert Harvey, Jr., Jean Becker (via conference call), Sherri Crawford, Susan Coskey

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

Others Present: Mike Monaco (Song Mondress Law Firm), Carlton Seu (Seattle City Attorney's Office), George Emerson (FAS), Jonathan Brebner, Lynn Fitz-Hugh, Alex Lenferna, Kate Moore (SDHR), Linda Paul (The Search Partnership), Mike Ryan (Seattle City Attorney's Office – for introduction).

Lou Walter, Committee Chair, called the meeting to order at 9:15 a.m.

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

There was public comment.

Jonathan Brebner stated he was here with 350 Seattle. He said he knows that people here care about climate change. He wanted to address the urgency of the issue. He stated that climate change is not one of the things that can be addressed at a later date. Mr. Brebner spoke about the effects of methane as a greenhouse gas. He said that the amount of warming due to methane and other greenhouse gases will exceed our ability to remove them from the atmosphere. He emphasized the importance of acting before reaching a tipping point, and urged the Board to act by the end of the year.

Lynn Fitz-Hugh said that at the last Investment Committee meeting, two committee members posed a question on why the action the Board took in February was not enough. Ms. Fitz-Hugh stated that they are pleased by February's actions and that it was a good start. However, they view it as a first step, not a final action. Nine months have passed since the action and she said that is a lot of time. Ms. Fitz-Hugh stated that she hoped that the board is thinking about the issue of climate change seriously. Ms. Fitz-Hugh mentioned a comment by Jason Malinowski at the Investment Committee about likely incurring additional fees (\$150,000) to divest from coal. She noted that Nick Licata had commented that these fees were negotiable and could likely be lowered. Ms. Fitz-Hugh also recommended as an alternative that we invest in a MSCI fossil free index.

Susan Coskey stated that the board does not dispute the importance of addressing climate change. Ms. Coskey continues to look for precedent that the Board can meet its fiduciary duty while taking the actions that 350 Seattle is asking

Ms. Fitz-Hugh replied that at a previous meeting they brought up a recent Supreme Court decision that interprets fiduciary responsibility more broadly.

Ms. Coskey stated that she would like an example of precedence from another public pension board acting and making comparable decisions. If one exists, Ms. Coskey asked Ms. Fitz-Hugh to provide it to her via email. This would be information Ms. Coskey would like to explore and have the Board's attorneys review.

Mike Monaco said that the Supreme Court case has been raised several times. He stated that a board's duty to monitor investments is nothing new. The Supreme Court case is not about public pension plans and it did not break

any new ground for public pensions' duty to monitor. This duty to monitor is not new and the Board is aware of their duty.

Alex Lenferna stated that it has been a while since he has been at a board meeting and during that time a lot of things have changed. Most significantly, Mark Carney, Governor of the Bank of England and head of the G20 Financial Stability Board recently issued a report warning that the carbon bubble could destabilize the markets. Mr. Lenferna said that the Board needs to act quickly. The coal industry, in particular, is in a prolonged downward trend.

Administrative Consent Agenda

Minutes:

Provided in the Retirement Board packet was the minutes from the September 10, 2015 Retirement Board regular meeting and August 27, 2015 Joint Investment Committee/Board of Administration Meeting.

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

Service Beneficiary Disability	\$12,395,406.85
	\$ 931,178.11
	\$ 75,512.35
Pension Payroll – PPE September 2015	\$
Office Payroll – PPE September 8 and 22, 2015	\$ 175,764.34
Vouchers Processed – September 2015*	
• Expert and Consultant Services	\$ 4,410.07
• Investment Management Fees	\$ 97,494.49
• Interdepartmental Charges	\$ 105,557.86
• Miscellaneous	\$ 23,501.14

*The closing date for September is October 9, 2015. The figures represent vouchers that have been processed as of October 5, 2015.

Immediate Withdrawals of Contributions for the month of September 2015:

MEMBER	Dept Name	Position
Adamson, Kate A	FAS	Cust Svc Rep
Albertson, Kori Lyn	Sea Ctr	Personnel Spec
Amoguis, Christine Elizabeth	QDRO	
Amoguis, Vincent Barquin	FAS	Auto Mechanic
Bell, John B	FAS	Fleet & Fac Svcs Coord
Braun, Linda W	Library	Managing Libr I
Brink, Angel I	DPD	Acct Tech II
Cole, Christopher David	SDOT	Civil Engrng Spec Supv
Dixon, Lewanna Renee	DPD	Housing/Zoning Tech
Donkin, Stephe Sue	SPD	Parking Enforcement Ofcr
Ferreiro, Joel O	SDOT	Gardener



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Ford, Gary Lee	SDHR	Manager 1
Fulgham, Austin Thomas	City Light	Engrng Aide
Gallegos, Tiffany Marie	SPD	Paralegal
Givens, Tavona Latica	SDOT	Util Act Rep I
Giyen Lee Kim	SPU	Admin Staff Analyst
Greisen, Olga K	HSD	Counslr
Hagenah, William Alexander	Library	Library Assoc II
Hokama, Chelsea Mayumi	Library	Library Assoc I
Hoover, Jan K	HSD	Reg Nurse Consultant
Johnson, Gregory R	SPD	Police Comms Dispatcher I
Jurcak, Corey Michael	SDOT	Civil Engr Supv
Killian Jr, Roland David	Parks	Rec Attendant
Loumoli, Samiuela	SDOT	Cement Finisher, SR
Martinez, Tonja	FAS	Admin Spec II
McClellan, Tyler S.	FAS	Animal Contrl Ofcr I
McLain, Amy Darina	SPD	Pol Comms Dispatcher I
Means, Kimberly D	Parks	Civil Engrng Spec, Assoc
Munson, Evangeline	Parks	Lifeguard
Nuuyen, Quang Dai	SDOT	Civil Engr, Assoc
Overbey, Stephen G	Police	Dispatcher I
Rahmani, Tarik	Library	Fin&Opns Analysis Mgr
Rutz, Susanna L	Sea Ctr	Personnel Spec, Sr
Scheopner, Erin Kate	Sea Ctr	Admin Spec III
Simmons, Terri Watson	FAS	Capital Prjts Coord, Sr
Vincent, Nicholas Dean	SPU	Strat Advr 1
Walsh, Jay S	Sea Ctr	Stage Tech
Watson, Alford J	Parks	Laborer
Wolfe, Hill Landon	SPU	Util Act Rep I
Zech, Roxanne Michelle	SPD	Pol Ofcr - Student

Withdrawals for a total of: \$ 963,018.22

Bold entries (if any) above indicate refund payment made to beneficiary of a member dying while in active status.

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
Allen-Vrablik,Eugenia A	8/22/2015	67	9	350.92	Human Svcs	Human Svcs Coord
Andrews,Linda L	8/22/2015	64	13	174.46	PublicUtil	Mgmt Svcs Anlyst,Sr
Axelrod,Shirli M	9/9/2015	63	22	143.4	PublicUtil	Envrnmntl Anlyst,Sr
Balansay,Carlos C	8/12/2015	53	30	251.55	PublicUtil	Civil Engr Supv
Bonoff,Michael H	8/5/2015	68	25	296.15	PublicUtil	Envrnmntl Anlyst,Sr
Chang,Paul S	9/9/2015	66	31	213.13	DPD	Strucl Plans Engr
Cheung,George K	8/28/2015	62	9	261.08	Vested	Civil Engr,Asst I
Chin,Mary S	9/9/2015	66	43	196.48	SDHR	Accountant,Sr
Coon, Debora A	8/12/2015	61	30	189	SPL	Custodian
Crawford,James P	8/4/2015	65	19	63.63	InfoTech	Info Technol Prof B-BU
Denure,Suzanne M	9/9/2015	57	28	7.69	Parks Dept	Installation Maint Wkr
Downing III,W. Kirk	9/5/2015	60	21	149.6	PublicUtil	Util Act Rep II
Eicher,Kathleen P	8/20/2015	66	17	5.68	Parks Dept	Rec Prgm Spec
Gallagher,Patrick O	9/2/2015	62	33	70.13	City Light	Meter Elctn Working CC
Handley,Larry J	8/4/2015	65	24	179.84	City Light	Cblspl-Jrnywkr In Chg
Hector,Ellen M	8/8/2015	58	30	156.03	FAS	Warehouser,Sr-BU
Helbach,Mary T	9/4/2015	62	4	289.96	Library	Library Assoc I
Hill,James B	8/4/2015	67	28	364.09	City Light	Warehouser-BU
Jerochim, Scott	8/13/2015	51	14	361	SPU	Meter Reader
Johnson,Doris M	8/12/2015	63	30	174.38	Library	Asst Mgr-Library
Komboukos,Merrilee	9/9/2015	65	31	174.11	City Light	Warehouser,Sr-BU
Koskie,Albert T	9/2/2015	68	33	259.42	City Light	Elecl Hlpr
Kules,Allan R	9/9/2015	65	29	197.88	DPD	Info Technol Prof B-BU
Miller,George M	8/4/2015	64	5	188.62	SDOT	Civil Engr,Assoc
Morford,Rachel V	8/12/2015	61	29	209.77	Library	Library Assoc II
Murphey,Katherine E	9/5/2015	65	6	280.2	Vested	
Petilla,Helen P	8/4/2015	64	25	56.64	SDHR	Benefits Asst
Protis,Walter N	8/12/2015	63	25	363.6	City Light	Credit Rep
Reynolds,Thomas K	8/12/2015	67	2	51.9	Vested	Librn*Intermittent
Rutan,Marcia E	8/12/2015	65	7	75.57	PublicUtil	Plng&Dev Spec,Sr
Seil,Janis A	9/9/2015	58	23	279.27	City Light	Meter Elctn
Sheppard,Steven D	8/12/2015	68	43	283.5	NeighbDept	Plng&Dev Spec,Sr
Shilling, Karen	8/12/2015	61	34	271	SPD	PoI Comms analyst
Slocum,Nancy E	8/12/2015	57	7	170.61	Human Svcs	Trng&Ed Coord
Smith,Katherine M	8/26/2015	62	31	44.58	City Light	Rights-Of-Way Maint Wkr
Thrush,Steven K	9/9/2015	56	25	305.5	City Light	Prot&Cntrl Elctn II



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Van Ottingham, Mary R	8/12/2015	66	35	48.42	PublicUtil	Admin Staff Asst
Voerman, Garrett B	8/26/2015	68	8	146	City Light	Manager3,Utills-BU
Washington-Reed, Shawn M	7/31/2015	56	27	189.22	FAS	Warehouser,Sr-BU
Wilson, Kyle J	8/6/2015	57	16	138.8	City Light	Pwr Marketer
Yap, Lenny G	9/9/2015	55	30	13.46	City Light	Info Technol Prof A,Exempt

The following list represents the retirements that have been processed since the last Retirement Board meeting. For the month of September 2015: 60 new Members entered the System, 31 terminations, 41 Members retired in the System, 11 Members removed (\$20,225.46), 3 D/E Option, 5 F Option, and 3 over 60% benefit.

Motion: Upon motion by Lou Walter, seconded by Sherri Crawford, the Board of Administration approved the Administrative Consent Agenda. The motion passed unanimously (5-0).

- Minutes of the September 10, 2015 Board Meeting.
- Minutes of the August 27, 2015 Joint Investment Committee/Board of Administration Meeting.
- Ratification of Retirement Payroll, Office Payroll, Other Payments and Withdrawals
- Ratification of Service Retirements for the month of September 2015.

Executive Session

The Board of Directors entered into Executive Session at 9:33 a.m. for approximately 45 minutes to discuss a personnel issue.

Executive Session was closed and the Board of Administration meeting re-entered regular session at 10:17 a.m.

10:17 a.m. – Jean Becker left the meeting

Administrative Committee Report – September 24, 2015

There was no oral report on the September 24, 2015 meeting.

Investment Committee Report – September 24, 2015

European Direct Lending Manager Selection

Tony Smith reported on the September 24, 2015 Investment Committee meeting. He stated that BlueBay Direct Lending Fund II SLP was the European direct lending manager selection by staff and NEPC. He said that BlueBay was presented to the Investment Committee and the Investment Committee recommended that the Board of Administration accept their recommendation and approve the selection.

Motion: Upon motion of Sherri Crawford, seconded by Robert Harvey, Jr., the Board of Administration accepted the Investment Committee's recommendation to commit \$24 million to BlueBay Direct Lending Fund II SLP, pending satisfactory legal review. The motion passed unanimously (4-0).

Parametric Covered Call

Tony Smith stated that the portfolio manager for the Parametric covered call strategy is going to retire at the end of next year. Staff will continue to monitor the manager, but does not see a need at this time to formally put Parametric on watch status.

ESG Quarterly Report

Jason Malinowski gave the ESG Quarterly Report for third quarter. The report was originally scheduled for the September 2015 board meeting, but was deferred due to lack of time.

Mr. Malinowski stated that there were two important items listed under Industry Developments. First, the Vermont Pension Investment Committee (VPIC) looked at the possibility of divestment but declined. He stated that VPIC did not feel divestment was in line with their statutory requirements and fiduciary duties.

The second item comes out of California. They recently passed legislation requesting that CalPERS and CalSTRS divest from coal companies unless their boards determine that it is inconsistent with their fiduciary duties. This legislation is still waiting for the governor's signature. It is unclear how the boards will act.

Mr. Malinowski continued with his report and discussed topical research. He stated that Mercer presented at the last board meeting on the investment impact of climate change through potential scenarios impacting various asset classes. Mr. Malinowski stated that the analysis was largely heuristic but it was a good first step.

Mr. Malinowski commented that a report by The Economist that looked at aggregate impact of climate change on investments had merit. The Economist found that climate change, warming of 2° Celsius, should create a loss of 3% of aggregate investment assets. If climate change is greater than 2° Celsius the loss would be greater. The Economist argues that climate change will decrease economic growth and affect performance across portfolios. This systemic impact will make it difficult for investors to avoid climate risk.

Mr. Malinowski stated that the BlackRock/Ceres paper provides several examples of ESG actions that investors can take, including shareholder initiatives and various forms of corporate engagement.

Staff also reviewed the Ceres 2015 report, "Carbon Asset Risk: A Review of Progress and Opportunities." Mr. Malinowski stated that there has been some progress with respect to investor engagement with fossil fuel and utility companies. Some companies, particularly European companies, have been responding to engagement efforts of investors. Shell has decided to pull back from drilling in the Arctic which is a positive engagement development. American companies like Exxon and Chevron have been less receptive.

Mr. Malinowski said that he and Mr. Nakatsu attended a strategy meeting via conference call for INCR's Shareholder Initiative on Climate and Sustainability.

Mr. Malinowski said that since February 2015 staff has participated in 30 events, meetings, and calls devoted to ESG matters.

SCERS joined other institutional investors by signing a letter to Institutional Shareholder Services (ISS) about concerns with their proxy voting policies. SCERS was one of two public pension plans that signed the letter.

One of the other positive actions SCERS is attempting is to integrate climate change into the investment process. Mr. Malinowski stated that SCERS is going through an RFP process with NEPC for an infrastructure manager(s). SCERS is talking to Mercer about using their research and ratings when looking at finalists from the infrastructure RFP.

Mr. Malinowski and Jill Johnson will be flying to New York to meet with infrastructure finalist candidates. He hopes to bring the recommended managers to the Board in the fourth quarter.



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Mr. Nakatsu is attending an INCR round table on October 22nd. He recently attended a White House Summit on clean energy. They highlighted the fact that \$4B had been committed by investors in 2015 for clean energy.

Ms. Johnson spoke to the motion that was on the agenda regarding proxy voting. She stated that ISS is the largest investor service used to vote or monitor proxies. SCERS engaged ISS at the beginning of the year. ISS offers a range of guidelines that are tailored for different types of investors.

Staff reviewed three policies:

- Standard Policy
- Sustainability
- Public Fund

Ms. Johnson stated that they are recommending that SCERS switch from the Standard Policy to the Public Fund policy which is best in alignment with SCERS's goals.

Mr. Malinowski said that the Public Funds goal focuses on fiduciary responsibility and is also relatively strong across environmental, social and governance issues.

We are provided a report every quarter regarding how our public equity managers have voted.

Motion: Upon motion of Robert Harvey, Jr., seconded by Sherri Crawford., the Board of Administration instructed its separate account managers to vote the proxies of public companies on SCERS's behalf using the Institutional Shareholder Services' (ISS) Public Funds Proxy-Voting Policy, when practicable. The motion passed unanimously (4-0).

Executive Director Report

Mr. Nakatsu stated that there is nothing significant to report other than the Pension Administration System negotiations with ViTech.

Mr. Davis reported that staff went through two days of scheduled negotiations with ViTech. Negotiations stopped early yesterday because staff and ViTech reached agreement. Both teams worked collaboratively through the terms of the agreement and expect a contract to be signed before the end of the month.

SCERS Work Plan

Mr. Nakatsu stated that on the Work Plan, the PAS was shifted by a month due to the contract negotiations. The Work Plan also reflects that the Administrative Committee will incorporate the establishment of a process for election of members to the Investment Advisory Committee (IAC).

SCERS Operations/Finance

Mr. Davis gave an update on the Dashboard. He stated that it is taking longer to provide retirement estimates to members but staff is taking steps. One staff member will be returning from a loaned assignment to another department and we will also be hiring an additional TLT Retirement Specialist.

Adjournment

Motion: Upon motion of Sherri Crawford, seconded by Robert Harvey, Jr., the Board of Administration voted to adjourn the meeting. The motion passed unanimously (4-0).

The meeting adjourned at 11:05 a.m.

Susan Coskey, Secretary