



Seattle City Employees' Retirement System  
Board of Administration Meeting

Seattle City Hall, Boards and Commissions Room, 600 Fourth Avenue, Seattle  
(206) 386-1293

**Board of Administration Members:**

Councilmember Tim Burgess, Chair  
Glen Lee  
Jean Becker  
Lou Walter  
Robert Harvey, Jr.  
Sherri Crawford  
Susan Coskey

**SCERS Staff:**

Ken Nakatsu, Interim Executive Director  
Jeff Davis, Chief Finance/Operations Officer  
Jason Malinowski, Chief Investment Officer  
Tony Smith, Deputy Chief Investment Officer  
Jill Johnson, Investment Strategic Advisor  
Cecelia Chen, Investment Analyst  
Claire Foster, IT Manager  
Cynthia Scheiderer, Member Services Manager  
Deontrae Sherrard, Principal Accountant  
Nina Melencio, Office Administrator

**Legal:**

Carlton Seu, Seattle City Attorney's Office  
Michael Ryan, Seattle City Attorney's Office  
Mike Monaco, Song Mondress Law Firm

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**Minutes of Thursday, February 11, 2016**

**Board Members Present:** Tim Burgess, Glen Lee, Jean Becker (arrived at 9:10 a.m.), Sherri Crawford, Susan Coskey (via conference call).

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

**Others Present:** Carlton Seu (Seattle City Attorney's Office), Michael Ryan (Seattle City Attorney's Office), David Hennes (CBO), Paul Olson (Seattle City Attorney's Office), George Emerson (FAS), Nate Van Duzer (CM Burgess's Office)

**Call to Order**

Tim Burgess, Committee Chair, called the meeting to order at 9:03 a.m.

**Public Comment:**

There was no public comment.

**Administrative Consent Agenda**

Provided in the Retirement board packet were the minutes from the January 28, 2016 Retirement Board regular meeting and the February 2, 2016 Special Meeting of the Board.

The following items represent normal expenses and nothing extraordinary:

<b>Service</b>	\$12,702,877.52
<b>Beneficiary</b>	\$ 919,717.56
<b>Disability</b>	\$ <u>75,760.66</u>
<b>Pension Payroll – PPE January 2016</b>	\$13,698,355.74
<b>Office Payroll – PPE January 12 and 26, 2016</b>	\$ 184,105.49

**Vouchers Processed – January 2016**

• Expert and Consultant Services	\$	12,553.01
• Investment Management Fees	\$	122,730.08
• Interdepartmental Charges	\$	201.84
• Miscellaneous	\$	121,681.50

**Immediate Withdrawals of Contributions for the month of January 2016:**

MEMBER	Ret #	Department Name	Position
Buchanan, Marlette	53795	Parks	Rec Prgm Coord
Campaz, Mario D	53600	InfoTech	Info Technol Prof C-BU
Elliott, Steven	36307	SPU	Util Sysrs Maint Tech
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Fearnhough, Michael B	53738	Police	StratAdvst2,CL&PS
Gordon, Seth	47045	Library	Library Assoc I
Harvey, Briahn D	54091	Police	Pol Comms Dispatcher I
Hillard, Tracy M	53056	HumanSvc	StratAdvst3,Exempt
Looney, John J	53273	City Light	Lnwkr
McGraw, Peter R	46015	Neighbrhd	StratAdvsr1,CSPI&P
Momassie, Cecil W	53330	Sea Ctr	Security Ofcr
Moyer, Victoria	54032	Fire	Mgmt Sysrs Anlyst Supv
Nutter, Brian G	52808	City Light	Lnwkr
Paksangkanay, Hongthong	44110	Library	Custodian
Roe, Elaine M	49534	HumanSvc	Counslr
Roe, Elaine M	49534	HumanSvc	Counslr
Saeyang, David S	52253	Library	Bldg Engr-Libr
Sajor, Tina M	37946	HumanSvc	Admin Spec I-BU
Truong, Phuong Anh	51896	Library	Page
Ward, Latifa	53724	Library	Security Ofcr - Library
<b>White, Diana J</b>	<b>51331</b>	<b>Police</b>	<b>Identification Data Spec</b>
Wong, Kam M	46614	Parks	Aquarium Biologist 1

**Withdrawals for a total of: \$474,536.62**

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	Yrs	Days	DeptName	Position
Alley-Barnes,Royal	12/30/2015	69	32	266.41	Arts&Cult	Manager2,General Govt
Burstein,Florence K	12/14/2015	63	7	254.24	Vested	StratAdvsr1,General Govt
Hall,Jerry D	12/20/2015	57	35	22.92	City Light	Mat Suplr-Asg Leo/Pdm/Hb

Jackson,James E	12/1/2015	57	12	45.09	FAS	Animal Contrl Ofcr II
Marshall,Kevin W	12/30/2015	58	16	110.3	City Light	Mech Engr,Sr
Matson,Kenneth A	12/3/2015	59	39	25.17	FAS	Warehouser,Sr-BU
Olds,Carmen M	12/30/2015	59	24	8.22	Parks Dept	Rec Attendant
Tijerina,Alonzo	12/18/2015	64	6	273.75	Vested	
Williams,Yolande E	12/4/2015	63	16	22.37	Muni Court	Executive3

For the month of January 2016: 70 new Members entered the System, 16 terminations, 9 Members retired in the System, 10 Members removed (\$14,423.70), 3 D/E Option, 6 F Option, and 1 over 60% benefit.

- Motion:** Upon motion by Tim Burgess, seconded by Glen Lee, the Board of Administration approved the Administrative Consent Agenda. The motion passed unanimously (5-0).
- Minutes of the January 28, 2016 Board Meeting.
  - Minutes of the February 2, 2016 Special Meeting of the Board.
  - Ratification of Retirement Payroll, Office Payroll, Other Payments and Withdrawals.
  - Ratification of Service Retirements for the Month of January 2016.

### **Member Services Update**

Cynthia Scheiderer, Member Services Manager, provided an update on the Member Services division of SCERS. She stated she decided to accept an offer to join the department after she witnessed the commitment of the staff. There have been significant proactive steps for success and improved services for our members.

Ms. Scheiderer stated that the leadership and everyone on the member services team have a commitment to putting members first in all the business decisions. It is hard work to do that and build the process, tools, and culture.

She said that staff and members are seeing improvement already. Priority has been given to benefit estimates and bringing service levels where we want it to be. The goal is to be under 100 benefit estimates at any given time. As of this morning, staff was at 107 open benefits estimates with the oldest estimate at eight weeks. The average estimate is open for three weeks.

Ms. Scheiderer stated that this needs to be done in a sustainable way. The service model is intended to have three outcomes:

1. Improving time of the first response. The member needs to be aware of the status of their request.
2. Improving time to resolution in a timely way.
3. Clarifying service boundaries.

For this service model, a tiered model of support has been introduced. For the tier 1, two staff members are dedicated to intake and sometimes provide a resolution on first contact with a member. Tier 2 is for calculations, consultations, appointments, and highly individualized service. Tier 3 is if there is something exceptional that requires additional service. Staff at Tier 3 handles those without creating a bottleneck at the other tiers.

Another initiative is skill building. We are taking all member services staff through training this year. It is the technical skills, customer, analytical, and critical skills. Everyone is going through it together no matter how long they have been with the staff.

Our last initiative is a knowledge base. This is one tool or methodology that can accomplish a great deal for us. There is a trend for knowledge based support. Research shows customers are more loyal and satisfied if they feel they have learned something. Members need to learn more about their benefits. The knowledge base is going to help us give that learning interaction.

**(9:10 a.m. Jean Becker arrived)**

Ms. Scheiderer stated that member services' goal is to honor the public service of employees by providing them great service when they retire.

### **Executive Session**

The Board of Directors entered into Executive Session at 9:13 a.m. for approximately 15 minutes to discuss a personnel matter.

Executive Session was closed and the Board of Administration meeting re-entered regular session at 9:28 a.m...

### **SCERS II – David Hennes**

David Hennes of the City Budget Office reported on the proposed new SCERS II retirement plan which reduces costs and will become effective for new City employees hired after January 2017.

Mr. Hennes reviewed the differences between the two plans and stated that the City will continue to make unfunded liability contributions for all employees' payroll.

He stated that SCERS II reduced the normal costs (percentage of salary) from 15.8% to 11.9% and that the major way the city is reducing the cost is by reducing the multiplier (earned benefit per year of service). The multiplier was reduced from 2% for SCERS I to 1.75% to SCERS II.

Mr. Hennes said another difference with the new plan is that the normal retirement age has been changed. With SCERS I, the normal retirement age is when the member's age plus years of service equals "rule of 80". With SCERS II, the member's age plus years of service must equal the "rule of 85".

The employee contribution rate will be reduced from 10.03% for current employees to 7% for new employees hired after January 2017. The employer contribution rate will be reduced from 5.76% to 4.9% for new employees.

Susan Coskey stated that there were a lot of people who worked hard on SCERS II. The coalition of unions has agreed to SCERS II. Individual unions are voting on it.

Ken Nakatsu said that Mr. Davis, Mike Monaco and he were working on the implementing legislation and are trying to pursue on the two tiers as well. Mr. Nakatsu stated that purely to incorporate the changes would be complicated. It is also important to clean up what is currently there.

Mr. Monaco stated that there are parts of the legislation that we need to change to implement SCERS II that are touching on some ambiguous or outdated practices.

Sherri Crawford asked if there is some language that allows for new hires in one of the other plans to have portability.

Mr. Hennes replied that there was.

### **Administrative Committee Report – January 28, 2016**

Jean Becker reported on the January 28, 2016 Administrative Committee meeting. She stated that committee members have been working on the board self-evaluation process. They will have something for the board at the March board meeting.

Steve Boyd is working on a proposal for strategic planning.

## **Investment Committee Report – January 28, 2016**

Tony Smith reported on the January 28, 2016 Investment Committee meeting.

There was discussion on the Monthly Portfolio Monitor. The market value at the end of December was \$2.3B with an estimated funded ratio of 64%. Mr. Smith stated that the market value of \$2.3B was about even with where SCERS ended in 2014. Performance for 2015 was flat. Mr. Smith noted that the funding ratio for 2014 was 67% compared to where SCERS ended in 2015 at 64%.

Don Stracke of NEPC presented on 2016 Actions and Capital Market Assumptions. Overall, Mr. Stracke remarked that monetary policies remained accommodative and that there were challenges in the emerging markets.

Jason Malinowski gave an update on the infrastructure search.

The Investment Advisory Committee will attend the February Investment Committee. NEPC will present the ESG update from their reports from last year.

## **Executive Director Report**

Mr. Nakatsu stated that Jean Becker's active member seat is open this year. The Notification of Election will be posted after the March board meeting to inform members of the qualifications and the timelines.

Mr. Davis stated that there have been quite a few SCERS staff engaged in the past month with ViTech consultants working on the Pension Administration System (PAS). They are going into great detail for the system requirements. The meetings are going real well.

This week, auditors for CliftonLarson are on site doing preliminary work. They will be back in April to do more in-depth view of processes. We are targeting June or July for the final review of the 2015 audit.

## **Adjourn Meeting**

**Motion:** Upon motion by Tim Burgess, seconded by Glen Lee, the Board of Administration voted to adjourn the meeting at 10:00 a.m. The motion passed unanimously (5-0).