



Seattle City Employees' Retirement System  
Board of Administration Meeting  
Seattle City Hall, Boards and Commissions Room, 600 Fourth Avenue, Seattle  
(206) 386-1293

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**Minutes, Thursday, April 14, 2016**

**Board Members present:** Tim Burgess, Glen Lee, Jean Becker, Lou Walter, Robert Harvey, Jr. Sherri Crawford, Susan Coskey

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

**Others present:** Carlton Seu (City of Seattle Attorney's Office), Michael Ryan (City of Seattle Attorney's Office), Mike Monaco (Song Mondress Law Firm), Kate Moore (SDHR), Bill Roach, Lynn Fitz-Hugh (350 Seattle), Tom Kirn (FAS), George Emerson (FAS), Nate Van Duzer (Office of CM Burgess), Eric Sund (LEG)

**Call to Order**

Tim Burgess, Committee Chair, called the meeting to order at 9:00 a.m.

**Public Comment:**

Mr. Burgess asked if there was public comment. There was public comment.

Lynn Fitz-Hugh stated she was at the board meeting to thank the Board for investing \$15M in the Brookfield Infrastructure Fund. She stated that she is excited for a better future that the investment represents.

Ms. Fitz-Hugh also said that as a member of 350 Seattle, she is still requesting that the Board divest from fossil fuels.

***(9:02 a.m. - Glen Lee arrived)***

Bill Roach stated that he is a 45 year member of the SCERS retirement system and a grandfather. Mr. Roach said he has come before the Board on numerous occasions to ask the Board to consider the impact of climate change on the SCERS portfolio. He was very pleased that the Board had responded with a \$15M investment in Brookfield Infrastructure Fund III focusing on renewable energy development. He said that it was a very important first step, but he hoped there were more steps to come.

Mr. Roach stated that renewable energy is becoming cheaper to produce and that it is a technology, not a fuel.

As a grandfather, Mr. Roach asked the Board to please keep investing to respond to climate change. He also asked the Board to be mindful of their fiduciary responsibility and to invest where there is positive and sustainable growth.

## Administrative Consent Agenda

Provided in the Retirement board packet were the minutes from the March 10, 2016 Retirement Board regular meeting.

The following items represent normal expenses and nothing extraordinary:

|  |                     |
|--|---------------------|
| <b>Service</b>                                   | \$12,859,013.13     |
| <b>Beneficiary</b>                               | \$ 915,091.78       |
| <b>Disability</b>                                | \$ <u>76,605.21</u> |
| <b>Pension Payroll – PPE March 2016</b>          | \$13,850,710.12     |
| <br>   |                     |
| <b>Office Payroll – PPE March 8 and 22, 2016</b> | \$ 197,757.18       |
| <br>   |                     |
| <b>Vouchers Processed – March 2016</b>           |                     |
| • Expert and Consultant Services                 | \$ 58,796.95        |
| • Investment Management Fees                     | \$ 547,270.74       |
| • Interdepartmental Charges                      | \$ 124,722.90       |
| • Miscellaneous                                  | \$ 30,328.62        |

### **Immediate Withdrawals of Contributions for the month of March 2016:**

| <b>MEMBER</b>        | <b>Ret #</b> | <b>Dept Name</b>  | <b>Position</b>          |
|----------------------|--------------|-------------------|--------------------------|
| Adams, Me'Sheri D    | 53701        | Public Utility    | Admin Spec III-BU        |
| Armbruster, Ginger E | 52086        | DoIT              | Strat Advsr 2            |
| Baker, Shaun P       | 48742        | Police            | Admin Spec III-BU        |
| Beaver, Calvin E     | 46101        | Parks             | Work Trng Enrollee       |
| Bingham, Marinda A   | 54025        | City Light        | Admin Spec III-BU        |
| Bridges, Colleen E   | 48737        | SDCI              | Admin Spec II-BU         |
| Brown Jr, Robert     | 45897        | Seattle Center    | Laborer                  |
| Bryan, Bradley M     | 46309        | Public Utility    | Civil Engrng Spec, Assoc |
| Cubell, Layne A      | 44018        | Seattle Center    | StratAdvsr2,General Govt |
| Eng, Brian W         | 34891        | Library           | Library Assoc II         |
| Frank Jr., Robert T  | 46026        | Office of Housing | Human Svcs Manager 2     |
| Frank Jr., Robert T  | 46026        | Office of Housing | Human Svcs Manager 3     |
| Gilmore, William B   | 52913        | Public Utility    | Manager3,Utills          |
| Lawrey, Pamela       | 54203        | City Light        | Admin Spec II-BU         |
| Loy, David A         | 51055        | FAS               | Mgmt Svcs Anlyst, Sr     |
| Mantilla, Andres J   | 50645        | Exec Depts        | Strat Advsr 1            |
| Martin, Kimberly L   | 54211        | Public Utility    | Util Act Rep Trne        |
| Mouton, Michell A    | 52358        | Police            | Util Act Rep Trne        |
| Noyes, Guy L         | 47485        | Library           | Library Intermittent     |
| Pacleb, Duke B       | 52614        | Public Utility    | Wtr Pipe Wkr Aprn        |
| Pieratt, Madelane M  | 35490        | Municipal Court   | Prob Counslr I           |



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|                         |              |                       |                          |
|-------------------------|--------------|-----------------------|--------------------------|
| Rivers, Homer K         | 49501        | City Light            | MatSup Elec Asg          |
| <b>Sawyer, Secora L</b> | <b>37859</b> | <b>Public Utility</b> | <b>Mgmt Sysst Anlyst</b> |
| <b>Sawyer, Secora L</b> | <b>37860</b> | <b>Public Utility</b> | <b>Mgmt Sysst Anlyst</b> |
| Weber, Elizabeth E      | 52854        | SDOT                  | Civil Engrng Spec, Assoc |

**Withdrawals for a total of: \$689,666.04**

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                   |
|-------------------------|------------------|-----------|-----------|---------------|-------------------|----------------------------|
| Chagzoetsang, Doma L    | 2/24/2016        | 57        | 30        | 254.87        | City Light        | Util Acts Supv             |
| Connors, Susan          | 2/6/2016         | 62        | 16        | 277.52        | Library           | Dev Ofc Admin Asst         |
| Donnelly, Michael S     | 2/10/2016        | 69        | 19        | 131           | Sea Center        | Lock Tech *                |
| Edwards, Earl H         | 2/1/2016         | 71        | 13        | 12.5          | Vested            | Com Dev Spec               |
| <b>Fields, Sheila A</b> | <b>2/10/2016</b> | <b>66</b> | <b>35</b> | <b>103.14</b> | <b>Muni Court</b> | <b>Court Clerk</b>         |
| Gilbertson, David G     | 2/4/2016         | 65        | 35        | 15.03         | Parks Dept        | Manager1,Parks&Rec         |
| Groshong, Kathleen K    | 2/17/2016        | 61        | 23        | 263.26        | Human Svcs        | Plng&Dev Spec II           |
| Hsu, Mary L             | 2/9/2016         | 65        | 3         | 160.13        | Vested            | Legislative Asst           |
| Igo, Sandra L           | 2/5/2016         | 66        | 7         | 192.51        | Exec Dept         | Com Dev Spec               |
| Johnson, Robert R       | 2/12/2016        | 63        | 8         | 338.43        | SDCI              | Elecl Plans Examiner       |
| Keiper, Bruce G         | 2/18/2016        | 63        | 21        | 90.9          | City Light        | Capital Prjts Coord,Sr     |
| King, Sherri L          | 2/27/2016        | 62        | 16        | 1.75          | Vested            | Mgmt Sysst Anlyst          |
| <b>Ko, Curtis J</b>     | <b>2/9/2016</b>  | <b>59</b> | <b>33</b> | <b>147.71</b> | <b>FAS</b>        | <b>Shop Opns Supv</b>      |
| Lenss, Diane K          | 2/3/2016         | 62        | 11        | 220.96        | Police            | Admin Support Supv-BU      |
| Milbourn, Virginia L    | 2/13/2016        | 70        | 25        | 362.31        | PublicUtil        | Admin Spec III-BU          |
| Minato, Marilyn J       | 2/10/2016        | 64        | 31        | 124.46        | FAS               | Treasury Cashier,Sr        |
| Oesterreicher, Brian    | 2/9/2016         | 52        | 30        | 93            | Police            | Pol Comms Dispatcher,Chief |
| Philips, Christine      | 2/2/2016         | 62        | 32        | 187.18        | PublicUtil        | Mgmt Sysst Anlyst,Sr       |
| Phillips, Duane R       | 2/16/2016        | 62        | 19        | 120.27        | Sea Center        | Security Ofcr              |
| Radliff, Rick L         | 2/2/2016         | 57        | 22        | 146.14        | SDCI              | Housing/Zoning Tech,Sr     |
| Ray, Morris C           | 2/10/2016        | 64        | 23        | 51.74         | Police            | Parking Enf Ofcr           |
| Sablan, Charles A       | 2/14/2016        | 59        | 6         | 169.21        | Vested            | Manager1,Parks&Rec         |
| Smith, Elora A          | 2/19/2016        | 67        | 30        | 83.95         | Parks Dept        | Carpenter                  |
| Warner, Thomas W        | 2/6/2016         | 63        | 21        | 261.52        | Human Svcs        | Counslr                    |
| Young, Jeffrey R        | 2/10/2016        | 56        | 20        | 189.91        | City Light        | Strucl Pntr                |

For the month of March 2016: 66 new Members entered the System, 28 terminations, 25 Members retired in the System, 19 Members removed (\$29,652.00), 1 D/E Option, 3 F Option, and 2 over 60% benefit.

**Motion:** Upon motion by Tim Burgess, seconded by Robert Harvey, Jr., the Board of Administration accepted the Administrative Consent Agenda. The motion passed unanimously (5-0).

### **Clarification of At-Large Board Member's Term Expiration**

Ken Nakatsu stated that Robert Harvey, Jr. was appointed two summers ago as the At-Large Board Member. The motion at his appointment incorrectly referred to Mr. Harvey's term as expiring June 30, 2016. The reappointment was for three years which would extend his term to June 30, 2017. The motion presented clarifies Mr. Harvey's term.

**Motion:** Upon motion by Tim Burgess, seconded by Jean Becker, the Board of Administration clarified that there was an error on the March 13, 2014 Board of Administration minutes which stated that Robert Harvey, Jr.'s appointment as Seattle City Employees Retirement System Board of Administration at-large member was expiring on June 30, 2016. The intent of the reappointment was for Mr. Harvey to serve a three year term, hence expiring on June 30, 2017. The motion passed 4-0-1 with Robert Harvey, Jr. abstaining.

### **Corporate Credit Manager Selection**

Mr. Nakatsu stated that the Investment Committee is recommending the commitment of up to \$80M to Ares Institutional Credit Fund (ICF) for bank loans and high-yield bonds. The \$80M is a placeholder for the class. Staff expects to reduce the commitment as we select other managers.

At the Investment Committee meeting on March 31, 2016, the vote passed 5-0 with Susan Coskey abstaining. Ms. Coskey's concerns were with Race, and Social Justice. Staff and NEPC have come up with ideas on how we can improve our outreach, consistent with SCERS's ESG Policy.

Ares is not on NEPC's focused provider list (FPL), although Ares is a very large and highly regarded firm.

Ares has offered us a desirable fee arrangement because SCERS will be a seed investor in the new fund. Ares has the ability to shift emphasis between bank loans and high-yield bonds depending on circumstances.

Staff did a lot of due diligence in this process.

***(9:10 a.m., Lou Walter arrived)***

Mr. Harvey wanted to add that Ms. Coskey's abstention was not based on quality of the investment itself.

**Motion:** Upon motion of Glen Lee, seconded by Tim Burgess, the Board of Administration accepted the Investment Committee's recommendation that the Board of Administration commit approximately \$80 million to a corporate credit strategy managed by Ares Management LLC, pending satisfactory legal and NEPC due-diligence reviews. The motion passed unanimously (6-0).



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**Executive Director Report**

**2016 Trustee Elections Candidacy Period**

Mr. Nakatsu said that effective today, April 14, 2016, the filing period for Jean Becker's active member board seat was open. It is advertised on the website and also on member statements which members should receive today or tomorrow. The candidacy period closes on April 28, 2016. The election will occur in May if there is more than one candidate. The election will be certified by the Board at its June 9, 2016 meeting.

**Public Disclosure Exemption for Private Fund Information**

Mr. Nakatsu stated that the Washington State Legislature approved Senate Bill (SB) 6170 last month. The bill was presented jointly with Tacoma Employees' Retirement System and Spokane Employees' Retirement System. The bill is very significant in that it will enable all three city public pension plans to have greater access to top private fund managers. Some managers have told staff they were not interested unless they were an exception. It is also significant from a due diligence perspective. It helps staff to better monitor manager performance.

***(9:12 a.m., Susan Coskey arrived)***

SB 6170 amends RCW 42.56.270 and exempts from disclosure specific financial, commercial, and proprietary information for municipally operated pension plans, as reflected below.

"Financial and commercial information submitted to or obtained by the retirement board of any city that is responsible for the management of an employees' retirement system pursuant to the authority of chapter 35.39 RCW, when the information relates to investments in private funds, to the extent that such information, if revealed, would reasonably be expected to result in loss to the retirement fund or to result in private loss to the providers of this information except that (a) the names and commitment amounts of the private funds in which retirement funds are invested and (b) the aggregate quarterly performance results for a retirement fund's portfolio of investments in such funds are subject to disclosure."

The City of Seattle's Office of Intergovernmental Relations (OIR) and Spokane and Tacoma's legislative lobbyists did a fantastic job.

Mr. Lee stated that the passage of this bill is a remarkable achievement. SCERS's Executive Director did an amazing job.

**Legislation to Implement Plan II and Administratively Improve SMC 4.36**

Mr. Nakatsu stated that the proposed amendment to the Seattle Municipal Code (SMC) 4.36 is required to create a new retirement Plan II. Based on the advice of counsel, staff took the opportunity to also attempt to administratively improve and delete obsolete provisions in the code. The code will be much clearer on how certain provisions should apply.

Mr. Nakatsu said that next steps would be meeting with labor. A meeting with the coalition has been scheduled in early May. We are scheduling with Local 77 as well.

It is important that City Council have action on the amendment this summer. Staff is in the process of programming the new Pension Administration System (PAS) and will need to have certainty that the new provisions will be approved so they can move forward with programming.

Mr. Nakatsu stated that the items highlighted in yellow on the document are purely Plan II items with a few exceptions. The other items that are highlighted, primarily in blue, are the cleanup related provisions that staff and counsel think are necessary. We have also commented about the most notable items in the margins.

Nothing in the cleanup amendment substantively changes any member benefit. The amendment will not affect the rights or benefits of employees.

Mr. Harvey asked who discusses retirement benefits with new employees, human resources or SCERS. Mr. Nakatsu replied that non-exempt new employees do not have a choice and must become members of the retirement system.

Ms. Coskey stated that there is a new employee orientation for employees. If an employee is exempt from civil service, that employee is contacted directly by SCERS.

Mr. Davis stated that exempt employees are sent a memo and a follow-up email. He said that staff does a scan of SDHR's system several times a week to track new employees hired.

Mr. Burgess asked about the final drafting of the ordinance and when it was going to occur.

Ms. Coskey replied that the City has agreement with the coalition and is seeking to do so. As reflected earlier, meetings with Labor are being scheduled to review the ordinance.

**Motion:** Upon motion of Tim Burgess, seconded by Sherri Crawford, the Board of Administration accepts the proposed ordinance to amend SMC 4.36 to implement City of Seattle's Retirement Plan II and administratively improve the chapter. The motion passed unanimously (7-0).

### **Executive Session**

The Board of Directors entered into Executive Session at 9:31 a.m. for approximately 2.5 hours for the purposes of evaluating the qualifications of applicants for public employment.

Executive Session was closed and the Board of Administration meeting re-entered regular session at 12:12 p.m.

### **Adjourn Meeting**

The meeting was adjourned at 12:12 p.m.