



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

Minutes, Thursday, August 11, 2016

BOARD MEMBERS PRESENT: Tim Burgess (Chair), Lou Walter, Robert Harvey, Jr., Jean Becker, Glen Lee, Sherri Crawford, Susan Coskey

SCERS STAFF PRESENT: Ken Nakatsu, Jeff Davis, Jason Malinowski, Jill Johnson, Cecelia Chen, Nina Melencio

OTHERS PRESENT: Tom Kirn (FAS), James Warren

Call to Order:

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

Public Comment:

There was no public comment.

Administrative Consent Agenda:

Minutes:

Provided in the Retirement Board packet was the minutes from the July 14, 2016 Retirement Board regular meeting.

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

Service	\$13,047,994.16
Beneficiary	926,468.86
Disability	<u>69,067.13</u>
Pension Payroll – PPE July 2016	\$14,043,530.15
Office Payroll – PPE July 12 and 26, 2016	\$ 101,040.67
Vouchers Processed – July 2016	
• Expert and Consultant Services	\$ 94,931.75
• Investment Management Fees	\$ 468,608.52
• Interdepartmental Charges	\$ 130,215.70
• Miscellaneous	\$ 26,273.77

Immediate Withdrawals of Contributions for the month of July 2016:

MEMBER	Ret #	Dept Name	Position
Burns,Ryan G	54180	Parks Dept	Seattle Conserv Corps Supv
Crandall,David B	50278	Parks Dept	Rec Attendant
Crippen,Luke A	51530	PublicUtil	Accountant
Davis,Gary M	51197	Sea Center	Stage Tech *
Dean,Michael A	51606	FAS	Rates Mgmt Anlyst,Sr
Deccio,Angela M	49690	Parks Dept	Aquarium Biologist 1
Dyer,Kacey J	53435	Police	Pol Comms Dispatcher I

Halsey,Stephen J	52316	Library	Dir, Marketing&Online Svc
Ingalls, Christie J	41056	City Light	Civil Engr,Assoc
Mahling,Dirk E	52246	Seattle IT	Executive3
Markley,Corrina	51374	City Light	Mgmt Svcs Anlyst,Sr
Mase,Apollinaire M	54072	City Light	Elecl Engr,Asst I
Mayer,Edward	53813	Parks Dept	Rec Attendant
Quesada,Kathleen A	52605	SDCI	Permit Tech,Sr
Scarlett,Christine A	48947	Human Svcs	Manager3,Exempt
Scarlett,Christine A	48947	Human Svcs	Manager3,Exempt
Summers,Michael P	44624	Police	Pol Comms Dispatcher II
Sutton,Janet R	45915	FAS	Info Technol Prof A *
Sutton,Janet R	45915	FAS	Info Technol Prof A *
Wolfgram,Jennifer L	51242	FAS	Tax Auditor

Withdrawals for a total of: \$639,569.92

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

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
Andersen,Cathleen J	6/2/2016	63	24	190.45	Parks Dept	Manager2,Human Svcs
Berry,James A	6/2/2016	67	24	143.28	SDOT	Maint Laborer,Sr-Traffic
Brautigam,Jack A	6/15/2016	65	16	254.12	City Light	Plng&Dev Spec,Sr
Choi,Sarah Si Heung C	6/2/2016	65	14	267.68	Human Svcs	Counsrl
Cole,Rochelle D	6/7/2016	62	8	64.33	SeaTech	Info Technol Prof B
Curtis,Anne T	6/3/2016	59	23	293.63	#N/A	#N/A
Escarez,Teofila M	6/15/2016	66	30	167.68	City Light	Cust Svc Rep
Gibbons,Gary L	6/4/2016	57	24	289.31	Parks Dept	Capital Prjts Coord,Sr
Hairston,Patricia A	6/2/2016	68	8	44.75	NeighbDept	StratAdvsr1,General Govt
Hoffer,Dennis W	6/15/2016	62	10	179.35	PublicUtil	Forest Maint Wkr,Sr
Huggins,Larry R	6/15/2016	69	13	11	SDOT	Manager3,P&FM
Johanson,Thomas C	6/29/2016	69	46	180.5	PublicUtil	Civil Engrng Spec,Sr
Johnson,Daniel D	6/22/2016	59	26	47.99	Parks Dept	Executive2
Kuhnly,Steven W	6/2/2016	62	37	353.5	City Light	Cblspl CC-Asg C Coord
Kulzer,Louise R	6/2/2016	69	13	152.43	PublicUtil	Manager3,Engrng&Plans Rev
Kuris,Leslie E	6/8/2016	68	8	229.44	SDOT	Trng&Ed Coord
Llarenas,Teresita	6/6/2016	60	25	317.89	Vested	Util Act Rep I
Mah,Sherman	5/31/2016	54	3	140.9	Vested	#N/A
Maxwell,Patricia D	6/14/2016	69	26	311.86	Parks Dept	Rec Cntr Coord
McKenzie,Rose M	6/24/2016	66	11	35.42	Vested	Janitor-Library
Mercer,Rosa L	6/5/2016	63	5	356.78	Muni Court	Court Clerk
O'Brien,Patricia M	6/29/2016	66	24	261.86	PublicUtil	StratAdvsr2,General Govt
Peterson,Joan C	6/10/2016	63	19	174.58	Arts&Cult	Arts Prgm Spec
Quinn,Joanne T	6/10/2016	61	14	172.71	Exec Dept	Com Dev Spec,Sr
Steimle,Roger L	6/22/2016	60	21	98.92	Vested	Lnwkr
Tacardon,Charlie A	6/2/2016	53	25	266.68	SeaTech	Telecom Syst Installer,Sr
Troisi,Victoria M	6/4/2016	61	24	337.38	SDOT	Admin Staff Anlyst
Turner,Mary E	6/2/2016	65	37	239.66	SDOT	Public Relations Supv



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For the month of July 2016: 77 new Members entered the System, 38 terminations, 28 Members retired in the System, 6 Members removed (\$14,131.63), 4 D/E Option, 5 F Option, and 4 over 60% benefit.

Motion: Upon motion by Tim Burgess seconded by Robert Harvey, Jr., the Board of Administration accepted and approved the Administrative Consent Agenda. The motion passed unanimously (6-0).

Administrative Committee Report – July 28, 2016

Ken Nakatsu stated that there were three items discussed during the Administrative Committee (AC) meeting. The AC wrapped up the Board self-evaluation process, discussed the Executive Director (ED) recruitment process, and discussed the Private Funds Disclosure Exemption Policy.

Jean Becker, AC Chair, said that the committee developed a Board self-evaluation questionnaire with the assistance of consultant, Steve Boyd. The overall ratings of the Board decision making process and committee work structure were positive. Ms. Becker said that the responses to the questionnaire reflected that board members felt SCERS staff was doing good work for the Board, that staff was providing good information and that communication between the SCERS staff and Board was effective. The Board appreciated what has been accomplished by staff in the last few years.

Ms. Becker stated there were several areas that Steve Boyd directed the Board's attention to in his recommendations.

Mr. Boyd recommended that annual evaluations of the Executive Director be completed.

In his recommendations, Mr. Boyd also suggested clarifying the Board and staff roles for strategic planning, which Ms. Becker stated should be done next year when the new ED is on board.

Other recommendations include the Board benefiting from a deeper understanding of all facets of SCERS, including retirement operations.

Mr. Walter stated that Board members should not get into the minutia of directing staff. He said he has always worried about that and the Board should function at a higher level, rather than running the show.

Ms. Coskey said that she agreed with Mr. Walter and that the current balance for her seemed to be out of balance. She would encourage Mr. Boyd to work with the Board. She stated that if she were in staff's shoes she would feel that she was micromanaged. Ms. Coskey stated that the Board has some growing room.

Mr. Burgess stated that he saw the survey results and Mr. Boyd's comments. Mr. Burgess related that his first term on the Board was very different. He said that SCERS has now has an excellent staff and they have enhanced communication with members. There is a huge IT project which is on time and within budget. Mr. Burgess stated that he was delighted when he saw the results of the survey. He said that we can always improve and he is grateful of Mr. Nakatsu's leadership and that of the staff. Mr. Burgess stated that we are on the right path and moving in the right direction.

Relative to hiring a new Executive Director, Mr. Nakatsu stated that Alliance Resource Consulting has been engaged as SCERS's recruiter. They have experience in Arizona, Illinois, and especially in California. NEPC is familiar with the firm.

Mr. Nakatsu said that all board members are scheduled to meet with Alliance and the recruitment is scheduled to begin around Labor Day. Alliance will come back to the Board on October 27th with their initial search results and recommendations for more in-depth screening.

Interviews are planned for after Thanksgiving. We will most likely extend the December 8th Board meeting to do a half day of interviews and do the remainder the next day on December 9th.

Private Funds Disclosure Exemption Policy

Certain private fund information for SCERS is now exempt from public disclosure, as provided recently by the Washington State Legislature (RCW 42.56.270(26)). Jason Malinowski stated that the proposed policy speaks to the process that staff will employ when a public disclosure request for private fund information is received. Staff will work with the City Attorney's office on specific requests. The Washington State Investment Board (WSIB) has a similar policy.

Mr. Nakatsu stated that SCERS has a strong interest in transparency and will disclose as much information as we can without resulting in loss to SCERS members, the providers of the information, or the public.

Motion: Upon motion of Tim Burgess, seconded by Jean Becker, the Board of Administration accepted the Administration Committee's recommendation and adopted the Private Funds Disclosure Exemption Policy. The motion passed unanimously (7-0).

Investment Committee Report – July 28, 2016

Mr. Malinowski stated that the July 28, 2016 Investment Committee (IC) meeting focused entirely on the Diversifying Strategies asset class.

Tim Bruce from NEPC gave a presentation on Alternative Beta, also known as Long/Short Style.

Mr. Malinowski said he and George Emerson presented staff's recommendation to invest \$50 million in a custom fund for SCERS managed by AQR Capital Management (AQR).

Motion: Upon motion of Tim Burgess, seconded by Jean Becker, the Board of Administration accepted the Investment Committee's recommendation and approved an investment of \$50 million in a custom fund for Seattle City Employees' Retirement System managed by AQR Capital Management, pending satisfactory legal review. The motion passed unanimously (7-0).

Executive Director Report

Mr. Burgess stated that on Monday, August 8, 2016 City Council unanimously passed the new Plan 2 Retirement System program for employees hired on or after January 1, 2017, a Resolution adopting the Annual Required Contribution (ARC) for the City, and a Resolution concurring with the Board in setting the Credit Interest rate for employees contributions made after 2011 on their to the retirement system.

Jeff Davis reported that the Electronic Content Management (ECM) System will be completed by the end of 2016.

Mr. Harvey asked Mr. Davis if he anticipated any hurdles bringing the SCERS Plan 2 on line. Mr. Davis responded that the City has a payroll system that has many different owners, including SCERS. The piece that SCERS requires is fairly simple. The piece that others require is not. SCERS staff met with the other owners the week of August 1st. Mr. Davis is confident that the payroll system work that SCERS staff needs will be completed soon and that we are looking to test that work in October.

Mr. Harvey asked Ms. Coskey if she will need to hire more staff for the SCERS Plan 2 implementation. Ms. Coskey replied that she did not think it will have an impact on staffing. Ms. Coskey said that getting to the new Plan was a huge effort for Labor, SCERS, and everyone else involved. She appreciated Lou Walter's leadership. She stated the new Plan 2 sets up a different framework but it still is a significant benefit for employees, at lower cost to them and the City. Ms. Coskey thanked SCERS staff for their work.

Mr. Davis reviewed the SCERS dashboard. He stated that Members Services staff wrapped up a six week training program to go over processes, tools, and customer services skills. The training was well received by staff and all of them now have a consistent set of information.



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The Pension Administration System (PAS) project's health is still "green".

Mr. Burgess asked about the cultural climate survey since the last one was done in December 2015. Mr. Davis replied that the department's One Team committee is updating the survey and the survey should be out in the next month.

Ms. Coskey asked about bias training. Mr. Davis replied that some of that was conducted during the Member Services training but that staff will look at that as an organization as a whole.

Adjourn Meeting

The meeting adjourned at 9:45 a.m.

Susan Coskey, Board Secretary