



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

Minutes, Thursday, October 13, 2016

Board Members Present: Tim Burgess (Chair), Lou Walter (conference call), Robert Harvey, Jr., Jean Becker (arrived at 9:13 a.m.), Glen Lee, Sherri Crawford

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

Others Present: Mike Monaco (Song Mondress Law Firm), George Emerson (FAS), Valerie Paganelli, James Warren

Call to Order:

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

Public Comment:

There was no public comment.

Administrative Consent Agenda:

Provided in the Retirement Board packet were the minutes from the September 8, 2016 Retirement Board regular meeting.

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

Service	\$13,221,634.06
Beneficiary	933,811.97
Disability	<u>72,720.34</u>
Pension Payroll – PPE September 2016	\$14,228,166.37
 Office Payroll – PPE September 6 and 20, 2016	 \$ 202,158.58
 Vouchers Processed –September 2016	
• Expert and Consultant Services	\$ 138,915.17
• Investment Management Fees	\$ 73,412.02
• Interdepartmental Charges	\$ 124,882.04
• Miscellaneous	\$ 21.05

Immediate Withdrawals of Contributions for the month of September 2016:

NAME	Ret #	Dept Name	Position
Angle,Jami M	54192	Sea Center	Admin Spec II-BU
Belue,Matthew A	50210	Vested	Animal Control Ofcr I

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Grace,James T	50387	City Light	Cable Specialist
Haile,Selamawit R	39244	Vested	Power Analyst, Sr
Heinz-Query,Katrina S	52362	Police	Victim Advocate
Louie,Susan L	50000	Library	HR Specialist
Paladino,Kayleigh E	53235	FAS	Animal Control Ofcr I
Pitre,Shanise Rakel	49668	Parks	Cashier
Sanchez,Maureen E	54206	Parks	Env Analyst, Sr

Withdrawals for a total of: \$364,589.78

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
Abuan,Julius B	8/10/2016	65	25	195.96	Parks Dept	Maint Laborer
Beaty,Keith E	8/18/2016	59	28	211.34	Sea Center	Stage Tech,Lead
Behrndt,David	9/2/2016	63	30	195.4	FAS	Manager1,Fin,Bud,&Actg
Bills,Lane E	9/7/2016	64	15	255.29	FAS	Auto Mechanic
Blythe,Giselle G	9/7/2016	64	20	342.72	Parks Dept	Gardener
Bruk,Elena S	9/2/2016	70	16	198	Human Svcs	Counslr
Christian,Clint A	9/6/2016	75	43	152	City Light	Jrnywkr In Chg
Cline,Robert S	8/10/2016	66	31	95.79	LegCtyCncl	StratAdvsr-Legislative
Coto,Jose R	9/2/2016	64	10	76.37	Parks Dept	Laborer
Croll,Timothy C	9/7/2016	62	36	74.5	PublicUtil	Executive2
Devine,Robert E	8/10/2016	62	29	108.82	City Light	Admin Support Supv-BU
Dexter,Sara E	8/5/2016	60	14	35.45	Vested	Cook
Etter,Rita A	8/3/2016	60	32	118.29	Police	Tenprint Supv
Farmer,Steven M	9/7/2016	59	20	19.64	Library	Bldg Maint Svcs Supv
Flores,Larry R	8/2/2016	69	29	142.47	SDOT	Personnel Spec,Sr
Garrett,Roseanne M	8/6/2016	65	17	180.51	SDCI	Admin Staff Asst
Grayson,Philip A	8/10/2016	63	36	128.5	City Light	Line C CC
Guieb-Coe,Faye M	8/10/2016	65	29	225.85	Police	Admin Spec I-BU
Hanson,Linda S	9/7/2016	62	22	103.45	PublicUtil	Util Act Rep I
Harvey,John M	9/7/2016	67	20	13.98	City Light	Elecl Svc Rep,Sr
Higashi,Christine M	9/7/2016	65	23	209.77	Library	Public Svc Prgms&Events Mgr
Hoffman,Raymond F	8/24/2016	60	25	358.01	PublicUtil	Executive4
Javidando,Ella C	9/3/2016	57	35	131.16	Muni Court	Court Clerk
Kelly,Cheryl M	6/30/2016	65	0	234.84	Vested	Usher *
Miramontez,Johnny A	9/7/2016	61	29	270.86	PublicUtil	Pmp Stat Maint Leadwkr

Omoto,Craig M	9/7/2016	60	10	11.89	PublicUtil	Manager3,Fin,Bud,&Actg
Rivera,Manolo L	9/7/2016	68	36	255.88	City Light	Actg Tech II-BU
Smit,Thomas	8/13/2016	82	18	140.02	SDCI	Elecl Inspector,Sr(Expert)
Sorensen,Marc A	9/7/2016	60	20	174.79	PublicUtil	Civil Engrng Spec,Sr
Thomas,Don A	9/7/2016	67	28	252.62	City Light	Elctn-Con-Wkg CC
Turrell,James F	8/3/2016	62	30	105.08	City Light	Lnwrkr-Asg Locator
Wong,Nelson Y	8/19/2016	64	18	341.06	PublicUtil	Drainage&Wstwtr Lead Wkr CII

For the month of September 2016: 68 new Members entered the System, 41 terminations, 32 Members retired in the System, 10 Members removed (\$10,412.82), 1 D/E Option, 2 F Option, and 2 over 60% benefit.

Bold entries (if any) above indicate 2x match.

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

Investment Committee Report, September 29, 2016

Tony Smith reported on the September 29, 2016 Investment Committee meeting in which there was a proposal to restructure the Broad Fixed income allocation from a core plus to a core strategy. The proposal consists of two parts:

1. Revise SCERS's Investment Policy
2. Reallocate funds amongst SCERS's investment managers

Mr. Smith stated that at the June 2016 Board of Administration meeting, staff brought up the role of fixed income in the SCERS portfolio.

He stated that the Board agreed to disaggregate core and credit and move core from 18% to 16%; and credit from 5% to 7%. An analysis was conducted on SCERS's four current manager: PIMCO, Reams, Western Asset Management Company (WAMCO), and Pugh. Reams and WAMCO have more of their returns driven by credit which is more correlated with equities. SCERS's goal is to reduce the correlation to credit.

Mr. Smith stated that PIMCO and Pugh have strategies that are less volatile and more consistent. Pugh is currently running core, and PIMCO is currently running core plus for SCERS. Mr. Smith stated that the recommendation is to defund Reams and WAMCO and reallocate those funds to Pugh and PIMCO.

Investment Policy Revision

Motion: Upon motion by Tim Burgess, seconded by Glen Lee, the Board of Administration accepted the Investment Committee's recommendation to adopt the revised Investment Policy to be effective January 1, 2017. The motion passed unanimously (5-0).

Core Fixed Income Manager Implementation

Motion: Upon motion by Tim Burgess, seconded by Sherri Crawford, the Board of Administration, pursuant to the Investment Committee's recommendation in the revised Investment Policy to transition from a core plus to a core fixed income structure, accepted the Investment Committee's recommendation to defund the Western Asset Management and Reams core plus accounts and reallocate funds to Pugh Capital Management and PIMCO. The motion passed unanimously (5-0).

Executive Director Report

Ken Nakatsu updated the Board on the Executive Director recruitment process being conducted by Alliance Resource Consulting (ARC).

He stated that on October 27, 2016, there will be a Special Board Meeting beginning at 1:00 p.m. which will be held mostly in Executive Session to review potential candidates. The consultants will be present at this meeting.

Currently, the City of Seattle is conducting a compensation study for the position and other senior positions. The consultants believe the salary is competitive but more information will be presented at the October 27th meeting.

Mr. Burgess asked how many candidates had applied. Mr. Nakatsu replied that as of October 3, 2016 there were 59 applicants.

(9:13 a.m. – Jean Becker arrived)

Claire Foster, SCERS's IT Manager, gave an update on the progress of the Pension Administration System.

Ms. Foster stated that the new SCERS II retirement plan is a coordinated development effort between the SCERS and EV5 development team. The plan is to begin integration tests with ADP, EV5, RIS II and User Acceptance testing at the end of October 2016. The plan will be ready to implement between December 1-31, 2016.

Ms. Foster said that staff still expect to have the ECM system ready for production in December 2016. The User Acceptance Testing is scheduled to start on October 31, 2016. Back file conversion has begun and 25% of the documents have been scanned. The plan is to complete the back file conversion by the end of November so that member file images can be loaded into V3 before SCERS goes live. The data conversion activities are on schedule and staff are preparing to load a data set for User Acceptance test the week of October 17, 2016.

Mr. Burgess asked how long it will take. Ms. Foster replied that scanning began on September 12, 2016 and the target date for completion is November 30, 2016. Mr. Davis stated that the electronic view images will go live sometime during the month of December 2016.

Mr. Harvey asked how long the paper documents had to be retained. Ms. Foster replied that the retention requirement is 90 days. Mr. Nakatsu stated that they are then sent to the warehouse.

Mr. Burgess asked if the project was being coordinated with City IT. Ms. Foster replied that it was and SCERS staff was continuing to meet with City IT staff and that security was a number one priority.

Staff and consultants are working on the heart of the PAS and are configuring the system for contributions processing and retirement benefits. They are about to start on retiree payroll.

Mr. Nakatsu stated that things with the project are continuing to go well. Ms. Foster said that SCERS has an external auditor and the findings are favorable. There was one open item in May 2016 that has been resolved. There are no current open findings.

Mr. Burgess told Ms. Foster and Mr. Davis that they and their teams should be very proud of the work they have done and that they are doing a great job.

Mr. Davis replied that is a lot of work for the staff with multiple sprints and the staff is stretched thin.

Mr. Nakatsu stated that the work plan was updated last month and there was nothing new to report.

Mr. Davis reported on the dashboard. He stated that the trend on the increasing retirement estimate backlog has plateaued and that staff hopes it will come down in the upcoming months.

Cultural climate survey results have been updated with near full participation from staff. Results of the survey are roughly in-line with the results from December 2014. As new question asked if people are enthusiastic coming to work. It is very gratifying that the score was 8.4 out of 10.

Executive Session – Potential Litigation

The Board entered Executive Session at 9:40 a.m. to discuss potential litigation for approximately 10 minutes after which the board will enter public session and adjourn.

The Board entered public session at 9:48 a.m.

Adjourn Meeting

The meeting was adjourned at 9:48 a.m.

Susan Coskey, Board Secretary