SEATTLE CITY EMPLOYEES' RETIREMENT SYSTEM
Report of Independent Auditors
and Financial Statements with
Required Supplementary Information
and Additional Information

December 31, 2016 and 2015

CONTENTS

CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Administration
Seattle City Employees' Retirement System
Seattle, Washington

Report on the Financial Statements

We have audited the accompanying financial statements of the Seattle City Employees' Retirement System (SCERS), which comprise the statements of fiduciary net position as of December 31, 2016 and 2015, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SCERS as of December 31, 2016 and 2015, and the results of its operations for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of changes in net pension liability and related ratios, employer contributions, and investment returns be presented to supplement the basic financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The additional information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional information, as listed in the table of contents, is fairly stated in all material respects in relation to the financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
July 7, 2017

This section presents management's discussion and analysis of the Seattle City Employees' Retirement System's (SCERS or the System) financial performance during the years ended December 31, 2016 and 2015. Please read it in conjunction with the accompanying financial statements and the related notes.

The City of Seattle is responsible for establishing and maintaining an internal control structure designed to ensure the protection of assets from loss, theft, or misuse, and to ensure the accounting information generated is adequate to prepare financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, though not absolute, assurance of achieving these objectives.

As a department of the City of Seattle, the Seattle City Employees' Retirement System is subject to this internal control structure. In addition, section 4.36.140.D of the Seattle Municipal Code requires the Board of Administration to annually transmit a report of the financial condition of the System to the City Council.

This report is prepared in accordance with the principles of governmental accounting and reporting promulgated by the Governmental Accounting Standards Board (GASB). Investments are stated at fair value, and revenues include the recognition of unrealized gains and losses. The accrual basis of accounting is used to record assets, liabilities, revenues and expenses. Revenue recognition occurs when earned without regard to the date of collection. Expense recognition occurs when the corresponding liabilities are incurred, regardless of payment date. The basis of contributions to the System follows the principles of level cost financing, with current service financed on a current basis. Milliman Consultants and Actuaries, the consulting actuary, evaluates the funding status of the System.

This report contains the following information:

1. **Basic Financial Statements** including:
   a. Statements of Fiduciary Net Position
   b. Statements of Changes in Fiduciary Net Position
   c. Notes to the Financial Statements

2. **Required Supplementary Information** including:
   a. Schedule of Changes in Net Pension Liability and Related Ratios
   b. Schedule of Employer Contributions
   c. Schedule of Investment Returns

3. **Additional Information** including:
   a. Schedule of Administrative Expenses
   b. Schedule of Investment Expenses

The basic financial statements are described as follows:

- The Statement of Fiduciary Net Position shows the account balances at year-end and includes the net position available for future benefit payments. The liabilities for future benefit payments are not included in this statement; however, they are shown in the Schedule of Changes in Net Pension Liability and Related Ratios that is included in the Required Supplementary Information.

- The Statement of Changes in Fiduciary Net Position shows the sources and uses of funds during the year and illustrates the change in net position from the previous year.

- The Notes to the Financial Statements are an integral part of the financial statements and include additional detailed information and schedules to provide a better understanding of the financial statements.

The required supplementary information provides historical trends that help to reflect the ongoing plan perspective and the long-term nature of the defined benefit plan.

- The Schedule of Changes in Net Pension Liability and Related Ratios contains actuarial information about the status of the plan.

- The Schedule of Employer Contributions contains historical trend information regarding the value of the total annual contributions the employer must pay and the actual contributions paid by employers in meeting this requirement.

- The Schedule of Investment Returns contains the investment returns realized on the total portfolio for the years since 2014.

Financial Highlights

- Net position increased by $175 million (7.6%) during 2016. The primary driver was net investment income of $190 million. Net position decreased by $10 million (-0.4%) during 2015. The primary driver was realizing only a $7 million increase in investment income.

- Revenue additions to net position for 2016 were $370 million which includes member and employer contributions of $180 million and revenue from investment activity totaling $190 million. Revenue additions to net position for 2015 were $174 million which includes member and employer contributions of $167 million and revenue from investment activity totaling $7 million.

- Expenses (deductions from net position) for 2016 increased by $11.0 million (6.0%) from 2015. This can be primarily attributed to a $9.6 million increase in retiree benefits. In 2016, the net increase in the number of retirees receiving benefits was 2.6%. Expenses for 2015 increased by $13.0 million (7.6%) from 2014. This can be primarily attributed to an $9.1 million increase in retiree benefits. In 2016, the net increase in the number of retirees receiving benefits was 3.4%.

Fiduciary Net Position

The table below provides a summary of assets and current liabilities for the years ended December 31:

	2016	2015	2014
Cash, short-term investments and receivables	$ 443,140,843	$ 170,672,072	$ 128,978,368
Investments at fair value	2,351,299,369	2,154,482,878	2,226,745,449
Securities lending collateral	11,130,677	50,952,037	25,231,591
Total assets	2,805,570,889	2,376,106,987	2,380,955,408
Securities lending payable	11,125,376	53,633,431	28,228,622
Other payables	305,947,349	9,452,393	30,023,091
Total liabilities	317,072,725	63,085,824	58,251,713
Total net position	$ 2,488,498,164	$ 2,313,021,163	$ 2,322,703,695

Changes in Fiduciary Net Position

The table below provides a summary of the changes in plan net position and reflects the activities of the fund for the years ended December 31:

	2016	2015	2014
Additions:			
Employer contributions	$ 108,454,496	$ 101,153,403	$ 89,988,898
Member contributions	71,755,857	65,779,216	63,969,504
Net investment income and other income	189,941,169	7,083,633	122,510,195
Total additions	370,151,522	174,016,252	276,468,597
Deductions:			
Retiree benefits	168,967,298	159,349,807	150,239,008
Refunds of contributions	16,456,570	16,137,840	15,103,615
Administrative expenses	9,250,653	8,211,137	5,330,764
Total deductions	194,674,521	183,698,784	170,673,387
Net increase (decrease)	$ 175,477,001	$ (9,682,532)	$ 105,795,210

Revenues - Additions to Fiduciary Net Position

- In 2016, employer contributions increased by $7.3 million (7.2%) compared to 2015. In 2015, employer contributions increased by $11.2 million (12.4%) compared to 2014.

- Member contributions increased by $6.0 million (9.1%) compared to 2015. In 2015, member contributions increased by $1.8 million (2.8%) compared to 2014.

- Net investment income was $189.9 million in 2016 compared to $7.1 million in 2015 and $122.5 million in 2014.

Expenses - Deductions from Fiduciary Net Position

- Retiree benefits increased in 2016 by $9.6 million (6.0%) compared to 2015, primarily due to the increased number of members making application for retirement and a mandatory 1.5% COLA (Cost of Living Adjustment). As a comparison, retiree benefits increased $9.1 million (6.1%) in 2015.

- Refunds of contributions increased in 2016 by $0.3 million (2.0%) compared to amounts paid in 2015. In 2015, refunds increased by $1.0 million (6.8%) compared to amounts paid in 2014.

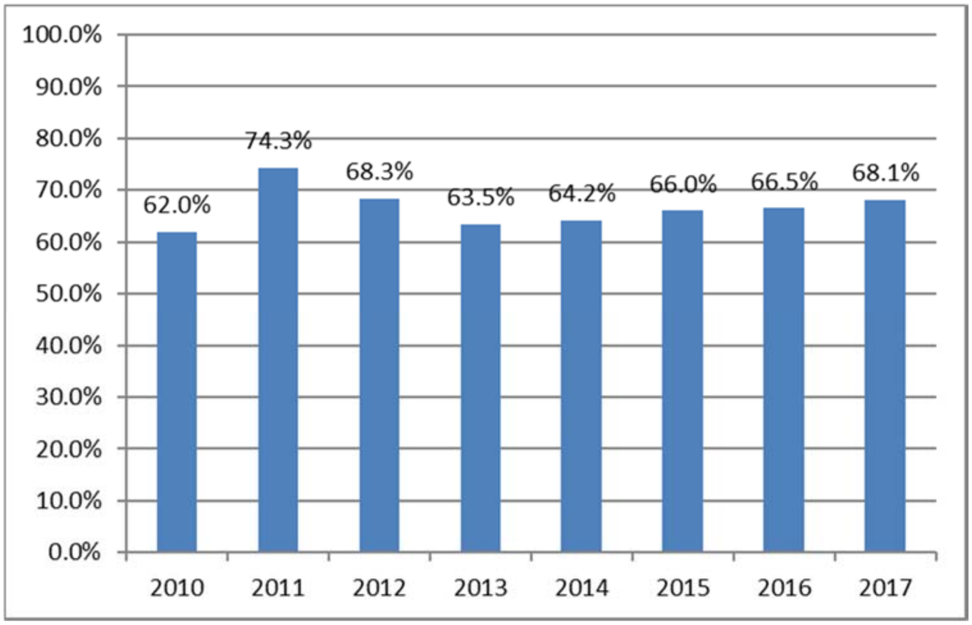
Changes in Plan Membership

The table below reflects the active membership and retiree changes for the years ended December 31:

	2016	2015	Change
Retirees and beneficiaries receiving benefits	6,382	6,223	2.6%
Current and terminated employees:			
Current employee members	9,151	8,882	3.0%
Terminated members entitled to, but not yet receiving benefits, Vested	1,257	1,220	3.0%
Terminated members not entitled to benefits beyond contributions and accumulated interest, Non-Vested	1,095	977	12.1%
Total	11,503	11,079	3.8%

Funding Status

Schedule of Funding Progress
Funding Ratio
As of January 1st Valuation Date



With the January 1, 2011 Valuation and the 2007-2010 Experience Study, the Board of Administration adopted a policy of asset smoothing over a 5-year period. The reported funding ratio as of January 1, 2012 reflects that change. Prior to January 1, 2011, all funding ratios were reported on a market basis.

Funds are accumulated from employer and employee contributions and investment earnings, and are used to pay present and future benefit obligations and administrative expenses. We continue to make a constant effort to achieve a fully funded status, thereby assuring the participants of a financially sound retirement system. In 2016, most active members contributed 10.03% of their salaries to the retirement fund and the City contributed 15.23%.

The graph above refers to the results of actuarial valuations prepared for funding purposes in accordance with Actuarial Standards of Practice (ASOPs). However, GASB 67 requires a separate actuarial valuation for accounting purposes. The primary purpose of the valuation for accounting purposes is to provide consistent, standardized methodology that allows comparability of amounts and increased transparency of the pension liability across U.S. pension plans complying with GASB 67. When reporting in accordance with GASB 67, the Plan Fiduciary Net Position as a Percentage of the Total Pension Liability was 65.6% as of December 31, 2016.

Investment Activities

One-year returns on asset classes (gross of fees) and comparative benchmarks are presented in the table below for the years ended December 31. These returns are calculated on a time-weighted rate of return basis:

2016 Investment Performance

Total Portfolio	8.6%
Domestic Equities	13.2%
Benchmark: Russell 3000 Index (Blend)	12.7%
International Equities	5.2%
Benchmark: MSCI ACWI ex US IM/ND	4.4%
Broad Fixed Income	4.3%
Benchmark: Barclays U.S. Universal Index	3.9%
Private Equity	6.5%
Benchmark: ASP Custom Private Equity Index	0.4%
Real Estate	9.7%
Benchmark: Russell NCREIF Property Index	9.1%
Diversifying Strategies	0.0%
Benchmark: HFRI Fund of Funds Comp. Index	0.5%
Cash	0.0%
Benchmark: Citigroup 3-Month T-Bills	0.3%

2015 Investment Performance

Total Portfolio	0.3%
Domestic Equities	1.5%
Benchmark: Russell 3000 Index (Blend)	1.2%
International Equities	(3.9%)
Benchmark: MSCI ACWI ex US IM/ND	(4.6%)
Broad Fixed Income	0.3%
Benchmark: Barclays U.S. Universal Index	0.4%
Private Equity	2.6%
Benchmark: ASP Custom Private Equity Index	3.5%
Real Estate	13.5%
Benchmark: Russell NCREIF Property Index	13.9%
Diversifying Strategies	0.2%
Benchmark: Russell NCREIF Property Index	(0.3%)
Cash	0.7%
Benchmark: Citigroup 3-Month T-Bills	0.0%

The investments of the System are governed primarily by the prudent investor rule. The prudent investor rule, as set forth by the Revised Code of Washington, establishes a standard for all fiduciaries, which includes anyone who has authority with respect to the fund. The System invests retirement funds for the long-term, anticipating both good and poor performing financial markets. The overall investment portfolio is positioned in a diversified manner to maximize return given the System's risk tolerance.

Contacting the Seattle City Employees' Retirement System

If you have questions about this report or need additional information, please contact us by telephone at: 206.386.1293 or by e-mail at: retirecity@seattle.gov or you may mail your questions to:

Seattle City Employees' Retirement System
720 Third Avenue, Suite 900
Seattle, WA 98104

FINANCIAL STATEMENTS

SEATTLE CITY EMPLOYEES' RETIREMENT SYSTEM
STATEMENTS OF FIDUCIARY NET POSITION
Years Ended December 31, 2016 and 2015

	2016	2015
Assets:		
Cash	$ 6,302,934	$ 8,943,035
Short-term investments	336,427,114	143,820,761
Total cash and short-term investments	342,730,048	152,763,796
Receivables:		
Members	3,434,870	3,496,137
Employer	6,143,927	4,787,895
Interest and dividends	3,486,918	3,449,203
Sales proceeds receivable	87,345,080	6,175,041
Total receivables	100,410,795	17,908,276
Investments, at fair value:		
Fixed income	539,527,403	604,985,207
Equity	1,350,196,766	1,163,805,377
Real estate	287,996,774	270,796,297
Alternative investments	173,578,426	114,895,997
Total investments, at fair value	2,351,299,369	2,154,482,878
Securities lending collateral	11,130,677	50,952,037
Total assets	2,805,570,889	2,376,106,987
Liabilities:		
Pensions payable and other	1,370,010	2,004,637
Obligations under securities lending	11,125,376	53,633,431
Investment commitments payable	304,577,339	7,447,756
Total liabilities	317,072,725	63,085,824
Fiduciary net position held in trust for pension benefits	$ 2,488,498,164	$ 2,313,021,163

The accompanying notes are an integral part of these financial statements.

	2016	2015
Additions:		
Contributions:		
Employer	$ 108,454,496	$ 101,153,403
Member	71,755,857	65,779,216
Total contributions	180,210,353	166,932,619
Investment activities:		
Investment income:		
Net change in fair value of investments	163,299,357	(22,933,464)
Interest	10,569,831	11,377,655
Dividends	24,780,531	27,836,456
Net investment income	198,649,719	16,280,647
Securities lending activities:		
Securities lending income	100,217	56,694
Borrowing rebates	165,375	674,010
Total securities lending income	265,592	730,704
Securities lending management fees	(66,376)	(182,660)
Net income from securities lending	199,216	548,044
Investment activity expenses:		
Investment management fees	(8,186,323)	(9,096,421)
Investment consultant fees	(295,000)	(295,000)
Investment custodial fees	(426,443)	(353,637)
Total investment activity expenses	(8,907,766)	(9,745,058)
Net income from investment activities	189,941,169	7,083,633
Total additions	370,151,522	174,016,252
Deductions:		
Benefits	168,967,298	159,349,807
Refunds of contributions	16,456,570	16,137,840
Administrative expenses	9,250,653	8,211,137
Total deductions	194,674,521	183,698,784
Net change	175,477,001	(9,682,532)
Fiduciary net position held in trust for pension benefits		
Beginning of year	2,313,021,163	2,322,703,695
End of year	$ 2,488,498,164	$ 2,313,021,163

Note 1 - Plan Description

The Seattle City Employees' Retirement System (the System) is a multiple employer defined benefit public employee retirement plan, covering employees of the City of Seattle and administered in accordance with Chapter 4.36 of the Seattle Municipal Code. The System is a pension trust fund of the City of Seattle.

The System is administered by the Retirement System Board of Administration (the Board). The Board consists of seven members including the Chair of the Finance Committee of the Seattle City Council, the City of Seattle Finance Director, the City of Seattle Personnel Director, two active members and one retired member of the System who are elected by other system members, and one outside board member who is appointed by the other six board members. Elected and appointed board members serve for three-year terms.

All employees of the City of Seattle are eligible for membership in the System with the exception of uniformed police and fire personnel who are covered under a retirement system administered by the State of Washington. Employees of METRO and the King County Health Department who established membership in the System when these organizations were City of Seattle departments were allowed to continue their System membership (there are currently fewer than 50 members in this category). There are currently 6,382 retirees and beneficiaries receiving benefits, and 9,151 active members of the System. There are 1,257 terminated, vested employees entitled to future benefits.

The System provides retirement, death, and disability benefits. Retirement benefits vest after five years of credited service, while death and disability benefits vest after ten years of service. Retirement benefits are calculated as 2% multiplied by years of creditable service, multiplied by average salary, based on the highest 24 consecutive months. The benefit is actuarially reduced for early retirement. The System provides post-retirement benefit increase including an automatic 1.5% annual COLA increase and a 65% restoration of purchasing power benefit.

The City of Seattle adopted a second tier for the System in 2016. Starting January 1, 2017, new eligible employees will join this second tier. The tier is a defined benefit plan much like the original tier but has a lower contribution rate for members and calculates final average salary based on the highest 60 consecutive months of service. Other changes related to the new tier can be found in the Seattle Municipal Code 4.36.

Note 2 - Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting - These financial statements have been prepared with an "economic resources" measurement focus on the accrual basis of accounting in accordance with generally accepted accounting principles, as prescribed by the Government Accounting Standards Board.

Use of Estimates in Preparing Financial Statements - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the System to make estimates and assumptions that affect the reported amounts of assets, liabilities, additions and deductions to net position held in trust for pension benefits and disclosure of contingent assets and liabilities at the date of the financial statements and during the reporting period. Actual results could differ from those estimates.

Note 2 - Summary of Significant Accounting Policies and Plan Asset Matters (Continued**)**

Cash and Short Term Investments - The System classifies cash on deposit in financial institutions and cash on deposit in the City of Seattle's internal cash management pool as cash. The System also recognizes certain short-term highly liquid securities with an original maturity of three months or less as short-term investments.

Method Used to Value Investments - Plan investments are reported at fair value. Fair value is defined as the amount at which an investment could be exchanged in a current arm's length transaction between willing parties in which the parties each act knowledgeably and prudently. All investments are valued based on objective, observable, unadjusted quoted market prices in an active market on the measurement date, if available. In the absence of such data, valuations are based upon those of comparable securities in active markets. For illiquid or hard to value investments such as real estate, private equity, and other private investments, valuations are based upon data provided by the respective investment managers. These private asset valuations are generally based upon estimated current values and/or independent appraisals.

Investment income consists of realized and unrealized appreciation (depreciation) in the fair value of investments, interest and dividend income earned, less investment expense, plus income from securities lending activities, less deduction for security lending expenses. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Securities and securities transactions are reflected in the financial statements on a trade-date basis. Investments are made in accordance with the Prudent Person Rule as defined by the State of Washington RCW 35.39.060.

Federal Income Tax Status - The System is a qualified plan under section 401(a) of the Internal Revenue Code and is exempt from federal income taxes under section 501(a).

Contributions - Employee and employer contributions are reported in the year they are due to the System.

Benefits and Refunds of Contributions - Benefits and refunds of contributions are recognized when due and payable in accordance with the System's policy.

Note 3 - Contributions

Member and employer contributions rates are established by the Seattle Municipal Code Chapter 4.36.

The employer contribution rate is determined by the actuarial formula identified as the Entry Age Cost Method. The formula determines the amount of contributions necessary to fund the current service cost, representing the estimated amount necessary to pay for benefits earned by the employees during the current service year and the amount of contributions necessary to pay for prior service costs. Total required contributions, including amounts necessary to pay administrative costs, are determined through annual actuarial valuations.

Actuarially determined contribution rates were 10.03% for most members in 2016 and 2015 and 15.23% and 15.73% for the employers in 2016 and 2015. There are no long-term contracts for contributions outstanding and currently no legally required reserves. See Note 8 for additional information on assumptions used in calculating the actuarially determined contribution rates.

Note 4 - Cash

SCERS' policy for custodial credit risk of deposits is to rely on Federal Deposit Insurance Corporation (FDIC) and Washington Public Deposit Protection Commission (PDPC) insurance. FDIC insures the cash deposits up to $250,000. As provided by the State of Washington RCW 43.84, the PDPC collateralizes deposits in excess of $100,000. The bank balances of deposits of a FDIC institution as of the balance sheet date are insured.

Note 5 - Investments

Investment policy - The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the SCERS Board by a majority vote of its members. It is the policy of the SCERS Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy as of December 31, 2016:

Asset Class	**Target Allocation**
Equity	
Public Equity	48.0%
Private Equity	9.0%
Fixed Income	
Broad Fixed Income	18.0%
Credit Fixed Income	5.0%
Real Assets	
Real Estate	12.0%
Infrastructure	3.0%
Diversifying Strategies	5.0%
Total	**100.0%**

Note 5 – Investments (Continued)

Money-weighted rate of return – As of December 31, 2016, the return for the System, based on a money-weighted rate of return methodology, was 8.62%. As of December 31, 2015, the return for the System, based on a money-weighted rate of return methodology, was 0.28%

Short Term Investments - Short term investments include a Short-term Investment Fund (STIF), which is a collective trust that may include certificates of deposit, treasury bills, and mutual funds.

Commingled Funds – The System invests in various commingled funds where it has an ownership interest in a pool of securities alongside other fund holders. For those commingled funds that are anticipated to be held by the System on a long-term basis, the following tables in this Section reflect the System's pro rata net asset value in these commingled funds. The System's investments in commingled funds that are anticipated to be held on a temporary basis are not reflected in this manner.

Custodial Credit Risk – For investments, custodial credit risk is the risk that in the event of the failure of a financial institution or a bank, the System will not be able to recover the value of its deposits or investments that are in the possession of an outside party. The System mitigates custodial credit risk by having its investment securities held by the System's custodian (BNY Mellon) and registered in the System's name. The System's short-term investments are created through daily sweeps of excess cash by the System's custodian, and invested in a vehicle managed by the custodian.

Credit Risk - Credit risk is the risk that an issuer, or other counterparty, to an investment will not fulfill its obligations. The Retirement Board provides each of the System's Broad Fixed Income investment managers with a set of investment guidelines. These guidelines specify eligible investments, minimum diversification standards, and applicable investment restrictions necessary for diversification and risk control. In general, these guidelines require that at least 70 percent of the net asset value of a manager's portfolio be invested in investment-grade securities. Managers do not have authority to depart from their guidelines. A summary of the credit ratings of the System's fixed income investments is provided on pages 22 and 23.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Retirement Board provides each of the System's Broad Fixed Income investment managers with a set of investment guidelines. These guidelines specify eligible investments, minimum diversification standards, and applicable investment restrictions necessary for diversification and risk control. In general, these guidelines require that investments in any one issuer may not exceed 5 percent of the net asset value of a manager's portfolio. Managers do not have authority to depart from their guidelines.

Note 5 – Investments (Continued)

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates over time will adversely affect the fair value of an investment. Market or interest rate risk is the greatest risk faced by an investor in the debt securities market. The price of a debt security typically moves in the opposite direction of the change in interest rates. The Retirement Board provides each of the System's Broad Fixed Income investment managers with a set of investment guidelines. These guidelines specify eligible investments, minimum diversification standards, and applicable investment restrictions necessary for diversification and risk control. In general, these guidelines require that the weighted average duration of the security holdings of a manager's portfolio not vary from that of the applicable benchmark by more than 20 percent. Managers do not have authority to depart from their guidelines. A summary of the maturities of the System's fixed income investments is provided on pages 20 and 21.

The fixed income portfolio is primarily managed by four external money management firms. Managers have agreed to a set of guidelines that provide ranges and limits for varying types of securities that may be held within the portfolio. A consultant is hired to measure performance and monitor the investment style. The Investment Committee reviews the consultant's results quarterly.

Foreign Currency Risk - Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The System's currency risk exposures, or exchange rate risk, primarily reside within the non-U.S. equity and fixed income investment holdings. The System expects these managers to maintain adequately diversified portfolios to limit foreign currency and security risk.

Note 5 – Investments (Continued)

The System's exposure to foreign currency risk in U.S. dollars as of December 31, 2016, is summarized in the following table.

Currency Type	Equity	Fixed Income	Derivatives	Cash	Total
Australian Dollar	$ 3,100,873	$ -	$ 33,999	$ 22,467	$ 3,157,339
Canadian Dollar	4,119,689	-	22,374	14,998	4,157,061
Swiss Franc	3,643,597	-	20,659	1,523	3,665,779
Danish Krone	676,323	-	12,509	2,731	691,563
Euro Currency Unit	12,804,253	-	108,622	7,921	12,920,796
Pound Sterling	7,535,544	-	69,738	60,144	7,665,426
Hong Kong Dollar	1,257,177	-	1,041	4,820	1,263,038
Israeli Shekel	86,014	-	-	1,394	87,408
Japanese Yen	9,978,529	-	28,389	44,458	10,051,376
Norwegian Krone	324,414	-	6,956	7,206	338,576
New Zealand Dollar	81,293	-	-	1,857	83,150
Polish Zloty	-	-	10,362	-	10,362
Swedish Krona	1,163,964	-	-	25,638	1,189,602
Singapore Dollar	474,219	-	1,396	12,769	488,384
Total	$ 45,245,889	$ -	$ 316,045	$ 207,926	$ 45,769,860

The System's exposure to foreign currency risk in U.S. dollars as of December 31, 2015, is summarized in the following table.

Currency Type	Equity	Fixed Income	Derivatives	Cash	Total
Australian Dollar	$ -	$ -	$ (14,258)	$ -	$ (14,258)
Canadian Dollar	-	-	2,243,101	-	2,243,101
Chinese Yuan Renminbi	-	452,800	(654,510)	-	(201,710)
Danish Krone	-	-	10,484	-	10,484
Euro Currency Unit	-	146	(5,029,941)	349,472	(4,680,323)
Japanese Yen	-	-	-	27,896	27,896
Mexican Peso	-	2,452,170	3,896,662	83,431	6,432,263
Norwegian Krone	-	-	5,649	-	5,649
Polish Zloty	-	1,211,098	27,674	-	1,238,772
Pound Sterling	-	-	-	1,530	1,530
Swedish Krona	-	-	14,893	23,999	38,892
Swiss Franc	-	-	22,757	127,973	150,730
Total	$ -	$ 4,116,214	$ 522,511	$ 614,301	$ 5,253,026

Note 5 – Investments (Continued)

Derivatives - Foreign exchange forward contracts are periodically employed by the System to hedge currency risk of investments in foreign currencies. Generally, derivatives are subject both to market and to counterparty risk. The derivatives used by the System typically have no greater risk than their physical counterparts and, in many cases, are offset by exposures elsewhere in the portfolio. Counterparty risk, the risk that the "other party" to a contract will default, is managed by careful screening of counterparties. Derivative securities are priced and accounted for at fair value. Foreign exchange forward contracts are valued at the price at which the transaction could be settled by offsets in the forward markets.

The System's derivative transactions as of December 31, 2016 are summarized in the following table.

Currency Type	Purchases	Unrealized Gain/Loss	Sells	Unrealized Gain/Loss	Total Unrealized Gain/Loss
Australian Dollar	$ -	$ -	$ 35,642	$ (1,642)	(1,642)
Canadian Dollar	-	-	22,589	(215)	(215)
Swiss Franc	-	-	21,803	(1,144)	(1,144)
Danish Krone	-	-	14,763	(2,253)	(2,253)
Euro Currency Unit	-	-	132,167	(23,542)	(23,542)
Pound Sterling	-	-	71,738	(1,999)	(1,999)
Hong Kong Dollar	-	-	1,040	-	-
Japanese Yen	-	-	29,993	(1,604)	(1,604)
Norwegian Krone	-	-	11,712	(4,756)	(4,756)
Polish Zloty	-	-	11,695	(1,333)	(1,333)
Singapore Dollar	-	-	1,393	2	2
Total	$ -	$ -	$ 354,535	$ (38,486)	$ (38,486)

Note 5 – Investments (Continued)

The System's derivative transactions as of December 31, 2015 are summarized in the following table.

Currency Type	Purchases	Unrealized Gain/Loss	Sells	Unrealized Gain/Loss	Total Unrealized Gain/Loss
Australian Dollar	$ 1,280,126	$ 538	$ 1,284,051	$ (18,722)	$ (18,184)
Canadian Dollar	-	-	2,429,638	(186,537)	(186,537)
Chinese Yuan Renminbi	665,480	9,639	1,341	(8)	9,631
Danish Krone	-	-	12,251	(1,768)	(1,768)
Euro Currency Unit	9,697,048	486,264	4,276,003	(95,160)	391,104
Mexican New Peso	337,557	10,934	4,282,092	(58,807)	(47,873)
Norwegian Krone	-	-	10,669	(5,020)	(5,020)
Polish Zloty	-	-	28,831	(1,158)	(1,158)
Swedish Krona	-	-	15,148	(255)	(255)
Swiss Franc	-	-	23,457	(700)	(700)
Total	$ 11,980,211	$ 507,375	$ 12,363,481	$ (368,135)	$ 139,240

Note 5 - Investments (Continued)

As of December 31, 2016, the fixed income portfolio of the System had the following investment maturities:

		Investment Maturities (in years)				
Investment	**Fair Value**	**<1**	**1 - 5**	**6 - 10**	**>10**	**N/A ***
Fixed income						
Agencies	$ 3,384,578	$ -	$ 1,951,858	$ 1,432,720	$ -	$ -
Asset Backed Security	18,417,402	-	8,988,044	8,981,776	447,582	-
Commingled Funds	35,149,819	-	-	-	-	35,149,819
Corporate Debt	236,226,048	1,620,730	52,011,703	146,404,165	29,676,020	6,513,430
Derivatives	1,761,087	(30,617)	1,991,620	-	(199,916)	-
Foreign Sovereign	1,503,600	-	-	1,503,600	-	-
Mortgage Backed Security	176,024,872	-	-	4,540,822	171,484,050	-
Municipal	5,443,906	-	196,728	1,187,943	4,059,235	-
Treasury Notes and Bonds	61,616,091	8,821,496	18,628,819	22,791,357	11,374,419	-
Total Fixed Income	539,527,403	$ 10,411,609	$ 83,768,772	$ 186,842,383	$ 216,841,390	$ 41,663,249

** Note - Amounts primarily relate to commingled funds and therefore a weighted average was not available.*

Note 5 - Investments (Continued)

As of December 31, 2015, the fixed income portfolio of the System had the following investment maturities:

		Investment Maturities (in years)				
Investment	**Fair Value**	**<1**	**1 - 5**	**6 - 10**	**>10**	**N/A ***
Fixed income						
Agencies	$ 5,910,966	$ 7,220	$ 3,942,888	$ 8,067	$ 1,952,791	$ -
Asset Backed Security	24,438,890	-	6,663,897	7,660,687	10,114,306	-
Commingled Funds	117,905,090	-	-	-	-	117,905,090
Corporate Debt	159,045,389	4,141,202	61,694,195	53,989,273	30,427,091	8,793,629
Derivatives	(2,988,640)	(906)	-	99,093	(29,802)	(3,057,025)
Foreign Sovereign	22,840,121	2,724,751	4,736,830	11,777,424	3,601,116	-
Mortgage Backed Security	135,151,524	65,541	8,895,336	6,443,401	119,747,246	-
Municipal	4,913,533	-	309,543	553,242	4,050,747	-
Treasury Notes and Bonds	137,768,334	4,312,083	43,277,402	55,348,603	34,830,246	-
Total Fixed Income	604,985,207	$ 11,249,891	$ 129,520,091	$ 135,879,790	$ 204,693,741	$ 123,641,694

** Note - Amounts primarily relate to commingled funds and therefore a weighted average was not available.*

Note 5 - Investments (Continued)

As of December 31, 2016, the fixed income portfolio of the System had the following investment ratings:

		Ratings							
Investment	**Fair Value**	**AAA**	**AA**	**A**	**BBB**	**BB**	**B**	**CCC& Below**	**Not Rated**
Fixed income									
Agencies	$ 3,384,578	$ -	$ 3,382,492	$ -	$ -	$ -	$ -	$ -	$ 2,086
Asset Backed Security	18,417,402	13,720,413	315,854	-	-	-	-	447,582	3,933,553
Commingled Funds	35,149,819	-	-	-	-	-	-	-	35,149,819
Corporate Debt	236,226,048	1,283,302	5,897,549	28,201,323	76,234,613	44,649,385	43,049,133	4,668,682	32,242,061
Derivatives	1,761,087	-	-	-	-	-	-	-	1,761,087
Foreign Sovereign	1,503,600	-	-	-	1,503,600	-	-	-	-
Mortgage Backed Security	176,024,872	1,959,137	66,487,270	1,010,059	848,978	-	-	-	105,719,429
Municipal	5,443,906	1,695,605	1,230,246	2,518,054	-	-	-	-	-
Treasury Notes and Bonds	61,616,091	-	61,616,091	-	-	-	-	-	-
Total Fixed Income	$ 539,527,403	$ 18,658,457	$ 138,929,502	$ 31,729,436	$ 78,587,191	$ 44,649,385	$ 43,049,133	$ 5,116,264	$ 178,808,035

Note 5 - Investments (Continued)

As of December 31, 2015, the fixed income portfolio of the System had the following investment ratings:

		Ratings							
Investment	**Fair Value**	**AAA**	**AA**	**A**	**BBB**	**BB**	**B**	**CCC& Below**	**Not Rated**
Fixed income									
Agencies	$ 5,910,966	$ -	$ 5,732,622	$ -	$ -	$ -	$ -	$ -	$ 178,344
Asset Backed Security	24,438,890	9,737,931	6,415,989	570,546	248,212	851,345	762,242	2,244,988	3,607,637
Commingled Funds	117,905,090	-	-	-	-	-	-	-	117,905,090
Corporate Debt	159,045,389	1,793,786	7,904,086	35,848,805	68,236,628	21,778,238	8,690,011	3,067,961	11,725,875
Derivatives	(2,988,640)	-	-	-	-	-	-	-	(2,988,641)
Foreign Sovereign	22,840,121	395,542	2,100,040	8,273,928	3,289,691	2,726,452	-	161,990	5,892,477
Mortgage Backed Security	135,151,524	971,077	81,410,052	3,413,491	2,181,159	664,631	1,819,896	3,603,369	41,087,850
Municipal	4,913,533	1,222,011	2,096,458	1,106,790	130,405	14,262	57,560	-	286,047
Treasury Notes and Bonds	137,768,334	-	137,766,313	-	-	-	-	-	2,021
Total Fixed Income	$ 604,985,207	$ 14,120,347	$ 243,425,560	$ 49,213,560	$ 74,086,095	$ 26,034,928	$ 11,329,709	$ 9,078,308	$ 177,696,700

Note 6 - Fair Value Measurements

Fair value measurements are categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset:

- Level 1: unadjusted quoted prices for identical instruments in active markets
- Level 2: quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable
- Level 3: significant inputs are unobservable

The following schedule presents investments categorized according to the fair value hierarchy, and is proceeded with additional information regarding investments measured at the net asset value as of December 31, 2016:

		Fair Value Measurements Using		
Investments by fair value level	**12/31/2016**	**Quoted Prices in Active Markets Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Equity	$ 639,807,625	$ 636,258,397	$ 3,533,147	$ 16,081
Fixed Income	413,737,686	96,765,911	316,971,775	-
Total investments by fair value level	**1,053,545,311**	**733,024,308**	**320,504,922**	**16,081**
Investments measured at the net asset value (NAV)				
Equity	710,389,141			
Fixed Income	125,789,717			
Real Estate	287,996,774			
Alternative Investments	173,578,426			
Total investments measured at the NAV	**1,297,754,058**			
Total investments	**$ 2,351,299,369**			
Securities lending collateral	**$ 11,130,677**			

Investment	**Fair Value**	**Unfunded Commitments**	**Redemption Frequency (if Currently Eligible)**	**Redemption Notice Period**
Equity	$ 710,389,141	$ -	Daily, Monthly	1 - 30 Days
Fixed Income	125,789,717	-	Monthly	30 Days
Real Estate	287,996,774	9,444,262	N/A	N/A
Alternative Investments	173,578,426	242,114,969	N/A	N/A
Total investments measured at the NAV	**1,297,754,058**	**251,559,231**		

Note 6 - Fair Value Measurements (Continued)

The following schedule presents investments categorized according to the fair value hierarchy, and is proceeded with additional information regarding investments measured at the net asset value as of December 31, 2015:

		Fair Value Measurements Using		
Investments by fair value level	**12/31/2015**	**Quoted Prices in Active Markets Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Equity	$ 531,763,082	$ 527,982,353	$ 3,780,512	$ 217
Fixed Income	453,126,946	215,421,253	237,705,693	-
Total investments by fair value level	**984,890,028**	**743,403,606**	**241,486,205**	**217**
Investments measured at the net asset value (NAV)				
Equity	632,042,295			
Fixed Income	151,858,261			
Real Estate	270,796,297			
Alternative Investments	114,895,997			
Total investments measured at the NAV	**1,169,592,850**			
Total investments	**$ 2,154,482,878**			
Securities lending collateral	**$ 50,952,037**			

Investment	**Fair Value**	**Unfunded Commitments**	**Redemption Frequency (if Currently Eligible)**	**Redemption Notice Period**
Equity	$ 632,042,295	$ -	Daily, Monthly	1 - 30 Days
Fixed Income	151,858,261	-	Monthly	30 Days
Real Estate	270,796,297	680,441	N/A	N/A
Alternative Investments	114,895,997	308,779,918	N/A	N/A
Total investments measured at the NAV	**1,169,592,850**	**309,460,359**		

Alternative Investments – These investments are structured as limited partnerships or limited liability companies. Strategies include private equity, private credit, infrastructure and diversifying strategies. These investments include those with a perpetual life and the ability to redeem as well as investments with an approximate life of 10 years where redemptions are restricted. There are no plans to liquidate the total portfolio.

Equity – These investments are structured as mutual funds, trusts, limited partnerships or limited liability companies. The funds have a perpetual life. Redemption frequencies range from daily to monthly. There are no plans to liquidate the portfolio.

Fixed Income – These investments are structured as limited partnerships. The funds have a perpetual life. The redemption frequency is monthly. There are no plans to liquidate the portfolio.

Note 6 - Fair Value Measurements (Continued)

Real Estate – These investments are structured as trusts, limited partnerships or limited liability companies. These investments include those with a perpetual life and the ability to redeem as well as investments with an approximate life of 10 years where redemptions are restricted. There are no plans to liquidate the total portfolio.

Note 7 – Securities Lending Transactions

Under the authority of State of Washington RCW 41.28.005 and the Seattle Municipal Code 4.36.130, the System's Board of Administration adopted investment policies that define eligible investments, which include securities lending transactions. Through a custodial agent, the System participates in a securities lending program whereby securities are lent for the purpose of generating additional income to the System. The System lends securities from its investment portfolio on a collateralized basis to third parties, primarily financial institutions. The market value of the required collateral must meet or exceed 102% of the market value of the securities lent, providing a margin against a decline in the market value of the collateral, and is limited to a volume of less than $75 million. The contractual agreement with the System's custodian provides indemnification in the event the borrower fails to return the securities lent or fails to pay the System income it is due on the securities lent. Cash and U.S. government securities were received as collateral for these loans. The System invests cash collateral received; accordingly, investments made with cash collateral appear as an asset. A corresponding liability is recorded as the System must return the cash collateral to the borrower upon the expiration of the loan. Gross income from securities lending transactions are recorded in the operating statements as well as the various fees paid to the institution that oversees the lending activity.

As of December 31, 2016, the fair value of securities on loan was $10,791,203. Associated cash collateral totaling $11,125,376 was received. The fair market value of the reinvested collateral was $11,130,677 at December 31, 2015, which includes an unrealized gain totaling $5,301.

As of December 31, 2015, the fair value of securities on loan was $52,498,078. Associated cash collateral totaling $53,702,631 was received. The fair market value of the reinvested collateral was $50,952,037 at December 31, 2014, which includes an unrealized loss totaling $2,681,394.

Note 8 – Commitments

The System has entered into capital commitments to fund partnership interests in certain alternative investments. At December 31, 2016, the System has unfunded commitments of $251,559,231 to these partnerships.

Note 9 – Net Pension Liability

The components of the net pension liability as of December 31, 2016 were as follows:

Total Pension Liability	$3,793,551,233
Plan Fiduciary Net Position	2,488,498,164
Net Pension Liability	$1,305,053,069

Plan Fiduciary Net Position as a Percentage of the Total Pension Liability 65.6%

Actuarial assumptions

The total pension liability was determined by an actuarial valuation as of December 31, 2016, using the following actuarial assumptions, applied to all periods including the measurement period:

Investment Rate of Return:	7.50% compounded annually, net of expenses
Salary Increases:	4.00%

* The actuarial assumptions used in the January 1, 2016 valuation, and the mortality tables included in Appendix A of the valuation, were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2013.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2016 (see discussion of pension plan's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Equity	
Public Equity	4.99%
Private Equity	6.25%
Fixed Income	
Broad Fixed Income	0.62%
Credit Fixed Income	3.79%
Real Assets	
Real Estate	3.25%
Infrastructure	2.75%
Diversifying Strategies	3.25%

NOTE 9 – Net Pension Liability (Continued)

The above table reflects the expected (30 year) real rate of return for each major asset class. The expected inflation rate is projected at 3.25% for the same time period.

Discount Rate. The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and the participating governmental entity contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods on projected benefit payment to determine the total pension liability.

Sensitivity of the net pension liability. The following presents the net pension liability of the System, calculated using the discount rate of 7.50%, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

1% Decrease (6.50%)	**Current Discount Rate (7.50%)**	**1% Increase (8.50%)**
$1,766,195,608	$1,305,053,069	$917,301,479

REQUIRED SUPPLEMENTARY INFORMATION

	December 31, 2016	December 31, 2015	December 31, 2014
Total pension liability			
Service Cost	$ 106,450,550	$ 100,415,811	$ 94,017,562
Interest	268,005,035	254,539,867	241,885,785
Benefit changes	-	-	-
Difference between expected and actual experience	(7,653,756)	1,983,005	-
Changes of assumptions	-	-	-
Benefits payments	(168,967,298)	(159,349,807)	(150,239,208)
Refunds of contributions	(16,456,570)	(16,137,840)	(15,103,615)
Net change in total pension liability	181,377,961	181,451,036	170,560,524
Total pension liability - beginning	3,612,173,272	3,430,722,236	3,260,161,712
Total pension liability - ending (a)	3,793,551,233	3,612,173,272	3,430,722,236
Plan net position			
Contributions - employer	108,454,496	101,153,403	89,988,898
Contributions - member	71,755,857	65,779,216	63,969,504
Net investment income	189,941,169	7,083,633	122,510,395
Benefits payments	(168,967,298)	(159,349,807)	(150,239,208)
Administrative expense	(9,250,653)	(8,211,137)	(5,330,764)
Refunds of contributions	(16,456,570)	(16,137,840)	(15,103,615)
Other	-	-	-
Net change in plan net position	175,477,001	(9,682,532)	105,795,210
Plan net position - beginning	2,313,021,163	2,322,703,695	2,216,908,485
Plan net position - ending (b)	2,488,498,164	2,313,021,163	2,322,703,695
Net pension liability - ending (a) - (b)	$ 1,305,053,069	$ 1,299,152,109	$ 1,108,018,541
Ratio of plan net position to total pension liability -- (b) / (a)	65.60%	64.03%	67.70%
Covered employee payroll	$ 708,600,000	$ 641,700,000	$ 630,900,000
Net pension liability as a percentage of covered-employee payroll	184.17%	202.45%	175.63%

Note: Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SCHEDULE OF EMPLOYER CONTRIBUTIONS
(Dollars in Millions)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined employer contribution	$107.9	$100.9	$90.3	$77.1	$62.5	$72.3	$93.9	$46.9	$46.2	$40.1
Actual employer contributions	108.5	101.2	90.0	77.1	62.5	50.3	45.2	46.7	46.0	40.3
Annual contribution deficiency (excess)	(0.6)	(0.3)	0.3	0.0	0.0	22.0	48.7	0.2	0.2	(0.2)
Covered-employee payroll	708.6	641.7	630.9	597.9	567.8	557.0	563.2	580.9	572.4	501.9
Actual contributions as a percentage of covered-employee payroll	15.31%	15.77%	14.27%	12.90%	11.01%	9.03%	8.03%	8.04%	8.04%	8.03%

Notes to Schedule:

Valuation Date: Actuarially determined contribution rates are calculated as of January 1, one year prior to the fiscal year in which the contributions will apply.
Methods and Assumptions used to determine contribution rates for fiscal year 2016 are:

Actuarial cost method	Individual Entry Age Normal
Amortization method	Level percent
Remaining amortization period	Closed 30 years as of January 1, 2013 Valuation
Asset valuation method	5 years smoothed, Non-asymptotic
Inflation	3.25%
Salary increases	4.00%, differs slightly from actuarial valuation due to exclusion of 0.50% active membership growth assumption for GASB calculations.
Investment rate of return	7.50%, net of pension plan investment expense, and gross of administrative expenses
Cost of Living Adjustments	As noted in the January 1, 2014 actuarial valuation.

	2016	2015	2014
Total Portfolio	8.62%	0.28%	5.67%

Note: These returns are calculated on a money-weighted rate of return basis. The schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

ADDITIONAL INFORMATION

	Budget	Actual Expense	
	2016	**2016**	**2015**
Personnel Services			
Salaries	$ 2,575,798	$ 2,849,584	$ 2,225,744
Benefits	812,160	914,188	761,465
Total Personnel Services	3,387,958	3,763,772	2,987,209
Maintenance and Operations			
Professional Services	4,301,926	3,226,834	3,232,194
Office rent	248,851	341,023	246,358
Data processing and central costs	1,838,338	1,467,775	1,326,362
Office supplies and other expenses	267,309	325,214	301,260
Postage and telephone	59,047	44,915	51,950
Travel	61,884	65,576	55,807
Training	19,618	15,544	9,997
Total Maintenance and Operations	6,796,973	5,486,881	5,223,928
Total Administrative Expenses	$ 10,184,931	$ 9,250,653	$ 8,211,137

Investment Management Fees:		
Adams Street	$	516,027
AEW Core Property Trust		619,586
AQR		70,057
Ares		128,417
Babson Tower Square		9,642
BlackRock		244,917
Bluebay		72,834
Brookfield		483,123
Capital Point Partners		42,513
Carlyle Realty		59,109
DFA International		414,121
Dover Street		69,325
Global Infrastructure		177,613
Heitman American		569,443
JP Morgan		1,862,067
Nogales Investors		18,212
Oaktree		12,666
Parametric Delta Shift		351,470
PCCP		45,173
PIMCO		874,101
Pugh		197,329
Q-BLK Strategic Partners		127,160
Reams		233,873
RhumbLine		99,662
Russell		234,322
Stonepeak		36,626
Smith Whiley		59,079
TA Realty Associates		138,976
TCW Crescent		17,413
Western Asset		401,467
Total Investment Management Fees		8,186,323
Performance Measurement:		
NEPC LLC		295,000
Custodial Services:		
Bank of New York Mellon		426,443
Total Investment Expenses		8,907,766
Securities Lending Services:		
Bank of New York Mellon	$	66,376