



Seattle City Employees' Retirement System
Board of Administration Meeting
720 Third Avenue, 9th Floor (Pacific Building)
(206) 386-1293

Minutes of Thursday, January 8, 2015

Board Members Present: Lou Walter (Chair), Jean Becker, Robert Harvey, Jr, Glen Lee, Sherri Crawford (9:04 a.m.), Susan Coskey (9:08 a.m.)

SCERS Staff Present: Kenneth Nakatsu, Jeff Davis, Jason Malinowski, Tony Smith, Jill Johnson

Others Present: Carlton Seu (Seattle City Attorney's Office), Mike Monaco (Song Mondress Law Firm), Seldon Prentice, Bill Roach, Robert Moser, Tad Anderson, Lynn Fitz-Hugh, Alice Grendon, Denis Hayes, Alex Lenferna, Kyle Murphy, Bruce Herbert, Vivien Sharples, John Masterjohn (ARSE)

Lou Walter, Committee Chair, called the meeting to order at 9:03 a.m.

Public Comments:

Mr. Walter asked if there was anyone present who wanted to make a public comment.

Lynn Fitz-Hugh stated that NEPC comes from the perspective of market pricing and ignores the impact of bubbles. She drew an analogy to the 2008 housing bubble. She said that fiduciary responsibility demands that you be concerned about bubbles and that there are stories every day now warning of the concerns of oil prices and carbon bubbles. She mentioned that the Bank of England has warned that fossil fuels may be an unsafe investment.

Denis Hayes is president of the Bullett Foundation, which is housed in the greenest office building in the world. He stated that his board made the decision to divest from the CU200 (the decision arrived at through several meetings of their investment committee). He described his board as being very sophisticated financially and was chaired by the local head of a prominent bank. Mr. Hayes said that no one knows what is going to happen in the energy market that is dominated by state owned enterprises and sells into an oligopoly, and this is not an efficient market.

Bob Moser is president and CEO of Laird Norton Wealth Management. He stated that they are responsible for \$5.2B in client assets; some of that amount is in socially responsible assets. He said he has firsthand experience in moving clients to an SRI approach and that most clients set a reasonable time period of three to five years to transition their investments, which corresponds with a normal course of review of managers. They have several managers that SCERS also has and which offer fossil free products. He also stated that real estate is already fossil free.

Seldon Prentice questioned whether NEPC's predictions are accurate. She said that the US-China climate agreement shows that the world is moving forward on combating climate change; Ms. Prentice says that NEPC's report says energy will be doing just fine going forward, but that the study is negated because of the US-China deal which, according to a Citigroup report, will result in \$3.9 trillion in lost revenue for big oil and coal. And, she said, if the world moves even further to limiting global warming to 2 degrees C in Paris next year, the loss in revenue for the carbon industry is estimated to be \$28 trillion. She asked, "Are you willing to bet the future of your pension and your grandchildren on industry projections of a future that is in contradiction with what the world says it is going to do?"

Alex Lenferna said their report warned that fossil free companies were in trouble due to the decrease of alternative energy costs, energy efficiency, changing norms and increasing costs of extraction. He indicated that many of their warnings have been playing out recently. Mr. Lenferna said that fossil fuel companies are taking on increasing amounts of debt while realizing much less revenue, and that the case is particularly bleak for coal. He said a recent report indicated that the carbon bubble could burst at any time and that this might be evident when the Bank of England releases its analysis of the carbon bubble in July.

Vivian Sharples is an employee in the Seattle Human Resources Department. Ms. Sharples stated she cares deeply about her pension but, also, deeply about climate change. She sees divestment as a way to satisfy both of these concerns. She said that the City spends a lot of time and money on sustainability (environmental equity, race & social justice) so it is strange for the City to invest and profit from the companies causing the problems. She said she is not the only City employee who feels this way and that she is speaking for many. She asked that we divest from investments in fossil fuels.

Kyle Murphy is a member of the Sierra Club. He stated that the Sierra Club recently joined Stanford, Rockefeller, KLP (Norway) and others in divesting from fossil fuels. He said that fossil fuel companies are overvalued and criticized NEPC's suggestion that carbon storage might be viable because it is just too expensive. He said the recent US - China deal and Governor Inslee's proposed cap and trade proposal reflect that actions will be taken to address climate change. He said that the SCERS Board has duties as parents or members of a community that transcend their fiduciary duties, and asked the Board to take a strong look at divestment.

Tad Anderson teaches atmospheric science at the University of Washington. He stated in the 1960s, no one thought that a world ice-albedo was possible but we now know that over millions of years there have been several "ice-ball" episodes. He drew an analogy to the thought that demand for fossil fuels will continue increasing in the future and urged the Board to consider what they have heard today that this paradigm may be wrong.

Administrative Consent Agenda

Minutes:

Provided in the Retirement Board packet was the minutes from the December 11, 2014 Retirement Board regular meeting.

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

Service	\$11,799,207.26
Beneficiary	\$ 937,793.44
Disability	<u>76,424.82</u>
Pension Payroll – PPE December 2014	\$12,813,425.52

Office Payroll – PPE December 12 and 26, 2014 \$164,778.37

Vouchers Processed – December 2014 – cannot be provided because Accounts Payable expenditures are extended for the month of December through January 9, 2015.

Immediate Withdrawals of Contributions for the month of December 2014:

MEMBER	Department Name	Position
Adoga, Ugan Wonah	Library	Security Officer
Brazel, Rosalind C	SDHR	Strat Avd 2
Brenneke, Andrea	SPD	Strat Adv 3
Buenafe Jr, Juan C	Sea Ctr	Usher
Camerano, Victoria Ann	Library	Library Assoc I
Canda, Valerio Canda	Sea Ctr	Laborer
Devries, Peter J	SCL	Lineworker
Holifield, Gary Brock	FAS	HVAC Tech
Hunter II, Derrick Robert	Sea Ctr	Laborer
Kringlen, Cory E	Sea Ctr	Stage Tech
Mendiola-Hamilton, Alison Dubois	SCL	Stat Adv 3



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Mills, Helen Louise	HSD	Counslr
Newson, Donna M	SPU	Personnel Spec, Sr
Oswald, Christopher	Library	Librn Intermitten
Pittman, Dylan Justin	Parks	Lifeguard
Pittman, Joan Ji Lee	Parks	Lifeguard
Poston, Darrell Lee	DPD	Permit Spec I
Pratt, Janice Marie	SDHR	Admin Spec II
Raymond, Joseph Gopher	Retirement	Ret Specialist
Sorrell, Kimberly Rae	FAS	Admin Spec II
Sutton, Victoria	Muni Crt	Admin Spec I
Wiggins, Chelsea Lynette	Library	Library Asst I
Wiley, James A	SPU	Info Pro C

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

Withdrawals for a total of: \$565,866.17

c. 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
Alberg,Catherine J	11/13/2014	62	21	186	Police	Parking Enfor
Anderson,Carol E	12/3/2014	62	23	348	SDOT	Assoc. Civil Eng Spclst
Baker,Jennifer S	12/2/2014	60	16	320	Library	Libarn
Dailey,James C	12/3/2014	54	28	268	Parks Dept	IT Systems Analyst
Farrell,Susan H	12/1/2014	63	17	282	Vested	Vested
Ireland,David A	11/28/2014	67	7	87	FIRE	Res & Eval Asst
Kaiser,Marlene P	12/3/2014	68	24	216	City Light	Actg Tech II
Mason,Edna	12/3/2014	59	11	49	Vested	Vested
Newman,Diane L	12/3/2014	64	5	256	Police	Strategic Advisor 2
Swanstrom,Robert J	12/3/2014	59	18	299	PublicUtil	Heavy Truck Driver
	Average	61.8	17	231.1		

For the month of December 2014: 86 new Members entered the System, 5 terminations, 10 Members retired in the System, 7 Members removed (\$10,479.46), 2 D/E Option, 5 F Option, and 0 over 60% benefit.

Motion:

Upon motion by Robert Harvey Jr., seconded by Jean Becker, the Retirement Board of Administration approved the Administrative Consent Agenda. The motion passed unanimously (6-0).

- Minutes of the December 11, 2014 Board Meeting
- Ratification of Retirement Payroll, Office Payroll, Other Payments and Withdrawals
- Ratification of Service Retirements for the month of December 2014

Board Election Policy

Ken Nakatsu, Interim Executive Director, described a proposed board election policy:

- That there will be a two week candidacy period for prospective candidates to file for office, and
- If there is only one qualified candidate for a position, that the election will be waived and the Board will appoint the single candidate

Mr. Nakatsu said that SCERS traditionally had a one-week filing period and required a potential candidate to come in person to file. He said there is nothing in the code that specifies the length of the filing period or that the potential candidate has to appear in person. It had just been a long-standing practice.

Mr. Nakatsu proposed to lengthen the filing period from one week to two weeks. In addition, since elected officials can file electronically, it seems reasonable to allow Board candidates to do so too.

Under the proposed policy, the SCERS Executive Director would be granted the authority to determine the timing of the filing period.

Mr. Nakatsu also proposed that if there is only one candidate that the policy reflect that we do not need to have an election. This occurred last year when Lou Walter ran. According to Carlton Seu, from the Seattle City's Attorney's Office, the Board does have the ability to set this in policy through the Board's rule making authority.

Jean Becker asked what "qualified candidate," meant. Mr. Nakatsu responded that the candidate needs to be an employee or retiree. Mr. Walter added that the candidate needs to be a member of the retirement system. Mr. Nakatsu confirmed that this is the definition in the Seattle Municipal Code (SMC).

Susan Coskey stated that when she was talking about the deferred compensation plan board participation, that candidate(s) needed to be in good standing. Ms. Coskey wanted to know if there were criteria for board members. Mr. Seu confirmed that there is no requirement in the SMC, other than being a member of the system.

Mike Monaco suggested a revision to the language in the proposed election policy for letter B:

"If there is only one qualified candidate for a vacancy, then that candidate will be deemed to have won the election."

The Board agreed with the revised language.

Motion: Upon motion of Susan Coskey, seconded by Robert Harvey, Jr., the Retirement Board of Administration approved the Board Election Policy with the revision to "B" stating that "if there is only one qualified candidate for a vacancy, then that candidate will be deemed to have won the election". The motion passed unanimously (6-0).

Administrative Committee Report:

Ms. Becker stated that in her last report to the Board she proposed to conduct an evaluation of Interim Executive Director Ken Nakatsu. Last year's form was included in the briefing package for the Board. The Administrative Committee proposes that this form be also used for this year's review.

The Administrative Committee will be meeting in the afternoon during its Special Committee meeting to review forms and the process. Forms would be sent out on January 9, 2015 and collected by the end of the week. Results will be shared at the January 29, 2015 regular Administrative Committee meeting.

Mr. Nakatsu would be asked to prepare his report of accomplishments. The Administrative Committee would report back to Mr. Nakatsu at the February 12, 2015 Board Meeting.



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Ms. Becker asked for any comments that could be considered at the subsequent Special Administrative Committee meeting.

Ms. Coskey asked if they could postpone the decisions until after an expected Executive Session.

Investment Committee Report and Investment Accounting Summary Report for November 30, 2014

Jason Malinowski reported that there was not an Investment Committee meeting during December 2014.

SCERS transferred funds out of Russell US transition account to fund the Adams Street account, which will be used to make future investments.

He indicated we received distributions back from private equity managers (\$1.8M), and from real estate managers (\$1.2M). The change in the market value was over 1%. For the year, it is approximately 6%.

The funding ratio increased 44 basis points.

Executive Director Report

Jeff Davis reported that the RFP for the Pension Administration System was issued on November 26th. The vendor conference was held on December 17th.

Mr. Nakatsu stated that we are currently working on the draft contract for the PAS system.

Supervisors are working on performance evaluations for staff.

Staff are spending a lot of time on fossil fuel divestiture, which has been added to the work plan. It is reflected that we will be wrapped by February to coincide with the Board meeting.

For the January 29th Investment Committee meeting, other items added to the agenda are capital market expectations and results of the Board risk tolerance survey

Mr. Walter stated that he may be out of town on January 29th and would join the meeting via conference call.

SCERS' Work Plan and Operations/Finance

Mr. Davis spoke about the Dashboard and said we already talked about Goal 1 (delivering customer service).

We began implementing Goal 2 in December. Two retirement specialists are using the new calculations tool. Tim Morrison has become the supervisor of the retirement specialist group since he has been involved in developing the policy and tools.

One of the accomplishments is that we want to see an improvement in turnaround time. We have seen some of the benefits in putting the tool in place. On January 1st, the backlog is under 200 for the first time in a long time. There has been good progress in this area. We also want to get the time to complete retirement estimates to be no greater than four weeks.

Ms. Coskey wanted more information on Goal 1. From her perspective, she wanted to do a better job of communicating jointly. She indicated we are not doing a good job of communicating with employees (especially with the younger employees); and integrating the retirement benefits information into new employee orientation.

Mr. Davis acknowledged that we needed to improve and mentioned exempt employees. He stated that exempt employees only have a set amount of time to join the retirement system and SCERS should ensure that they are aware of the timeframe in which to do so.

Mr. Nakatsu had a meeting with Renee Freiboth in Human Resources about coordinating retirement information with deferred compensation information and generally how to work more closely together to improve customer service.

Mr. Davis appreciated Ms. Coskey's suggestion about adding this as a work plan item.

Mr. Davis continued discussing the dashboard and reviewed results of the updated organization culture survey which is reflected in box 4.

The Board of Administration entered into Executive Session at 10:00 a.m. for 25 minutes to discuss personnel matters and a quasi-judicial matter related to a disability retirement application. At 10:25 a.m. it was announced that Executive Session would be extended for an additional 20 minutes, and at 10:45 a.m. it was announced that the Executive Session would be extended for an additional 15 minutes.

Executive session ended and the meeting was resumed in public session at 10:56 a.m.

Motion: Upon motion of Lou Walter, seconded by Glen Lee, the Retirement Board of Administration approved Gary Ekman's disability retirement application. The motion passed unanimously (6-0).

Adjournment

Motion: Upon motion of Lou Walter, seconded by Robert Harvey, Jr., the Retirement Board of Administration voted to adjourn the meeting. The motion passed unanimously (6-0).

The meeting adjourned at 10:57 a.m.

Susan Coskey, Secretary



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Minutes of Thursday, February 12, 2015

Board Members Present: Nick Licata (Chair), 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, Nina Melencio

Others Present: Carlton Seu (Seattle City Attorney's Office), Mike Monaco (Song Mondress Law Firm), Kirk Jones (ARSCE), Tad Anderson (350.org), Alex Lenferna (UW), Lynn Fitz-Hugh (350.org), Bill Roach

Nick Licata, Committee Chair, called the meeting to order at 9:08 a.m.

Public Comments:

Kirk Jones stated he represented the Association of Retired Seattle City Employees (ARSCE). John Masterjohn and Barbara Graham of ARSCE were present at the Investment Committee meeting last month and unable to make it to today's meeting. ARSCE is supportive of today's motion. Mr. Jones stated that he used to be on the retirement board 20 years ago. At that time, there were questions about divesting from South Africa. Part of the board's fiduciary responsibility is to be sure you have all the information of both sides to make a well-informed decision. He did not know if the Board had information from the United Nation's Intergovernmental Panel on Climate Change. He indicated their latest report backed off from the dire climate change predictions.

Tad Anderson is a semi-retired climate scientist who has published at least 60 papers in this area. He stated that today he is very happy because yesterday was the launch of the deep space climate observatory satellite. He said he is a member of 350.org. He thanked the Board for taking this issue so seriously and he learned a lot in the process. He said he did not know about passive and active investments until now. He stated he also did not know about the constraints the Board and staff were under. He is very much appreciative about the positive actions they are taking and he supports the resolution.

Alex Lenferna stated he echoed Mr. Anderson's thanks to the Board. He said he is very encouraged by the positive steps the board is taking which were sensible and laudable.

Lynn Fitz-Hugh said she appreciated the Board's interest and support in investing in alternative energy. She said that joining Ceres would be helpful but will not deal with the carbon bubble and referred to a Bloomberg article. She said that Bruce Herbert and others challenge NEPC's conclusions. She stated that 350 Seattle would continue to be the canary in the coalmine, and pointed out that a dollar invested in Peabody Coal in 2008 is now worth 8 cents. She stated she understood that the board had been legally advised to act as their peer group have and the interpretation of fiduciary duty did not allow them to divest from fossil fuel but the same situation applied with the mortgage crash.

Administrative Consent Agenda

Minutes:

Provided in the Retirement Board packet was the minutes from the January 29, 2015 Retirement Board regular meeting.

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

Service	\$11,817,513.99
Beneficiary	939,035.86
Disability	<u>77,617.67</u>
Pension Payroll – PPE January 2015	\$12,834,167.52
Office Payroll – PPE January 13, 2015 and January 27, 2015	\$162,527.07
Vouchers Processed – December 2014*	
• Expert and Consultant Services	\$ 379,546.32
• Investment Management Fees	\$5,041,941.22
• Interdepartmental Charges	\$ 105,246.93
• Miscellaneous	\$ 74,555.53
Vouchers Processed – January 2015	
• Expert and Consultant Services	\$ 366.00
• Investment Management Fees	\$ 304.64
• Interdepartmental Charges	\$112,890.37
• Miscellaneous	\$ 40,352.61

Immediate Withdrawals of Contributions for the month of January 2015:

MEMBER	Department Name	Position
Gates, Christine Paige	Law	Victim Advocate
Milam, Michael Lee	SPU	Drainage &Wstwr
Ingold, Charles Gregory	SPU	Mgmt Sys Anlyst, Sr.
Rhoades, Lacey Patrice	SPD	Legal Asst
Garrison, Denine	DPD	Bldg Plans Examiner
Skjonsberg-Fotopoulos, Shawna Lee	SPD	Strat Advsr 2
Vhan, Suryaraj Subheer	City Light	Manager 2
Thomas, Mark Stephen	City Light	Laborer
Wilson, Christopher Lee	Parks	Laborer

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

Withdrawals for a total of: \$313,580.83



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c. 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
Berens,Donald L	1/2/2015	60	19	189.8	Vested	
Burke,Steven J	12/4/2014	62	35	76.65	KC Health	
Byers,Judson T	12/4/2014	66	7	124.1	Vested	Vested
Christiansen,Jeffrey A	12/30/2014	57	32	255.5	Parks Dept	Aquarium Biologist 3
Dyer,Kenneth C	12/11/2014	66	17	288.35	Parks Dept	Safety & Health Supervisor
Hess,Dennis L	12/17/2014	60	15	94.9	PublicUtil	Supervising Civil Engineer
Iverson,Marsha	1/19/2015	66	7	232.5	Vested	Vested
Jack,Steve W	12/25/2014	57	11	211.7	Vested	
Jones,Fredrick D	12/31/2014	69	46	94.9	Parks Dept	Util Laborer
Kiel,Robert A	12/31/2014	55	27	310.25	Parks Dept	
Klosky,Kathryn G	12/6/2014	60	10	120.45	InfoTech	
Krieger,James W	12/5/2014	58	19	189.8	KC Health	
Lafayette,Donna R	12/31/2014	66	25	313.9	City Light	Electrician
Mathisen,Janice K	12/31/2014	63	10	211.7	Parks Dept	Public Ed Program Specialist
Olson,R.D.	12/31/2014	60	14	259.42	Vested	Vested
Rowe,Dean J	12/3/2014	59	21	262.8	City Light	Meter Electrician Crew Chief
Webster,Elaine F	12/15/2014	54	20	0	PublicUtil	

For the month of January 2015: 49 new Members entered the System, 56 terminations, 17 Members retired in the System, 15 Members removed (\$27,458.49), 2 D/E Option, 5 F Option, and 5 over 60% benefit.

- Motion:** Upon motion by Lou Walter, seconded by Jean Becker, the Retirement Board of Administration approved the Administrative Consent Agenda. The motion passed unanimously (7-0).
- Minutes of the January 29, 2015 Board Meeting
 - Ratification of Retirement Payroll, Office Payroll, Other Payments and Withdrawals
 - Ratification of Service Retirements for the month of January 2015

Fossil Fuel Divestiture Report (NEPC)

Mr. Licata stated that he met with Ken Nakatsu and Glen Lee last week to discuss an amendment to the motion adopted at the January 29th Investment Committee. Copies of the amendment were distributed. The motion was moved by Mr. Licata and seconded by Mr. Lee for discussion.

The amendment was as follows:

“The Board directs SCERS staff, through trade associations such as CERES and other pensions to examine an approach to ESG investments, and also consider engaging an independent consultant to assist in this review.”

Mr. Walter had a question about the term “trade associations”. Mr. Nakatsu replied SCERS was particularly interested in joining Ceres, focusing in particular on climate risks and, clearly, we would want to touch base with other pensions as well, such as CalPERS, CalSTERS and others.

Mr. Walter likened it to a consulting type of relationship which opened up the window of advice. Mr. Malinowski agreed and stated that it would be nothing that obligated SCERS. Mr. Walter stated that if that was the consensus, he agreed.

Mr. Lee stated that this is a substantive action, and that SCERS would benefit greatly from other communities' knowledge and interests.

The next kind of concerns will be more than environmental. If we can reach out to our colleagues around the country, the better off we are.

Susan Coskey said that it would be helpful to spell things out. For example, it would be helpful to spell out what Ceres and ESG are.

Ms. Coskey would like the addendum re-worded. The word "through" is not asking anyone to do anything. If as a Board we want the staff to join, the Board needs to say that. Ms. Coskey suggested that "engage" might be more appropriate.

Jean Becker would like to see any resulting next steps laid out in SCERS' work plan and proposed striking a portion of the current motion,

"...treat ESG issues as a strategic goal of SCERS" with "...and incorporate ESG issues into SCERS' work plan."

Mr. Walter stated that this would result in two amendments.

Mr. Licata said that the Board would need to deal first with his motion, then with Ms. Becker's.

Regarding the motion made by Mr. Licata,

1. We would spell out what CERES and ESG, that's strictly editing.
2. Change "through" to "to engage with"

Motion by Mr. Licata passes (7-0)

Ms. Becker then moved her motion to replace "...treat ESG issues as a strategic goal of SCERS" with "...incorporate ESG issues into SCERS' work plan".

Mr. Licata seconds Ms. Becker's motion. The motion passes unanimously (7-0).

The Board of Administration then acted on the amended motion on climate change.

Motion:

Upon motion of Nick Licata, seconded by Robert Harvey, Jr., the Retirement Board of Administration directed that the Seattle City Employees' Retirement System (SCERS) pursue corporate engagement on climate change and other environmental issues, as presented by staff in their January 26, 2015 memorandum; and pursue, as appropriate, investments that are expected to produce investment results consistent with SCERS' fiduciary duty to its members and, if possible, also positively address climate change and other environmental issues. The Board recognizes that these types of investments (e.g. renewable energy, cleantech, and green bonds) are relatively new and limited in availability and will need to be considered prudently as SCERS pursues investments in its asset classes (e.g. real assets, private equity, fixed income). SCERS' staff and advisers will provide quarterly updates regarding Environmental, Social, and Governance (ESG) investment issues and incorporate ESG issues into SCERS' work plan. The Board directs SCERS' staff to engage with trade associations such as Coalition for Environmentally Responsible Economics (CERES) and other pensions to examine an approach to ESG investments, and also to consider engaging an independent consultant to assist in this review. The motion passes unanimously (7-0)



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Fisher Investments Watch List

Jill Johnson stated that she and Mike Malchenko of NEPC visited Fisher Investments on December 12, 2014 where they learned that Ken Fisher planned to retire from the CEO position within the next year. Although Fisher Investments performance was good, it is normal procedure to put an investment plan on "Watch" when there is no succession plan. Ms. Johnson said that staff would re-evaluate Fisher in 6-9 months.

Motion: Upon motion of Nick Licata, seconded by Jean Becker, the Retirement Board of Administration approved the recommendation of staff and NEPC and placed Fisher Investments on Watch status. The motion passed unanimously (7-0).

PIMCO Update

Mr. Malinowski stated that Tony Smith, Don Stracke of NEPC and he had an on-site meeting at PIMCO's headquarters in California in January. The memo provided in the Board packet provided background discussion.

The Investment Committee recommended at the January 29, 2015 meeting to accept a PIMCO fee revision for the portfolio. Mr. Malinowski said that in total, SCERS would expect to pay lower fees.

Mr. Licata asked if this was typical in what we would see in fee arrangements. Mr. Malinowski replied that it was not uncommon. PIMCO has faced many outflows and that they are trying to stabilize their client base. Susan Coskey asked what would be the impact if we did not agree to this fee agreement. Mr. Malinowski replied that we would stay with our current fixed fee agreement which would likely cost about \$100,000 more than the revised, although if PIMCO performed exceptionally well, we could pay a little more.

Motion: Upon motion of Nick Licata, seconded by Robert Harvey, Jr., the Retirement Board of Administration approved the Conditional Temporary Fee Waiver Agreement for the PIMCO Total Return account. The motion passed unanimously (7-0).

Administrative Committee Report:

There was no report.

Investment Committee Report – January 29, 2015

Tony Smith reported on the January 29, 2015 Investment Committee meeting. He stated that there was much conversation on NEPC's Fossil Fuel follow-up report that resulted in the climate change motion approved by the Investment Committee. NEPC also gave an update on Capital Market Expectations for both 5-7 years and 30 years. Expectations are generally lower than they were previously.

Mr. Smith discussed Private Equity Benchmarking. Staff recommended that the private-equity benchmark be changed from the Cambridge US Private Equity Index to a benchmark supplied by the Burgiss Group. NEPC concurred with this change. The rationale for this switch was: (1) Burgiss allowed for customization of benchmark data by vintage year, (2) compared to Cambridge, Burgiss had more expansive coverage of the private-equity universe since the early 2000s, and (3) Burgiss releases its data sooner than Cambridge. The Investment Committee concurred.

Jason Malinowski discussed the Risk Tolerance survey that both the Board and Investment Advisory Committee took. He stated that the board generally seems to be risk adverse. Mr. Walter said that he would like to review risk before the Board completes asset allocation because of the fiduciary responsibility of the Board.

Ms. Coskey stated that she wants to know what the Board's choices are.

Mr. Malinowski stated that at the next Investment Committee NEPC would present a variety of asset class mixes.

Investment Accounting Summary Report – November 30, 2014 and December 31, 2014

Mr. Smith reported on the Investment Summary Reports from November and December 2014. He said that November was a good month in public markets, especially in the United States. There was a little volatility in December, which resulted in modestly negative performance.

SCERS was at \$2.3B at the end of 2014 and the funding ratio was a little down at 67.7%. When combined, SCERS outperformed its policy index over November and December.

For the year, SCERS' investment return was up a little under 6%. We will get the official word in two weeks. To put us in perspective, CalPERS for 2014 was up 6%.

Mr. Smith said in November SCERS moved about \$50M out of public equity to fund the Adams Street private equity account.

In December 2014 we transferred \$22M Rhumblin Advisors to Blackrock Russell 1000.

Also in December, Adams Street, called \$2.3M in capital. SCERS has \$55M in commitments at this time.

Mr. Smith said SCERS funded the entire \$50M commitment to Heitman in December by selling out of the JP Morgan REIT account.

Finally, net distributions from private equity were \$900,000.

January markets were down a little bit (50-60 basis points). February could be up 100 basis points thus far. We are pretty close to being flat for 2015.

Executive Director Report and SCERS Work Plan

Ken Nakatsu reminded the Board that there was an election this year for Sherri Crawford's board seat.

Mr. Nakatsu updated the Board on the SCERS' Work Plan. Under Item #4 Customer Service Improvements, Phase III will include joint efforts to improve customer service with the Seattle Department of Human Resources.

The Pension Administration System (PAS) was changed from Phase III to Phase IV, given that proposal responses are due on Tuesday, February 17, 2015.

SCERS Operations/Finance and SCERS Dashboard

Jeff Davis reviewed the SCERS Dashboard. He stated that the Goal #1, Customer Service, revolved around retirement estimates, the backlog and turnaround times. The backlog has shrunk dramatically and the trend continues. Mr. Davis stated that last November the retirement estimate backlog was at 290 estimates and we are now at the 150-160 range. Tim Morrison and the Retirement Specialists are doing a great job. Although we are not where we want to be, we are making visible progress.

Goal #2 involves selection of a Pension Administration System. SCERS has a good team in place to assess which vendor can meet our needs. Mr. Lee asked if SCERS had actively engaged with the Department of Information Technology (DoIT) and their Director Mike Mattmiller. Mr. Davis responded "yes" and that he has been meeting with Mr. Mattmiller and others within the City. Mr. Davis stated DoIT is helping SCERS evaluate the RFP.

Mr. Davis went on to Goal #3 which is the funding ratio which is currently at 67.7%.

Goal #4 reflects the department's working environment which continues to improve as we made process improvements and secure more tools.



Seattle City Employees' Retirement System
Board of Administration Meeting
720 Third Avenue, 9th Floor (Pacific Building)
(206) 386-1293

The Board of Administration entered into Executive Session at 10:25 a.m. for 10 minutes to discuss a temporary disability retirement application. Executive session was extended to 10:50 a.m. and the Board of Administration re-entered into regular session at 10:50 a.m.

Application – Disability Retirement Application – Tomasi Vanila

Motion: Upon motion of Lou Walter, seconded by Robert Harvey, Jr., the Retirement Board of Administration approved the temporary disability retirement for Tomasi Vanila. The motion passed unanimously (7-0).

The Board of Administration entered into Executive Session at 10:50 a.m. for 10 minutes to discuss a personnel matter. Executive session was extended to 11:15 a.m.

Executive Session was closed and the Board re-entered into regular session at 11:15 a.m.

Adjournment

Motion: Upon motion of Glen Lee, seconded by Robert Harvey, Jr., the Retirement Board of Administration voted to adjourn the meeting. The motion passed unanimously (7-0).

The meeting adjourned at 11:15 a.m.

Susan Coskey, Secretary



**Seattle City Employees' Retirement System
Board of Administration Meeting
720 Third Avenue, 9th Floor (Pacific Building)
(206) 386-1293**

Minutes of Thursday, March 12, 2015

Board Members Present: Nick Licata (Chair), Glen Lee (arrived at 9:10 a.m.), Jean Becker, Lou Walter (called in at 9:07 a.m.), Robert Harvey, Jr., Sherri Crawford, Susan Coskey (arrived at 9:04 a.m.)

SCERS Staff Present: Ken Nakatsu, Jeff Davis, Jason Malinowski, Tony Smith, Jill Johnson, Nina Melencio

Others Present: Tom Kirn (FAS), George Emerson (FAS)

Nick Licata, Committee Chair, called the meeting to order at 9:00 a.m.

Mr. Licata asked if there was anyone present who wanted to make a public comment.

There was no public comment.

Administrative Consent Agenda

Minutes:

Provided in the Retirement Board packet was the minutes from the February 12, 2015 Retirement Board regular meeting.

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

Service Beneficiary Disability	\$12,033,619.65 935,920.90 <u>77,965.58</u>
Pension Payroll – PPE February 2015	\$13,047,506.13
 Office Payroll – PPE February 10 and 24, 2015	 \$163,189.44
 Vouchers Processed – February 2015	
• Expert and Consultant Services	\$ 41,087.96
• Investment Management Fees	\$ 304.64
• Interdepartmental Charges	\$113,274.33
• Miscellaneous	\$ 8,963.32

Immediate Withdrawals of Contributions for the month of February 2015:

MEMBER	Department Name	Position
Becker, Laura Elizabeth	Arts	Arts Prgm Spec, Sr
Berens, Donald L	City Light	Line Worker
Burke, Steven J	King Cty	Heath
Christensen, Corby	Parks	Park Ranger
Esqueda, Joaquin P	Legal	Legal Asst, Sr
Gazin, Dena J	Library	Systems Librarian
Guerra, Elizabeth J	Civil Rights	Civil Rights Analyst
Harris, Darlene Denise	Parks	Rec Attendant

Hawkins, Danny A	SPU	Util Svc Rep
Hillyard, Naomi Lynn	CBO	Strat Advsr 1
Kentros, Maro M	Sea Ctr	Usher
Krieger, James W	King Cty	Heath
Lafayette, Donna R	City Light	Electrician
Mitchell, Steven Donald	SDOT	Traffic Marking Lead
Morehead, Sarah Kanwit	Law	City Attorney, Asst
Noyola, Richard Allen	SPU	Util Acct Rep Trne
Pulliam, Tobias Jabaar	Legislative	Legislative Asst
Rowe, Dean J	City Light	Meter Elec Crew Chief
Spahn, Emily Y	SDOT	Civil Engr Spec, Assoc
Thompson, Kenya D	SPU	Util Svc Rep
Young, Park Mi	Muni Court	Prob Counslr I

Bold entries (if any) above indicate refund payment made to beneficiary of a member dying while in active status.
Withdrawals for a total of: \$1,530,526.63

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
Asim,Zahra B	1/3/2015	59	23	135.13	Muni Court	Admin Spec I-MC
Baker,Martin W	2/4/2015	67	14	273.4	PublicUtil	Executive 3
Bangert Jr.,Donald V	1/14/2015	68	32	60.13	City Light	Mat Suplr-Asg Phd/Cw/D
Beleford,June	12/31/2014	65	24	47.45	KC Health	
Black,Phillip M	1/28/2015	65	21	306.6	InfoTech	Management Systems Anlyst
Boland,Marilyn A	1/28/2015	56	31	7.3	City Light	Elecl Svc Rep
Bonner,Fred L	1/16/2015	72	18	251.85	Muni Court	Judge
Chan,K. W	1/1/2015	66	39	62.05	KC Health	AS II
Cifuentes,Nancy A	1/8/2015	62	21	340.1	Parks Dept	Gardener
Corado,Ana V	12/31/2014	66	12	361.35	Parks Dept	Cashier, Sr.
Cowan,Jeffrey M	1/28/2015	69	5	14.6	Law Dept	Asst. City Attorney
Davis III,Edward C	1/1/2015	66	39	281.05	KC Health	HEI-III
Esquillo,Edison A	1/14/2015	62	14	3.65	City Light	
Evans,James P	1/8/2015	63	30	40.15	City Light	
Feely,Teresa M	1/1/2015	67	30	350.4	KC Health	PHSS-clinic
Fuller,L. Cynthia	1/1/2015	65	29	102.2	KC Health	Dental Hygientist
Gustafson,John A	1/28/2015	60	5	36.5	City Light	Manager 2
Habben,Judy L	1/15/2015	67	28	32.85	EXEC DEPTS	
Henry,Glenn E	1/8/2015	62	34	308.36	City Light	Pole Yard Crew Chief
Hoyle,Christine A	1/1/2015	64	27	171.55	KC Health	Nurse Practitioner
Humburgs,Martinez	1/8/2015	55	21	98.55	Parks Dept	Util Laborer
Hunter,Christine L	1/1/2015	64	7	196.66	Vested	Vested Member



**Seattle City Employees' Retirement System
Board of Administration Meeting
720 Third Avenue, 9th Floor (Pacific Building)
(206) 386-1293**

Hurley,Molly M	1/8/2015	57	24	15.56	DPD	Land Use Planner IV
Kim,John M	1/3/2015	66	18	116.8	Sea Center	HVAC Tech
Klug,Robert H	1/14/2015	68	22	255	City Light	Strategic Advisor 2
Lane,Timothy	2/6/2015	57	9	244.55	Vested	VESTED
Lasby,Bill M	12/31/2014	63	40	21.9	KC Health	
Lockwood,Linda M	1/14/2015	68	25	102.09	City Light	Strategic Advisor 2
Lopez,Josefina	1/13/2015	60	28	162.57	City Light	Claims Adjuster I
Mauden,Galen R	1/28/2015	67	25	277.4	FAS	Executive 2
Morgenroth,Leil C	1/30/2015	53	22	313.9	Vested	
Morse,Michael E	1/8/2015	72	46	54.75	PublicUtil	
Mozeika,Nanette W	1/9/2015	61	11	193.45	Vested	
Naughton,James J	1/28/2015	58	12	357.7	Vested	
Neal,Faylene J	1/14/2015	67	43	324.85	City Light	Sr. Pub Rel Specialist
Noonan,Timothy A	1/8/2015	59	25	51.1	City Light	Elec Con
O'Neill,Paula A	1/2/2015	65	11	40.15	Police	ID Data Spec
Pedersen,Marilyn W	1/1/2015	60	13	156.17	Vested	Vested Member
Pena,Vincente A	1/16/2015	65	24	215.35	Parks Dept	Plumber
Rappleyea,Diane M	1/12/2015	57	10	113.15	Vested	
Sueda,Odette T	1/2/2015	59	24	10.95	KC Health	Staff Physician
Tschirgi,Marie A	1/28/2015	56	21	211.7	FAS	
Wheaton,Edna C	1/8/2015	64	25	277.4	Law Dept	Legislative Info Spec I
White,Lari A	1/3/2015	63	7	280.92	Vested	Vested Member
Wolak,William J	1/8/2015	66	38	186.15	Police	Plng&Dev Spec, Sr.
Wren,Edward O	1/8/2015	57	24	21.9	City Light	
Yesuwan,Chollada	1/21/2015	66	35	106.1	PublicUtil	Sr. Civil Engineer
Zeigler,Kathleen S	1/22/2015	62	34	194.19	City Light	Credit Representative
Zimmerman,Michael L	1/14/2015	65	35	292.5	DPD	Sr. Management Systems Analyst

For the month of February 2015: 13 new Members entered the System, 30 terminations, 49 Members retired in the System, 20 Members removed (\$23,523.85), 1 D/E Option, 2 F Option, and 5 over 60% benefit.

- Motion:** Upon motion by Sherri Crawford, seconded by Robert Harvey, Jr., the Retirement Board of Administration approved the Administrative Consent Agenda. The motion passed unanimously (5-0).
- Minutes of the February 12, 2015 Board Meeting
 - Ratification of Retirement Payroll, Office Payroll, Other Payments and Withdrawals
 - Ratification of Service Retirements for the month of February 2015

Investment Advisory Committee 2014 Report

The Investment Advisory Committee's 2014 Annual Report was presented. The Investment Committee, at its February 26, 2015 meeting recommended that the Board accept the report. Also included in the board packet was a response to the report from Interim Executive Director Ken Nakatsu.

Motion: Upon motion of Nick Licata, seconded by Jean Becker, the Board of Administration accepted the Investment Advisory Committee 2014 Annual Report unanimously (4-0).

Investment Committee Report

Tony Smith reported on the Investment Committee that was held on February 26, 2015. He stated that in addition to the Investment Advisory Committee 2014 Report, the Investment Committee also had further discussion on the asset allocation study.

(Susan Coskey arrived.)

Mr. Smith said that they utilized several methodologies and did not rely on just one. Increased diversification of the plan would be beneficial for responding to the expected low return environment. The goal would also be to maintain liquidity of the portfolio and remain fee and cost conscious.

SCERS is primarily relying on NEPC's 5-7 year capital market assumptions rather than the 30-year assumptions. It was re-iterated that we needed to consider taking some modest increase in risk to respond to the expected lower returns.

Five asset mixes in addition to Seattle City Employees' Retirement System (SCERS) current asset allocation were presented to the Investment Committee. The Investment Committee wanted further analysis of "Mix C", comparing that mix to the current target portfolio. That comparison will be reviewed at the March 26, 2015 Investment Committee meeting. At the March meeting, the committee will also discuss the liability piece of the equation which they will review in-depth.

(Lou Walter called in to the meeting at 9:07 a.m.)

Mr. Smith summarized the 4th quarter performance report from NEPC. He indicated that for the 4th quarter SCERS outperformed the policy benchmark by about 90 basis points.

Mr. Smith said that for the past 3-year period we are about even with the median public plan and things have been improving.

SCERS has been doing quite well with performance vs median public plans.

Mr. Smith indicated that overall things are looking good. The current portfolio is performing fairly well, but there are more tweaks around the edges that can be made through the asset allocation study.

Ken Nakatsu said that SCERS is still being challenged by the under investment in private equity and underperforming investments made in the past, before we had sufficient professional staff and consultants.

Nick Licata pointed out that being in the median is more positive than it seemed due to this deadweight.

(Glen Lee arrived at 9:10 a.m.)

Investment Accounting Summary Report – January 31, 2015

Mr. Smith stated that in January the markets were a little bit rocky in the US and flat in non-US markets.



**Seattle City Employees' Retirement System
Board of Administration Meeting
720 Third Avenue, 9th Floor (Pacific Building)
(206) 386-1293**

SCERS was down 55 basis points in public markets, underperforming the policy index by 22 basis points. In February, the market came back in both the US and non-US. Tentatively, February looks up over the policy benchmark by about 80 basis points. For month-to-date in March, it looks flat.

There have been no material movements of cash in the portfolio.

Bob Harvey asked when are we finally going to see rising rates.

Mr. Smith stated that he and Mr. Malinowski have had discussions about this topic. There have been record returns in treasury returns. No one in 2014 would have predicted what would have happened at the end of 2013. If they were to press them for an answer, they would say that it would go up incrementally, although the 10 year US Treasury yield did go up 60 basis points since February.

Mr. Malinowski said that the market is already anticipating higher interest rates. Short-term interest rates are expected to rise considerably in the next several years. There is a hyper focus on the particular timing of when the Fed will act. It is definitely not going to stay at zero percent level.

There is a concern about the level of the dollar right now. It is at a 12 year high. US exports are less desirable. The dollar is up almost 25% since August. Tony said that some are calling for US Dollar parity with the Euro. There was parity around 12 years ago.

Lou Walter asked how that would affect SCERS' non-domestic portfolio.

Mr. Malinowski replied that this has not been a good time for us because we are exposed to foreign currency risk. We have talked to Don Stracke (NEPC) about that. It is something we want to evaluate once we decide what our asset risk is.

Executive Director Report

Mr. Nakatsu gave the Executive Director's Report. He stated that beginning today; we are posting on the SCERS' website an announcement for the filing period for Sherri Crawford's trustee seat. We have expanded the candidacy period to a two-week period from April 9-23, 2015.

We are also sending postcards to active members and retirees.

Jeff Davis met with city auditor last week. SCERS had an audit a couple of years ago which pointed out a number of challenges with retirement estimates. They looked at 30 estimates and 22 had small errors in calculations. That is what prompted us to pursue a Pension Administration System (PAS). There were ten recommendations from the auditor. The auditor acknowledged that SCERS had complied with nine out of the 10 recommendations since the time of the audit. We still desperately need a PAS.

Mr. Nakatsu said that we are about ready to work with Glen Lee's staff with the lockbox with checks that was from the financial auditor findings. This will improve security and accountability for receipt of checks.

We are in the middle of evaluating proposals for PAS. We have received five proposals. There has been a great deal of support from Finance and Administrative Services (FAS) and the Department of Information Technology (DoIT) staff.

Mr. Davis stated that we are going through the process to narrow the field. We hope to select the vendor for recommendation in the July time frame.

The Board Room will need to be converted for a teaming/work room for our staff and DoIT/FAS for the data conversion/PAS process. We have scheduled the Boards and Commissions room in City Hall for future meetings and a room at the Seattle Municipal Tower.

SCERS' Work Plan

Mr. Nakatsu reported that there are four new additions to the work plan: annual report, a financial audit, preparation of our budget, and the actuarial valuation study.

The motion that was adopted last month on the ESG was also added. We also noted the completion of three items: fossil fuel divestment, customer service phase 2, and performance evaluations in February.

Ms. Coskey asked that #7 (engaging SDHR) be extended farther since it has not been completed.

Mr. Davis stated that right now we are trying to define the work scope. He met last week with Renee Freiboth of Seattle Department of Human Resources Benefits.

Ms. Coskey stated that she appreciated the coordination and collaboration between SCERS and SDHR.

SCERS Operations/Finance

Mr. Davis reported on Operations and Finance and stated that there has been a big customer service push and they have been making good progress. The staff is down to 130 retirement estimates outstanding. In November 2014, we were at 290 retirement estimates outstanding. Tim Morrison and the retirement specialists have done a stellar job and it keeps getting better.

Mr. Davis gave an update on one of the customer service projects which involved exempt employees joining the system. It is optional for exempt employees to join and sometimes they lose track. One month after they start employment, SCERS sends them an email reminder. Anecdotally, at least ten members have responded that they enrolled after receiving the reminder email.

Executive Session

The Board of Administration entered into Executive Session at 9:56 a.m. for 15 minutes to discuss a disability application.

Executive Session was closed and the Board re-entered into regular session at 10:53 a.m. a.m.

The Board of Administration entered into Executive Session at 10:53 a.m. for 5 minutes to discuss a personnel matter.

The Board re-entered into regular session at 10:57 a.m.

Retirement Disability Application of Brian K. Schaller

Motion: Upon motion of Nick Licata, seconded by Robert Harvey, Jr., the Retirement Board of Administration voted to refer the disability application of Brian K. Schaller back to the Panel of Consultants for more information. The motion passed unanimously (7-0).

Adjournment



Seattle City Employees' Retirement System
Board of Administration Meeting
720 Third Avenue, 9th Floor (Pacific Building)
(206) 386-1293

Motion: Upon motion of Robert Harvey, Jr., seconded by Nick Licata., the Retirement Board of Administration voted to adjourn the meeting. The motion passed unanimously (7-0).

The meeting adjourned at 10:57 a.m.

Susan Coskey, Secretary



**Seattle City Employees' Retirement System
Board of Administration Meeting
720 Third Avenue, 9th Floor (Pacific Building)
(206) 386-1293**

Minutes of Thursday, April 9, 2015

Board Members Present: Robert Harvey, Jr. (Chair), Glen Lee (arrived at 9:05 a.m.), Jean Becker, Sherri Crawford, Susan Coskey (via phone)

SCERS Staff Present: Ken Nakatsu, Jeff Davis, Jason Malinowski, Jill Johnson, Nina Melencio

Others Present: Carlton Seu (Seattle City Attorney's Office), Mike Monaco (Song Mondress Law Firm), Tom Kirn (FAS), George Emerson (FAS)

Robert Harvey, Jr., called the meeting to order at 9:00 a.m.

Mr. Harvey asked if there was anyone present who wanted to make a public comment.

There was no public comment.

Administrative Consent Agenda

Ken Nakatsu stated that the Retirement Board packet included a revision to the December 11, 2014 board minutes. Approved actions by the Board on the extension of the Fisher contract and the incumbency certificate for the Bank of New York were not included in the minutes. Both these motions had been approved at the December 11, 2014 Board of Administration meeting.

Minutes:

Provided in the Retirement Board packet was the minutes from the March 12, 2015 and revised minutes from the December 11, 2014 Retirement Board regular meeting.

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

Service	\$12,018,867.96
Beneficiary	928,742.25
Disability	<u>76,782.59</u>
Pension Payroll – PPE March 2015	\$13,024,392.80
Office Payroll – PPE March 10 and March 24, 2015	\$ 163,832.34
Vouchers Processed – March 2015	
• Expert and Consultant Services	\$ 72,586.63
• Investment Management Fees	000.00
• Interdepartmental Charges	\$ 112,549.46
• Miscellaneous	\$ 47,989.40

Immediate Withdrawals of Contributions for the month of March 2015:

MEMBER	Department Name	Position
Williams, Lenette Renee	FAS	Cust Svr Rep, Sr
Sawyer, Secora Lu	SPU	Mgmt System Analyst
MacInnis, Kevin B	SPU	Laborer
Munoz, Cesar	Parks	Util Laborer
Pope, Kathy	Muni Court	Court Clerk

Cole, Andrea Lynn	SPU	Strat Advisor I
Kepu, Valerie Vilma	Sea Ctr	Laborer
Fjetland, Sonja Marie	HSD	Human Svcs Prgm Supv, Sr
Dietzel, Stacey Ann	FAS	Cust Svr Rep, Sr
Huang, Xiao Qing	Neighborhood	Acct Tech II
Walsh, Jeremiah John	FAS	Printing Equip Op

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

Withdrawals for a total of: \$674,283.81

c. 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
Blume,Lester C	2/1/2015	62	8	62.05	Vested	
Campbell,Judith W	2/12/2015	65	16	175.19	Police	ID Data Specialist
Denzel,Mary F	2/11/2015	65	31	83.95	Cty Audit	Strategic Advisor--City Auditor
Freeman,Fawn M	2/3/2015	54	22	69.35	SDOT	Asst Civil Engineer
Hemmelgarn,David C	1/29/2015	64	11	116.8	Vested	Vested
Holladay-Kruger,Carol A	2/9/2015	64	6	18.25	Vested	
Korkowski Komedal,Ruth	2/5/2015	65	18	211.7	Library	Librarian
Little,Rand M	2/11/2015	64	22	189.8	PublicUtil	Strategic Advisor 2
MacInnis,Kevin B	2/4/2015	55	24	284.7	PublicUtil	Laborer
Mears,Michael L	2/11/2015	65	17	215.35	FAS	Buyer, Sr.
Melland,Linda L	2/22/2015	64	2	143.52	Vested	Vested
Mellor,Thomas O	2/25/2015	65	43	109.5	PublicUtil	Strategic Advisor 2,
Mendelson,Thomas W	2/3/2015	67	40	313.13	Library	Librarian
Parks,Kathleen A(Ex)	2/11/2015	60	n/a	n/a	n/a	n/a
Parks,Thomas B	2/11/2015	60	35	318.86	City Light	
Pope,Kathy L	1/31/2015	64	7	25.55	Muni Court	Court Clerk
Rangel,Elmira L	2/18/2015	70	32	77.35	SDOT	Asst Civil Engineering Spec III
Rottinghaus,Robert G	2/14/2015	64	22	113.15	FAS	Auto Maint CC
Santos,Adolfo A	2/11/2015	64	36	313.97	FAS	
Thurmond,Michele	2/13/2015	53	27	242.62	Parks Dept	
Vande Griend,Kimberley A	2/18/2015	62	36	0	City Light	Engineering Aide
Walath Simpson,Lorna	1/22/2015	54			SDHR	Admin Spec II
Watts,Neil R	3/1/2015	60	7	208.5	Vested	Vested
West,Donna L	2/3/2015	62	38	284.7	Police	Latent Print Superv
White,Garel W	3/5/2015	63	16	189.8	Vested	Vested

For the month of March 2015: 26 new Members entered the System, 32 terminations, 24 Members retired in the System, 18 Members removed (\$31,772.96), 5 D/E Option, 4 F Option, and 4 over 60% benefit.



Seattle City Employees' Retirement System
Board of Administration Meeting
720 Third Avenue, 9th Floor (Pacific Building)
(206) 386-1293

Motion: Upon motion by Jean Becker, seconded by Susan Coskey, the Board of Administration approved the Administrative Consent Agenda. The motion passed unanimously (4-0).

- Minutes of the March 12, 2015 and revised minutes of the December 11, 2014 Board Meeting.
- Ratification of Retirement Payroll, Office Payroll, Other Payments and Withdrawals
- Ratification of Service Retirements for the month of

Administrative Committee Report:

Jeff Davis reported that members of the IT staff provided a demonstration of the new Board of Administration SharePoint site for Administrative Committee members at its meeting held on March 26, 2015.

Staff is working to populate the site. At a future Administrative Committee or Board of Administration meeting, an update will be given on what is available on the site and Board members will be provided information on accessing the SharePoint site.

Investment Committee Report

Jason Malinowski reported on the March 26, 2015 Investment Committee meeting.

Don Stracke and Mark Cintolo of NEPC reported on the Asset Liability Study. The Investment Committee was asked to make a recommendation to the Board of Administration between the current target and alternate mix. NEPC expects that over the next 10 years there will be an increase in the funding ratio from 66 to 70%. This improvement is driven by amortizing the unfunded liability and recognizing some prior years' investment gains. Staff and NEPC recommended that the alternative mix be brought forth for approval. After NEPC's presentation and further discussion, the Investment Committee unanimously approved to recommend to the Board of Administration to adopt the alternate mix that consists of 48% public equity, 9% private equity, 18% broad fixed income, 5% credit fixed income, 12% real estate, 3% infrastructure and 5% diversifying strategies.

Motion: Upon motion of Glen Lee, seconded by Sherri Crawford, the Board of Administration adopted the alternate mix, as described in NEPC's presentation at the March 26, 2015 Investment Committee meeting, as the asset allocation policy to be effective on July 1, 2015. The motion passed unanimously (5-0).

Susan Coskey asked about the Asset Liability Study's finding that performance is not expected to meet the assumed return. Mr. Malinowski stated that NEPC provides return expectations for a 5-7 year time frame and a 30-year time frame. NEPC's Asset Liability Study is based primarily on their 5-7 year return expectations. Over a 30-year time frame that is consistent with actuarial practices, the alternate mix is expected to meet the assumed return. While we are in a low return environment right now, we expect this to normalize over a longer period of time.

At the March 26, 2015 Investment Committee meeting, Jill Johnson reported on a recommendation to transfer from SCERS's existing Research Affiliates' equity product that invests in non-US developed markets (Research Affiliates Equity International, L.P.) to a product that invests globally across US, non-US developed and emerging markets (Research Affiliates Global All Country, L.P.)

Mr. Malinowski stated that because Research Affiliates is outsourcing their administrative functions to PIMCO, SCERS's needs to make this change in May, before the transaction closes, to maintain the grandfathered fees. The Investment Committee voted to authorize the change at its March 26, 2015 meeting.

Susan Coskey asked if staff was forced to rush its assessment to meet the deadline. Mr. Malinowski stated that SCERS and Research Affiliates have been in communication over this change for the last 5-6 months.

Motion: Upon motion of Jean Becker, seconded by Glen Lee, the Board of Administration approved the Investment Committee's authorization of staff to transfer Seattle City Employees' Retirement System's investment in Research Affiliates Equity International, L.P. to Research Affiliates Global All Country, L.P. and make other associated transactions to maintain the geographic composition of the asset allocation policy. The motion passed unanimously (5-0).

At the March Investment Committee meeting, Tony Smith gave an update on staff's analysis of unconstrained bonds as a potential investment strategy.

Mr. Malinowski stated that Tony Smith and George Emerson drove the analysis of unconstrained bonds. He stated that they had reviewed 14 different managers, five of which were on NEPC's focused placement list. He outlined various reasons that staff recommended not moving forward with Unconstrained Bonds which included its more restrictive opportunity set as compared to other diversifying strategies, greater reliance upon timing relatively efficient global interest rate and currency markets and performance is not meeting expectations.

Investment Accounting Summary Report – February 28, 2015

Mr. Malinowski stated that at the end of February 2015 the fund was just under \$2.4B. In March, we expect it to be modestly negative down 50 basis points. April month-to-date performance appears to be modestly positive.

Robert Harvey, Jr. stated that we consider the portfolio on a long-term basis, but we have a requirement to pay benefits on a monthly basis. It is important to keep that in mind to ensure decisions to increase return, do not take on excessive risk. The ultimate goal is to get to the point that contributions are stabilized.

Executive Director Report

Ken Nakatsu said that the trustee election candidate filing period for Ms. Crawford's position opened this morning at 8:00 a.m. and will close at 5:00 p.m. on April 23, 2015. Candidate statements and a photo must also be submitted by 5:00 p.m. on April 23, 2015.

SCERS staff met on March 25, 2015 with staff from the Tacoma Employees' Retirement System (TERS). The meeting was productive for both agencies.

Mr. Nakatsu stated that we are expecting to have an Environmental, Social and Governance (ESG) written report for the June 2015 Board meeting. As a result of the motion in February, the report will be quarterly beginning with the June Board Meeting.

Mr. Malinowski will be attending the Ceres/Investor Network on Climate Risk (INCR) Conference from May 13-15, 2015. His attendance at this conference will be helpful to gather information for the ESG written report.

Mr. Nakatsu said that he and four board members are attending the National Conference on Public Employee Retirement Systems (NCPERS) conference in New Orleans.

Jean Becker said she understood that the city was considering a SCERS2 plan and asked Ms. Coskey for an update.

Ms. Coskey replied that the information could not be shared at this time due to negotiations with the labor unions.



**Seattle City Employees' Retirement System
Board of Administration Meeting
720 Third Avenue, 9th Floor (Pacific Building)
(206) 386-1293**

SCERS Operations/Finance

Jeff Davis reported that SCERS has been going through the process to obtain a Pension Administration System. Five firms responded to the RFP and those five firms were narrowed to three this week. During the month of May, staff will be conducting reference checks, due diligence and site visits. The three firms that have been selected will be on-site for 1 ½ days of scripted, oral presentations. They will also meet with our teams. After the oral presentations, staff will narrow it down to one presumed successful vendor. The presumed successful vendor may be presented at either a Special Administrative Committee meeting or a full Board meeting, depending on the timing.

There was a discussion on whether the system will be hosted or not. Mr. Davis stated that if the system were on-site, SCERS would have support from the City. Staff from the Department of Information Technology (DoIT) and Finance and Administrative Services (FAS) helped write and evaluate the RFP.

Mr. Harvey asked about the security of the system and who would be responsible. Mr. Davis replied that the vendor is responsible for the system's security. On the RFP, the vendors were required to show what their disaster recovery plan would be. Mr. Nakatsu stated that DoIT's security staff has also been involved in the RFP evaluation.

SCERS Work Plan

Mr. Nakatsu stated that there were a couple of changes to the work plan.

There is ongoing work with Seattle Department of Human Resources (SDHR) on coordination between SCERS and the SDHR Deferred Compensation Program so the customer service timeline has been extended.

The timeline for the investment policy was also extended due to the adoption of the new asset allocation mix. Mr. Nakatsu said that Mr. Malinowski has a draft of the investment policy for review. He is in the midst of soliciting comments from the Investment Advisory Committee and NEPC staff.

We hope to have the draft Investment Policy for the April Investment Committee meeting.

The last change is that unconstrained bonds has been taken off the work plan.

SCERS Dashboard

Mr. Davis reported on this month's dashboard. He stated that there has been a lot of progress for the retirement estimates. There are currently 100 estimates in queue and the turnaround time has decreased to less than four (4) weeks. For previous years, members were told the turnaround time was 6-8 weeks and, at times, that was exceeded. SCERS target for turnaround time is now four (4) weeks.

The last page of the dashboard has year-end 2014 information, except for the retiree data graph. Membership counts and operating revenues are all based on year-end figures for 2014.

Budget and expenditures are through March 2015. Mr. Davis said that there is no big trend to point out in the graph.

Mr. Nakatsu stated that we expect to have a budget discussion at the next board meeting.

Mr. Davis said that we have built in capacity for increased investment manager fees and the PAS is already included.

Mr. Harvey asked how much was budgeted for PAS and how payments are made.

Mr. Davis stated that there is \$6M in the 2015 budget and approximately \$4M in the 2016 budget. Depending on which vendor is selected and how aggressive they are upfront, some of the 2015 budget may have to carryover. They

will be paid similar to an invoice. Payment is usually made based on achieving milestones. They accomplish a task, and we pay. Or it can be done in hours.

Executive Session

The Board of Administration entered into Executive Session at 9:37 a.m. for 15 minutes to discuss a personnel matter.

Executive Session was closed and the Board re-entered into regular session at 10:03 a.m.

Adjournment

Motion: Upon motion of Glen Lee, seconded by Jean Becker, the Board of Administration voted to adjourn the meeting. The motion passed unanimously (5-0).

The meeting adjourned at 10:05 a.m..

Susan Coskey, Secretary



**Seattle City Employees' Retirement System
Board of Administration Meeting
720 Third Avenue, 9th Floor (Pacific Building)
(206) 386-1293**

Minutes of Thursday, May 14, 2015

Board Members Present: Nick Licata (Chair) (9:30 a.m.), Lou Walter, Jean Becker, Robert Harvey, Jr., Glen Lee, Sherri Crawford, Susan Coskey

SCERS Staff Present: Ken Nakatsu, Jeff Davis, Jason Malinowski, Tony Smith, Jill Johnson, Tim Morrison, Nina Melencio

Others Present: Carlton Seu (Seattle City Attorney's Office), Mike Monaco (Song Mondress Law Firm), Jim Krieger, George Emerson (FAS), Crystal Roncek (SDHR), John Masterjohn (ARSCE)

Lou Walter, called the meeting to order at 9:08 a.m.

Public Comment

Mr. Walter asked if there was anyone present who wanted to make a public comment.

There was no public comment.

Administrative Consent Agenda

Minutes:

Provided in the Retirement Board packet was the minutes from the April 9, 2015 Retirement Board regular meeting.

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

Service	\$12,130,009.18
Beneficiary	935,613.45
Disability	<u>76,782.59</u>
Pension Payroll – PPE April 2015	\$13,142,405.22
Office Payroll – PPE April 7, 2015 and April 21, 2015	\$ 162,970.06
Vouchers Processed – April 2015	
• Expert and Consultant Services	\$ 5,900.00
• Interdepartmental Charges	112,215.74
• Miscellaneous	35,611.82

Immediate Withdrawals of Contributions for the month of April 2015:

MEMBER	Department Name	Position
Armstrong, Barbara May	Library	Librarian
Byun, Robin Hyunwook	City Light	Elec Pwr Sys Engr
Connaughton, Walter	Parks	Carpenter
Ford, Jerry Amos	Parks	Rec Attendant
Hildreth, Casey Nelson	SDOT	Transp Plner, Assoc

LaCorte, Brenton Miles	Muni Court	Court Clerk
Rottinghaus, Robert G	FAS	Auto Maint
Smith Jr, Roy Edward	City Light	Pwr Structs Mechanic
White, Garel W	Sea Ctr	Security Officer

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

Withdrawals for a total of: \$395,071.21

c. 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
Abrahamson,Robert G	3/3/2015	65	13	65.7	SDOT	Maint Laborer
Allyn,Kenneth F	4/8/2015	83	17	156.95	DPD	Electrical Inspector, Sr.
Anderson,Judith K	4/3/2015	65	26	43.8	PublicUtil	Drainage&Wastewater Specialist
Baca,Robert L	4/8/2015	65	30	25.55	Parks Dept	Heavy Truck Driver
Breeden,Robert C	4/9/2015	66	6	241.9	Sea Center	Stage Tech
Brown,Curtis R	3/11/2015	65	16	51.1	PublicUtil	Laborer
Brown,Terrence J	3/24/2015	62	27	259.15	FAS	Parking Meter Colletor
Castillo,Jesus A	4/8/2015	61	31	292	PublicUtil	Wtr Pipe Wkr,Sr
Clarke,Peter L	3/4/2015	66	26	51.1	City Light	Mgmt Svcs Anlyst,Sr
Creighton,Carolyn T	3/11/2015	66	16	317.55	Human Svcs	Admin Specialist I-BU
Desmond,Donald A	2/3/2015	59	16	182.5	Vested	Vested
Docter,David L	3/11/2015	66	31	222.65	City Light	Strategic Advisor 2
Douglass,Mary H	4/2/2015	65	26	244.55	Library	Librn
Eiffert,Paul C	4/8/2015	61	34	321.2	City Light	Right-Of-Way Maint. Worker
Friedli,Eric A	3/25/2015	55	25	43.35	Parks Dept	Strategic Advisor 3
Friedman,Henry D	3/11/2015	63	11	142.35	PublicUtil	Strategic Advisor 2
Germano,Philip	3/11/2015	65	8	338	Muni Court	Info Technol Prof B
Givens,Richard M	4/7/2015	67	11	160.6	SDOT	Bridge Maint Mechanic
Han,Margaret S	4/8/2015	65	9	265.89	Parks Dept	Laborer
Hansen,James M	3/3/2015	53	28	273.75	City Light	Info Tech
Hauck,Denise A	4/1/2015	60	7	134.08	Vested	Vested
Hollomon,Rita J	3/11/2015	62	36	171	Parks Dept	Parks Concss Coord
Holman,Eric R	3/4/2015	70	7	127.75	DPD	Sr. Elevator Inspector
Jones,Diane L	3/4/2015	61	24	155.36	Parks Dept	Aquatic Center Coordinator
Jordan,Joann	4/8/2015	58	9	76.65	Police	Strat Advsr 2,CL & PS
Larson,Virginia B	3/5/2015	63	32	284.7	Library	Library Assoc III
Lilly,Richard B	3/25/2015	72	15	200.75	PublicUtil	Strat Advdr, 3 Utils
Lozier,David J	3/14/2015	63	23	94.9	FAS	Shop Operations Superv
Lutton,Jonathan W	3/25/2015	67	32	219	City Light	Strategic Advisor 2
Maadaniyan,S. Javad	4/8/2015	58	32	52.88	City Light	Supervising Energy Mgmt Analyst



**Seattle City Employees' Retirement System
Board of Administration Meeting
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Matheson,Joan P	4/3/2015	63	9	34.96	SDHR	Strategic Advisor I
Mathur,Tej S	3/4/2015	78	15	0	City Light	Civil Engr,Sr
Morris-Lent,Willis M	4/2/2015	56	30	144	SDOT	Civil Engr,Sr
Orsi,Catherine A	3/9/2015	57	13	87.6	Vested	Vested
Orth,Mark J	3/14/2015	66	15	204.4	Parks Dept	Civil Engineer
Patton,Sara L	3/27/2015	66	15	284.7	Vested	Vested
Reese,Antoinette	3/11/2015	66	5	332.15	Human Svcs	Program Intake Rep
Rekhi,Surinder S	3/3/2015	67	32	178.85	City Light	Energy Mgmt Anlyst Supv
Roberts Jr.,Leonard E	4/8/2015	62	31	193.45	FIRE	Executive2
Ruder,Karma	3/14/2015	62	6	51.1	Vested	Vested
Ryan,Eleanor P	3/11/2015	64	18	54.75	City Light	Carpenter
Sabol, Georgia R.	4/2/2015	66	12	2	Vested	Vested
Sawyer,Charles H	3/5/2015	65	5	332.15	Vested	Vested
Scott,Joanne	3/4/2015	67	30	178.85	Human Svcs	Grants & Contract Spec. Sr.
Scott,Sandra K	4/8/2015	60	29	357.7	City Light	Credit & Colls Supv-BU
Sollie,Sandra K	3/3/2015	53	32	160.6	Library	Asst. Mgr
Sutton,Mark R	4/8/2015	58	12	13	Police	Admin Spec II-BU
Tomita,Alan K	3/18/2015	55	25	124.1	Vested	Vested
Tsoming,Frankie	4/8/2015	64	24	193.45	PublicUtil	Util Acct. Rep 2
Tucker,David	3/25/2015	59	20	310.25	PublicUtil	Civil Engrng Spec, Assoc.
Wescott,Steve P	3/17/2015	64	13	237.25	Vested	Vested
Whitaker,Junko	4/8/2015	62	33	32.85	PublicUtil	Manager2,Utills
White,Jacqueline I	3/11/2015	65	29	292	Sea Center	Elctn CC
Withrow,Karla J	4/2/2015	63	30	324.85	Parks Dept	Rec Center Coord
Wood,Mark A	4/4/2015	62	23	3.65	FAS	Auto Mechanic
Yok,Larry T	3/28/2015	67	2	29.72	Vested	Vested

For the month of April 2015: 35 new Members entered the System, 44 terminations, 56 Members retired in the System, 19 Members removed (\$\$27,117.04), 1 D/E Option, 5 F Option, and 9 over 60% benefit.

- Motion:** Upon motion by Jean Becker, seconded by Robert Harvey, Jr., the Board of Administration approved the Administrative Consent Agenda. The motion passed unanimously (6-0).
- Minutes of the April 7, 2015 Board Meeting
 - Ratification of Retirement Payroll, Office Payroll, Other Payments and Withdrawals
 - Ratification of Service Retirements for the month of April 2015.

Retirement Benefits Appeal – Dr. Jim Krieger

Tim Morrison, Seattle City Employees' Retirement System Business Analyst, provided a brief introduction of Dr. Krieger's appeal.

Mr. Morrison stated that Dr. Krieger retired at the end of December 2014. There was an error on Dr. Krieger's retirement estimate that was completed in October 2014. The overestimate credited Dr. Krieger with 21.5 years rather than 19.5 years of experience. Members do not know their actual retirement amount until after they retire. Because final payroll information must be considered, Dr. Krieger's monthly retirement check was much less than the estimate received. Dr. Krieger is requesting that his monthly benefit amount be increased to the level of the estimate.

Dr. Jim Krieger thanked the Board for the opportunity to speak. He stated that Mr. Morrison has been very helpful and transparent. Dr. Krieger had two concerns to share. He said that the amount of money for his monthly benefit was much lower than he expected, and he retired earlier than he would have done if he had known that his benefit would be lower.

He stated that he would have worked an additional six months if he had known. He is not asking for the full estimated amount, but would like a benefit equivalent for 20 years of service.

Mike Monaco asked Dr. Krieger about his new job.

Dr. Krieger replied that he started a non-profit for healthy food in December.

Mr. Monaco asked if there was any rush in getting his retirement estimate completed due to the new position. Dr. Krieger replied there was not.

Mr. Monaco asked what the main reason was that Dr. Krieger retired and started the non-profit. Dr. Krieger replied that he wanted to do a greater service for the public in the new role. He stated that he chose to forego the stability of a salary since there is no guarantee of pay. The position relies solely on donations. He said he thought this position would be of better public service.

Susan Coskey asked if this was the first time Dr. Krieger requested a retirement estimate. Dr. Krieger replied "yes" and that he had assumed it was correct. He stated that if he had known the estimate was incorrect, he would have changed the timelines, but he cannot go back now.

Executive Session

The Board of Administration entered into Executive Session at 9:30 a.m. for 20 minutes to discuss Dr. Krieger's appeal.

Executive Session was closed and the Board re-entered into regular session at 9:48 a.m.

Nick Licata joined the meeting during Executive Session.

Motion: Upon motion by Susan Coskey, seconded by Glen Lee, the Board of Administration voted to follow the recommendation of legal counsel to resolve the matter. The motion passed unanimously (7-0).

The Board of Administration entered into Executive Session at 9:48 a.m. to discuss a personnel matter.

The Board re-entered into regular session at 11:15 a.m.



Seattle City Employees' Retirement System
Board of Administration Meeting
720 Third Avenue, 9th Floor (Pacific Building)
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PIMCO/Research Affiliates Transition

Motion: Upon motion of Lou Walter, seconded by Nick Licata, per the Investment Committee recommendation, the Board of Administration approved the contract with PIMCO as related to the PIMCO RAE Fundamental Global Fund LLC and the associated transition from the Research Affiliates Global All Country, L.P. to the PIMCO RAE Fundamental Global Fund LLC. The motion passed unanimously (7-0).

Adjournment

Motion: The Board of Administration voted to adjourn the meeting. The motion passed unanimously (7-0).

The meeting adjourned at 11:15 a.m.

Susan Coskey, Secretary



Seattle City Employees' Retirement System
Board of Administration Meeting
720 Third Avenue, 9th Floor (Pacific Building)
(206) 386-1293

Minutes of Thursday, June 11, 2015

Board Members Present: Nick Licata (Chair), Glen Lee, Jean Becker (9:05 a.m.), Lou Walter, Robert Harvey, Jr. (9:30 a.m.), Sherri Crawford, Susan Coskey

SCERS Staff Present: Ken Nakatsu, Jeff Davis, Jason Malinowski, Tony Smith, Nina Melencio

Others Present: Jeff Slayton (Seattle City Attorney's Office), Mike Monaco (Song Mondress Law Firm), George Emerson (FAS), Valerie Schloredt, Lynn Fitz-Hugh, Bruce Herbert, Tad Anderson, Bill Roach, Erik Sund (FAS), Alex Lenferna, Crystal Roncek (SDHR), Brittany Smith (CliftonLarsonAllen)

Nick Licata, Committee Chair, called the meeting to order at 9:00 a.m.

Mr. Licata asked if there was anyone present who wanted to make a public comment.

There was public comment.

Public Comment

Lynn Fitz-Hugh of 350.org stated that she was happy to be here before the board and is aware that they hold a concern for climate change. She stated that she would like the Board to divest all direct holdings of tar sand.

Alex Lenferna said that he was impressed by Jason Malinowski's ESG report. He stated that an increasing number of universities are moving to divestiture and that the University of Washington divested from coal. Times are changing and he is looking forward to seeing SCERS also change.

Valerie Schloredt stated that tar sands are a high cost project that is not economically viable. Ms. Schloredt said that SCERS has a fiduciary responsibility to get out.

Bruce Hebert is in favor of following San Francisco's lead and being an early adopter of being fossil free. He stated that Seattle would profit from fossil free investing and still be fiduciary responsible.

Tad Anderson urged the board to divest from coal companies because coal is the dirtiest form of fossil fuel in terms of carbon-dioxide emissions and also in terms of the pollution it creates.

Bill Roach stated that he is a SCERS member who is concerned about his financial future. He is also a grandfather concerned about sustainable future. He stated that the ESG 2nd quarter update was promising and asked that SCERS make it a top priority to select managers and to act prudently.

Mr. Licata closed public testimony asked Ken Nakatsu to give a brief overview of the ESG report.

Mr. Nakatsu reported that staff would cover in greater detail the ESG report later. We will also talk about our activities with CERES. Jason Malinowski attended the CERES conference in San Francisco. Last Friday, SCERS investment staff met with Kirsten Spalding who manages the San Francisco CERES office. She had helpful advice. The ESG update listed that we had 16 contacts, but that number has increased since the report was written

Yesterday, SCERS received an invitation to attend the White House Clean Energy Summit next Tuesday, which was arranged by NEPC. Mr. Nakatsu stated that he would represent SCERS at the Summit.

Administrative Consent Agenda

Minutes:

Provided in the Retirement Board packet was the minutes from the May 14, 2015 Retirement Board regular meeting.

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

Service	\$12,149,559.78
Beneficiary	933,604.23
Disability	<u>75,704.38</u>
Pension Payroll – PPE May 2015	\$13,158,868.39
Office Payroll – PPE May 5 and May 19, 2015	\$ 170,622.97
Vouchers Processed – May 2015	
• Expert and Consultant Services	\$ 99,821.67
• Investment Management Fees	462,575.50
• Interdepartmental Charges	112,915.10
• Miscellaneous	33,852.16

Immediate Withdrawals of Contributions for the month of May 2015:

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

MEMBER	Department Name	Position
Allyn, Kenneth F	DPD	Electrical Inspector, Sr
Anderson, Judith K	SPU	Drainage&Wstwtr Worker
Asplund, Carol Lynn	DPD	Comm Service Rep
Barmore, Tyler Anthony	City Light	HVAC Tech
Beatty IV, Francis Charles	City Light	Line Worker
Berndt, Shawn J	Parks	Golf Course Groudkeeper
Birmann-Hamrel, Henriette	Sea Ctr	Usher
Bodovinitz, Steven J	Sea Ctr	Usher
Brown, Terrence J	FAS	Parking Meter Collector
Buntin, Harvey	DPD	Manager 2
Burwell, Jared R	Parks	Inst Maint Worker
Castillo, Jesus A	SPU	Water Pipe Worker
Crane, Pamela Margaret	Sea Ctr	Usher
Creighton, Carolyn T	HSD	Admin Spec I
De Oro, Carlos Alberto	HSD	Admin Support Asst
Del Rio, Edgar	City Light	Civil Engr, Asst I
Desmond, Donald A	SPU	Water Pipe Worker
Efange, Kayla Martinique	HSD	Personnel Spec, Sr
Enciso, Melissa Elaine	SDOT	Admin Spec II



**Seattle City Employees' Retirement System
Board of Administration Meeting
720 Third Avenue, 9th Floor (Pacific Building)
(206) 386-1293**

Germano, Philip	Muni Court	IT Tech B
Gilliam, Jesse Malone	Legislative	Legislative Asst
Han, Margaret	Parks	Laborer
Harvey, Russell William	HSD	Fin Anlyst, Sr
Hembree, Kenneth Brian	SDOT	Drainage&Wstwtr Worker
Herndon, Amy	Arts & Cult	Admin Staff Asst
Holmberg, Aaron James	SPU	Water Pipe Worker
Jackson, Jelani Leif	Parks	Rec Attendant
Jones, Diane L	Parks	Aquatic Control Coord
Koski, Allan W	City Light	Elecl Engr Asst I
Mathur, Tej S	City Light	Mech Egnr Sr
Morrow, Sean P	SPU	Labor Relation Coord
Orsi, Catherine A	DPD	Pln Development Spec, Sr
Pettengill, Diane	FAS	Graphic Arts Designer
Puloka, Joshua Daniel	Parks	Laborer
Reese, Antoinette	HSD	Program Intake Rep
Sammons, Sylvia Ann	City Light	Proj Fund & Agmt Coord
Sandidge, Michael O	City Light	Executive 2
Schirato, Leeanne Star	Legislative	Exec Asst
Scott, Joanne	HSD	Grants & Contract Spec
Spoor, Paul William	Parks	Lifeguard
Tomko, Linda Marie	Muni Court	Admin Spec I
Triplett, David M	Sea Ctr	Security Officer
Tucker, David	SPU	Civil Engr, Spec Assoc
Yee, Darryl C	Parks	Rec Attendant
Zubenkova, Darja	HSD	Counselor

Withdrawals for a total of: \$2,418,039.22

Retiree	RetiredDt	Age	Years	Days	DeptName	Position
Alberts, Colette L	05/06/15	59	31	91.47	Police	Manager2, Fin, Bud, & Actg
Bailey, Linda D	05/06/15	66	23	257.84	Police	Personnel Spec, Asst
Beckett, Jani A	05/02/15	60	30	286.34	City Light	Elecl Constr&Maint Supv-BU
Brittenham, Rosellen M	05/06/15	62	30	138.65	Parks Dept	Gardener, Sr
Buchanan, Andrea L	05/06/15	69	20	47.54	PublicUtil	Admin Spec III-BU
Chan, Nina L	05/06/15	72	31	204.28	Parks Dept	Info Technol Prof B
Chaussee, Michael W	04/11/15	63	10	213.96	Parks Dept	Tree Trimmer
Gorham, Patricia L	05/06/15	64	25	159.77	PublicUtil	Mgmt Sys Anlyst, Sr
GREGG, BARBARA	04/30/15	65	9	51.04	Vested	
Hansen, Nadine Ann	04/18/15	62	30	3.77	PublicUtil	Trng&Ed Coord, Sr
Harvey, Elias W	05/06/15	59	20	255.08	SDOT	Constr&Maint Equip Op
Hayashi, Henry K	05/05/15	65	42	82.86	City Light	Elctn-Con-(OI)

Hicks,Cindie L	05/06/15	59	20	6.97	City Light	Admin Staff Asst
Hoffman,Audrey E	05/06/15	58	11	172.4	PublicUtil	Util Act Rep II
Jacobson,Jennyfer Shen	05/01/15	66	24	122.4	PublicUtil	Civil Engr,Assoc
Jepson,Janet M	05/06/15	64	41	299.38	Muni Court	Actg Tech II-MC
JUNTILA, STEPHEN W	05/04/15	65	8	148.7	Vested	
Kibbee,Claudia S.	05/06/15	53	22	315.53	Police	Pol Comms Dispatcher II
Laban,Harry	04/24/15	70	30	179.51	FIRE	StratAdvsr1,Fin,Bud,&Actg
Livesay,Marrell Dean	05/06/15	63	22	51.65	Parks Dept	Envrnmntl Anlyst,Sr
Lock,Stanley B	05/02/15	59	31	262.21	NeighbDept	Neighb District Coord
McCain,Robin P	05/01/15	62	18	258.89	Vested	
McGrew,Karen L	05/06/15	62	25	104.88	PublicUtil	Act Exec
McMahon,Michael Slayton	04/25/15	72	11	349.15	Vested	
Palu,Penisimani	05/06/15	65	10	25.39	Parks Dept	Laborer
Pflug,David E	05/06/15	60	26	28.4	City Light	StratAdvsr2,Utills-BU
Ramos,Timothy A	05/13/15	58	16	97.89	Vested	
Ripley,Steve S	04/22/15	57	15	244.73	InfoTech	Info Technol Prof C
Roberts,Sukhi	05/06/15	63	30	126.03	Human Svcs	Actg Tech II-BU
Roda,Anne P	05/06/15	70	12	20.43	Parks Dept	Gardener
Saari,Elwood A	04/19/15	65	42	35.38	City Light	Elctn-Con
Trefethen,Joanna M	04/28/15	60	25	9.83	Library	Librn
Wilson,William Dexter	05/06/15	64	30	248.93	Muni Court	Admin Support Supv-MC
Wong,Perry Munyue	05/06/15	57	30	147.15	DPD	Actg Tech II-BU

For the month of May 2015: 35 new Members entered the System, 28 terminations, 34 Members retired in the System, 8 Members removed (\$7,805.74), 1 D/E Option, 3 F Option, and 3 over 60% benefit.

Motion: Upon motion by Nick Licata, seconded by Jean Becker, the Board of Administration approved the Administrative Consent Agenda. The motion passed unanimously (6-0).

- Minutes of the May 14, 2015 Board Meeting.
- Ratification of Retirement Payroll, Office Payroll, Other Payments and Withdrawals.
- Ratification of Service Retirements for the month of May 2015.

Executive Session

The Board of Administration entered into Executive Session at 9:10 a.m. for approximately 45 minutes to discuss a disability retirement application, a personnel matter, and a labor issue.

Executive Session was closed and the Board re-entered regular session at 10:07 a.m.

Mike Monaco stated it was the desire of the Board to extend the contract of the Interim Executive Director, Ken Nakatsu, for 12 months with the terms of the contract to be defined.

Motion: Upon motion by Susan Coskey, seconded by Jean Becker, the Board of Administration approved the extension of Kenneth J. Nakatsu's contract as Interim Executive Director of the Seattle City Employee's Retirement System through June 30, 2016. The motion passed unanimously (7-0).

Susan Coskey stated that the Board would also like to retain a search firm to begin the process for hiring a replacement Executive Director.



Seattle City Employees' Retirement System
Board of Administration Meeting
720 Third Avenue, 9th Floor (Pacific Building)
(206) 386-1293

Motion: Upon motion by Lou Walter, seconded by Robert Harvey, Jr., the Board of Administration approved the retention of a search firm to hire the Executive Director of the Seattle City Employee's Retirement System. The motion passed unanimously (7-0).

10:09 a.m. – Susan Coskey left the meeting.

The Board entered into Executive Session at 10:09 a.m. for 25 minutes to discuss a disability retirement application and labor issues.

The Board re-entered into regular session at 10:41 a.m.

Motion: Upon motion by Lou Walter, seconded by Robert Harvey, Jr., the Board of Administration approved the retirement disability application of Mr. Steve Christensen. The motion passed unanimously (6-0).

Resolution and Incumbency Certificate – Revised June 11, 2015

Ken Nakatsu stated the Bank of New York who is SCERS's custodian requires this resolution. The resolution is re-validated every six months and it is a technical formality.

Motion: Upon motion by Nick Licata, seconded by Jean Becker, the Board of Administration approved the revised Board Resolution and Certificate of Incumbency effective June 11, 2015. The motion passed unanimously (6-0).

Report Audit – CliftonLarsonAllen

Brittany Smith from CliftonLarsonAllen presented a draft management letter to the Board and stated that they are not quite ready to present the audit report, although she can present information to the Board at today's meeting.

Although there is a motion on the agenda, the report from CliftonLarsonAllen will not be finalized until July 2015.

Ms. Smith noted the following significant deficiency (which is less severe than a material weakness):

- General ledger accounts were not reconciled on a monthly basis.

She also noted the following other matters, which she stated, were opportunities to strengthen SCERS's internal control and improve the efficiency of operations:

- Certain member files could not be located either onsite or in storage due to storage issues.
- Lack of controls around the reconciliation and review for accuracy of payroll information.
- No field for beneficiary date of death in the current system, which would make it difficult to track if the beneficiary died.
- Need a formal structured collection process for overpayment of benefits.
- Strengthen controls surrounding citywide cash.

Valuation Study

Jeff Davis reported on the Valuation Study performed by Milliman. The actuarial valuation is as of January 1, 2015.

The summary of findings is as follows:

	January 1, 2015	January 1, 2014
Total Actuarial Contribution Rate	25.26%	25.76%
Funding Ratio	66.0%	64.2%
Active Members	8,746	8,603
Retired Members	6,019	5,880
Average Benefit	\$2,154	2,086

Mr. Davis stated that the drop in the actuarial contribution rate from 25.76% to 25.26% was primarily due to the smoothing method in recognizing investment gains.

11:02 a.m. – Sherri Crawford left the meeting.

11:04 a.m. – Jeff Slayton left the meeting

There were no changes to the morbidity rate.

Motion: Upon motion by Lou Walter, seconded by Glen Lee, the Board of Administration accepted the January 1, 2014 Actuarial Valuation Report as presented by Milliman. The motion passed unanimously (5-0).

Investment Committee Report

Tony Smith reported on the May 28, 2015 Investment Committee Meeting. He stated that there were four recommendations from the Investment Committee, which are included in the Board packet.

Investment Policy and Associated Policy

Motion: Upon motion of Nick Licata, seconded by Robert Harvey, Jr., the Board of Administration accepted the Investment Committee's recommendation to adopt the Investment Policy and Conflicts of Interest for Managers and Placement Agents Policy as presented by Staff to be effective July 1, 2015. The motion passed unanimously (5-0).

Manager Selection Process

Motion: Upon motion of Glen Lee, seconded by Jean Becker, the Board of Administration accepted the Investment Committee's recommendation to adopt the Manager Selection Process as recommended by Staff. The motion passed unanimously (5-0).

PIMCO Update

Motion: Upon motion of Jean Becker, seconded by Robert Harvey, Jr., the Board of Administration accepted the Investment Committee's recommendation to terminate the global inflation-linked securities mandate with PIMCO as is consistent with the recently adopted Strategic Asset Allocation. The motion passed unanimously (5-0).



Seattle City Employees' Retirement System
Board of Administration Meeting
720 Third Avenue, 9th Floor (Pacific Building)
(206) 386-1293

Credit Fixed Income Interim Plan

Motion: Upon motion of Glen Lee, seconded by Lou Walter, the Board of Administration accepted the Investment Committee's recommendation to adopt the interim plan for credit fixed income as presented by Staff. The motion passed unanimously (5-0).

Mr. Smith stated that the funding ratio went up about 90 basis points as indicated in the April 30, 2015 Investment Summary. Actual assets are now at \$2.4B.

Investment Advisory Committee (IAC) members attended the May Investment Committee meeting. Alan Hess, a long-time IAC member, stated at the end of the meeting that he felt comfortable for the first time in 25 years leaving a meeting. Mr. Hess told the group that there was overwhelming improvement and that they were doing a good job.

Executive Director Report

Mr. Nakatsu stated that the 2015 Trustee Election for Sherri Crawford's seat has been completed. VoteNet Solutions, an independent firm based in Washington D.C., was retained to run the election. 10.5% of the membership voted and 69% votes were for Ms. Crawford.

2015 Trustee Election (Active Member Seat)

Motion: Upon motion of Lou Walter, seconded by Jean Becker, the Board of Administration ratified the certification of election results as provided by VoteNet Solutions for the 2015 Board of Administration election for an active member seat (3-year term July 1, 2015 – June 30, 2018). The motion passed unanimously (5-0).

ESG Quarterly Update

Jason Malinowski reported on the ESG (Environmental, Social and Governance) Quarterly Update.

He stated that many of the areas in the update were touched on during the public comments at the beginning of the board meeting. The California State Senate passed a bill last week that required CalPERS and CalSTRS to divest from coal companies. The bill also indemnifies their boards. It is unclear what boards will do since it is not mandated. The language says it is required, but it also says that it is consistent with the board's fiduciary responsibility.

Mr. Licata asked if the San Francisco Retirement System board voted to divest from fossil fuel or if the council did. Mr. Malinowski responded that it was their board.

SCERS is embedding ESG elements in making investment decisions as one of its positive actions. Mr. Malinowski stated that ESG was embedded in the investment process as well in the RFP process.

The University of Washington (UW) chose to divest from companies whose principal business is the mining of coal for energy purposes. They did not move to divest from fossil fuel because of the impact would be too material.

11:21 am – Glen Lee left the meeting

Mr. Malinowski stated that based on his conversations with UW staff, their decision was based on past performance

BlackRock and State Street, who are very prominent in passive investment, launched ETFs that track low carbon target index. The index also looks at global equity markets, low fossil fuel and low carbon emissions. The United Nations provided the seed capital.

Mr. Malinowski discussed some takeaways from the CERES annual conference that he attended in San Francisco which was also attended by companies who are looking at sustainability in their companies:

- Renewable energy generation is growing rapidly as equipment costs have substantially declined
- Fossil fuels are not a uniform category
- Coal is not economic versus gas
- Institutional investors have had recent successes with corporate engagement
- US-based investment consultants are not engaged on ESG matters (there are limited exceptions)
- Water risk

Staff has had a lot of activity on corporate engagement including joining INCR, which is a CERES sponsored network of 110 institutional investors. SCERES signed a letter to the SEC, which represented more than \$13T in assets calling for greater prioritization on the disclosure of climate risks of energy companies.

SCERES has engaged with Institutional Shareholder Services (ISS) to evaluate proxy-voting records of our managers. We want to assess the votes for co-mingled managers and compare that to our investment policy.

ISS determine best practices for shareholder voting and they have a sustainability policy. They will provide the analysis for us.

Mr. Walter stated that with “ESG” (Environmental, Social, and Governance), the Board has spent a lot of time on the “E”, but needs to also spend time on the “S” and the “G”.

Mr. Licata responded that Mr. Walter made a good point.

Mr. Malinowski said that staff is integrating climate change to the investment process by asking managers how they think about ESG. An ESG section is included in the RFP process.

The last piece is on sustainability investments. We need to be aware that the response can be a tiebreaker.

Mr. Malinowski briefly reviewed the appendix.

Mr. Licata stated that Mr. Malinowski gave an excellent review.

SCERS' Work Plan and Dashboard

Mr. Nakatsu stated that both are in the Board packet. The staff is deep in the selection process for the Pension Administration System (PAS).

Mr. Davis stated that the staff and others just finished two weeks of vendor demonstrations. We hope to come to the July meeting with the selected vendor.

Mr. Nakatsu said that, operationally, the selection of the PAS is the biggest thing the Board has had since the audit. It will be an immense effort to negotiate the contract and get the vendor on board.

Mr. Harvey asked how the vendor would be paid. Mr. Davis replied that there are investments over the course of the year, which is spread over a 10-year period.

Ms. Becker requested that the work plan be rolled over to next year.



Seattle City Employees' Retirement System
Board of Administration Meeting
720 Third Avenue, 9th Floor (Pacific Building)
(206) 386-1293

Adjournment

Motion: Upon motion of Lou Walter, seconded by Nick Licata, the Board of Administration voted to adjourn the meeting. The motion passed unanimously (5-0).

The meeting adjourned at 11:56 a.m.

Susan Coskey, Secretary



Seattle City Employees' Retirement System
Board of Administration Meeting
720 Third Avenue, 9th Floor (Pacific Building)
(206) 386-1293

Minutes of Thursday, July 9, 2015

Board Members Present: Nick Licata (Chair), Glen Lee, Jean Becker, Lou Walter, Robert Harvey, Jr. were in attendance; Susan Coskey attended via conference call; Sherri Crawford was not present.

SCERS Staff Present: Ken Nakatsu, Jeff Davis, Jason Malinowski, Tony Smith, Jill Johnson, Claire Foster, Kathy Weitz, Cynthia Scheiderer

Others Present: Carlton Seu (Seattle Attorney's Office), Mike Monaco (Song Mondress Law Firm), Erik Sund (City Council Central Staff), Chris Lodge (Vitech), Akio Tagawa (Linea), Crystal Roncek (SDHR), Tom Kirn (CBO), Theodore (Tad) Anderson (350.org), David Meadow (350.org), Valerie Schloreedt (350.org).

Nick Licata, Committee Chair, called the meeting to order at 9:00 a.m.

Mr. Licata asked if there was anyone present who wanted to make a public comment.

Public Comment

Dr. Theodore (Tad) Anderson from 350.org provided information from a report created by Mercer. The Mercer study examines the economic implications of 4 different futures – ranging from a low-carbon future that largely preserves our current climate to high-carbon future, which is the path we're currently on.

David Meadows from 350.org presented details and statistics from the Mercer report. He indicated that the value of coal could drop precipitously, oil might as well, and that natural gas was expected to do a little better. In contrast, he said the Mercer report concluded that the value of renewable energy would increase and called for SCERS to do the right thing and move investments to renewables.

Valerie Schlerett from 350.org presented comments in support of the Mercer report. Fossil fuel subsidies amount to \$5.3 trillion per year. A board member asked what the dollar amount was for the US. Valerie will follow up on that. She indicated that government policies do have a big impact on fossil fuel consumption and mentioned that India was an example of a country which has made reforms.

Administrative Consent Agenda

Minutes:

Provided in the Retirement Board packet was the minutes from the June 11, 2015 Retirement Board regular meeting.

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

Service	\$12,228,828.34
Beneficiary	\$ 934,157.51
Disability	\$ 75,668.44
Pension Payroll – PPE June	<u>\$13,238,654.29</u>
Office Payroll – PPE June 2 and 16, 2015, and June 30, 2015	\$ 228,722.24
Vouchers Processed – June 2015	
Expert and Consultant Services	\$ 151,271.00
Investment Management Fees	\$ 751,869.78
Interdepartmental Charges	\$ 115,817.07
Miscellaneous	\$ 9,005.99

Immediate Withdrawals of Contributions for the month of June 2015:

MEMBER	Department Name	Position
Anderson, Christopher Duane	SPU	Manager 2
Anderson, Troy N	SPU	Truck Driver
Andres, Matthew Bryan	SPU	Water Pipe Worker
Beckett, Jani A	SCL	Elecl Constr&Maint Supv
Black, Sara A	SDOT	Civil Engr Spec Supv
Boyd, Peter M	Parks	Maint. Laborer
Buddle, Aqua C	City Light	Personnel Spec, Sr
Chaussee, Michael W	Parks	Tree Trimmer
Duong, Anh	Library	Page
Edwards, Tyrell M	Parks	Rec Program Spec
Harvey, Elias W	SDOT	Constr & Maint Operator
Hayashi, Henry K	City Light	Electrician
Hoffman, Audrey E	SPU	Util Act Rep II
Miller, Neil P	FAS	Auto Mechanic Sr
Mitra, Tara Marie	FAS	Customer Service Rep, Sr
Palu, Penisimani	Parks	Laborer
Rexford, Laura Lee Larson	HSD	Registered Nurse Consultant
Ripley, Steve S	DoIT	Info Tech C
Sanchez, Albert L	DPD	Housing/Zoning Inspector
Schadt, Deborah L	Library	Librarian
Sherburne, Julianne T	QDRO	Ex-wife of Robert
Sherburne, Robert Scott	SDOT	Asphalt Raker, Sr
Speer, Rachel	SDOT	Civil Engr, Sr
Vallejo, Theodore	Parks	Painter
Van Der Verren, Maikel	SPD	Police Comm Dispatcher I
Van Wieringen, Rebecca Ann	SCL	Personnel Spec
Vlasaty, Christine M	Executive	Manager 3
Wilson, William D	Muni Court	Admin Support Supv
Yussuf, Abdirahman Osman	City Light	Elecl Service Engineer
EMBER	Department Name	Position
Allyn, Kenneth F	DPD	Electrical Inspector, Sr
Anderson, Judith K	SPU	Drainage&Wstwrtr Worker
Asplund, Carol Lynn	DPD	Comm Service Rep
Barmore, Tyler Anthony	City Light	HVAC Tech
Beatty IV, Francis Charles	City Light	Line Worker
Berndt, Shawn J	Parks	Golf Course Groudkeeper
Birmann-Hamrel, Henriette	Sea Ctr	Usher
Bodovinitz, Steven J	Sea Ctr	Usher
Brown, Terrence J	FAS	Parking Meter Collector



**Seattle City Employees' Retirement System
Board of Administration Meeting
720 Third Avenue, 9th Floor (Pacific Building)
(206) 386-1293**

EMBER	Department Name	Position
Buntin, Harvey	DPD	Manager 2
Burwell, Jared R	Parks	Inst Maint Worker
Castillo, Jesus A	SPU	Water Pipe Worker
Crane, Pamela Margaret	Sea Ctr	Usher
Creighton, Carolyn T	HSD	Admin Spec I
De Oro, Carlos Alberto	HSD	Admin Support Asst
Del Rio, Edgar	City Light	Civil Engr, Asst I
Desmond, Donald A	SPU	Water Pipe Worker
Efange, Kayla Martinique	HSD	Personnel Spec, Sr
Enciso, Melissa Elaine	SDOT	Admin Spec II
Germano, Philip	Muni Court	IT Tech B
Gilliam, Jesse Malone	Legislative	Legislative Asst
Han, Margaret	Parks	Laborer
Harvey, Russell William	HSD	Fin Anlyst, Sr
Hembree, Kenneth Brian	SDOT	Drainage&Wstwr Worker
Herndon, Amy	Arts & Cult	Admin Staff Asst
Holmberg, Aaron James	SPU	Water Pipe Worker
Jackson, Jelani Leif	Parks	Rec Attendant
Jones, Diane L	Parks	Aquatic Control Coord
Koski, Allan W	City Light	Elecl Engr Asst I
Mathur, Tej S	City Light	Mech Egnr Sr
Morrow, Sean P	SPU	Labor Relation Coord
Orsi, Catherine A	DPD	Pln Development Spec, Sr
Pettengill, Diane	FAS	Graphic Arts Designer
Puloka, Joshua Daniel	Parks	Laborer
Reese, Antoinette	HSD	Program Intake Rep
Sammons, Sylvia Ann	City Light	Proj Fund & Agmt Coord
Sandidge, Michael O	City Light	Executive 2
Schirato, Leeanne Star	Legislative	Exec Asst
Scott, Joanne	HSD	Grants & Contract Spec
Spoor, Paul William	Parks	Lifeguard
Tomko, Linda Marie	Muni Court	Admin Spec I
Triplett, David M	Sea Ctr	Security Officer
Tucker, David	SPU	Civil Engr, Spec Assoc
Yee, Darryl C	Parks	Rec Attendant
Zubenkova, Darja	HSD	Counselor

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

Withdrawals for a total of: \$1,939,263.73

c. 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
Ahern,Nancy	6/3/2015	57	13	229.35	PublicUtil	Executive3
Alpers,Robert J	5/20/2015	61	34	195.42	PublicUtil	Mgmt Sys Anlyst,Sr
Banks,Pamela J	6/3/2015	56	30	313.61	Parks Dept	StratAdvsr2 *
Benefiel,Larry A	6/2/2015	65	25	323.92	SDOT	Admin Spec I-BU
Brown,Frank H	6/3/2015	60	21	83.21	FIRE	Info Technol Prof B
Brown,Patricia K	6/3/2015	62	15	221.14	SDOT	Radio Dispatcher
Burkhalter,Charles H	6/8/2015	66	10	195.17	Vested	Elecl Engr,Assoc
Carlos,Muriel F	6/3/2015	65	24	56.12	Police	Pol Data Tech,Sr
Dawson,Bonita L	5/26/2015	62	7	79.21	Police	Pol Data Tech
Dizon,Rolando S	5/12/2015	61	12	141.36	City Light	Janitor,Lead-FAS/CL
Dong,Vinh Lien Wayne	6/2/2015	66	32	200.68	City Light	Civil Engrng Spec,Assoc
Floyd,Patricia E	6/1/2015	65	2	21	Vested	
Gregory,Roberta S	6/3/2015	62	5	20.6	Sea Center	Laborer
Gruber,Candace J	5/20/2015	62	7	46.56	Vested	Elecl Svc Rep,Sr *
Hamilton,Avonelle K	6/1/2015	65	10	154.32	Vested	Zoo Keeper
Hardi,Teresita T	6/3/2015	66	32	123.76	Muni Court	Admin Spec II-MC
Herzfeld,Rebecca R	6/3/2015	60	37	253.82	LegCtyCncl	StratAdvsr-Legislative *
Hinson,Thomas M	6/3/2015	66	13	247.53	PublicUtil	Civil Engrng Spec Supv
Johnson,Mary A	6/3/2015	65	8	291.05	Human Svcs	Plng&Dev Spec II
Jongjitirat,Dheeraporn	6/3/2015	59	33	269.21	City Light	Elecl Engr,Assoc
Kaizen,Donald C	5/28/2015	62	8	87.86	Vested	
Knopf,Wayne L	6/3/2015	56	36	113.62	City Light	Pwr Structs Mechanic
Kopp,Edward R	6/3/2015	69	21	280.04	City Light	Elec-Con(OI)Wkg CC-C Coord
Leahy,Robert E	6/3/2015	61	34	147.54	SDOT	Bridge Op
Lynn,Michele R	5/28/2015	53	22	34	City Light	StratAdvsr2,Utills-BU
McGowan,Gordon H	6/3/2015	64	15	158.72	Sea Center	Janitor-SC/Parks/SPU
Mead,Mark C	6/3/2015	57	14	302.07	Parks Dept	Manager2,Parks&Rec
Mercury,Laurel J	6/3/2015	65	24	57.69	Parks Dept	Admin Spec I-BU
Milt,Gordon W	6/3/2015	62	26	3.5	City Light	Cblspl CC-Net Area
Moody,Effie K	5/9/2015	62	15	141.21	City Light	Real Property Agent,Sr
Movius,Denise M	5/9/2015	62	9	34	FAS	Executive3
OBriant,Charles	6/3/2015	57	16	45.45	Sea Center	Capital Prjts Coord
Pendergrass,Bonnie B	6/3/2015	68	15	30.77	Sea Center	Capital Prjts Coord,Chief
Petilla,Juanito C	6/3/2015	65	20	123.76	Sea Center	Elctn
Plunkett,Mark D	6/3/2015	60	20	127.96	Parks Dept	Publ Ed Prgm Supv
Ringnalda,Ronald J	5/27/2015	59	17	74.48	SDOT	Constr&Maint Equip Op
Russell,Debra A	6/3/2015	63	5	0.24	PublicUtil	Executive2
Rutherford,Jain E	6/1/2015	59	6	21.15	Vested	
Smart,Dawn H	5/9/2015	65	11	117.8	Vested	StratAdvsr1,General Govt



**Seattle City Employees' Retirement System
Board of Administration Meeting
720 Third Avenue, 9th Floor (Pacific Building)
(206) 386-1293**

Tharp,Carol J	6/2/2015	67	8	342.49	Library	Library Assoc I
Tigre,Margaret G	6/3/2015	69	24	231.17	PublicUtil	Util Svc Rep
Tredick,Karen D	5/9/2015	57	16	26.1	Vested	Rights-Of-Way Maint Wkr *
Valentino,Josette L	6/3/2015	68	31	111.18	Parks Dept	Admin Staff Asst
Ward,Patricia	6/3/2015	58	30	39.78	Parks Dept	Gardener,Sr
White,Marilyn J	6/3/2015	59	35	324.44	City Light	Plng&Dev Spec,Supvsng-BU
Wilson,Laurene E	6/3/2015	71	14	355.58	Police	Identification Data Spec

For the month of June 2015: 54 new Members entered the System, 42 terminations, 46 Members retired in the System, 15 Members removed (\$27,122.05), 4 D/E Option, 1 F Option, and 3 over 60% benefit.

Mr. Walter asked that SCERS staff identify those retirees who are eligible for the ‘two times match’ option by “bolding” the names in the list of retirees and, also, to examine the information see if the trend is increasing at the City.

Motion: Upon motion by Robert Harvey, seconded by Nick Licata, the Retirement Board of Administration approved the Administrative Consent Agenda. The motion passed unanimously (6-0).

- Minutes of the June 11, 2015 Board Meeting
- Ratification of Retirement Payroll, Office Payroll, Other Payments and Withdrawals
- Ratification of Service Retirements for the month of June 2015

Retirement Benefits Appeal – Dean Rowe

Dean Rowe introduced himself and provided an overview of his appeal.

Mr. Rowe worked at Seattle City Light from 1982 – 1991 and returned in 1994. In 2002, Mr. Rowe decided to re-deposit (buy back) service credit. The total amount eligible for buy-back was 7 years + 44 days. Mr. Rowe decided to and arranged to buy back three years.

In November, 2011, Mr. Rowe decided to pay off the rest of his three year buy-back initiated in 2002. Mr. Rowe was provided a payoff amount and paid the balance off.

Mr. Rowe received a retirement estimate dated 3/26/2012 that indicated the service credit he purchased was 7 years + 44 days. Mr. Rowe called SCERS and said he was assured that the figures provided on 3/26/2012 were correct and that his total earned service credit was 24 years + 25 days. Mr. Rowe convinced himself that he must have paid the entire 7 years + 44 days, rather than only 3 years and began making plans for retirement in January, 2015.

On August 14, 2014, Mr. Rowe had an accident and was told he could not work for approximately six months. Since it was close to his retirement date, he contacted SCERS to begin the retirement process and received another estimate which was based on having 26.52 years of service on November 3, 2014.

Mr. Rowe’s last day of employment was December 2, 2014. On January 12, 2015, Mr. Rowe stated that he received a letter indicating that there was a mistake and his service credits were 21.72 years, 4.8 years less than expected.

Mr. Rowe stated that he met with Tim Morrison, Jeff Davis, and Lee Brunk on March 5, 2015 about his retirement benefit and to ask if he could buy back the rest of his retirement. He was told he could not do a buy back at this point according to the retirement plan rules.

Mr. Rowe said he had made a lot of retirement decisions based on his original estimate and would have done things differently had he been provided the final estimate based on 21.72 years. Mr. Rowe would like some type of compensation but is not sure what that should be.

Executive Session

The Board of Administration entered into Executive Session at 9:25 a.m. for 10 minutes to discuss Dean Rowe's appeal.

Executive Session was closed and the Board re-entered into regular session at 9:35 a.m.

Motion: Upon motion by Nick Licata, seconded by Bob Harvey, the Board of Administration moved to allow Mr. Rowe to buy back additional service credit, based on his employment history that he would have been eligible to purchase prior to retiring. The motion passed unanimously (6-0).

Final Audit Report

Jeff Davis reported that the completed audit report was emailed to all board members and was also included in the board packet. The report was discussed in the previous Board Administration meeting June 11, 2015.

Motion: Upon motion by Lou Walter, seconded by Nick Licata, the Board of Administration accepted the 2014 Year-End Audited Financial Statements as presented by Staff. The motion passed unanimously (6-0).

Credit Interest Report

Jeff Davis presented the 2016 credit interest recommendation for member contributions made after 2011. Mr. Davis explained the algorithm used and the rationale for the staff recommendation. The staff recommendation for the 2016 rate is 2.95%.

Motion: Upon motion of Nick Licata, seconded by Glen Lee, the Board of Administration set the 2016 credit interest on all employee contribution received into the pension trust after December 31, 2011 at 2.95%. The motion passed (4-1-1), 1 nay (Lou Walter), 1 abstained (Susan Coskey)

Administrative Committee Report:

Ken Nakatsu stated that SCERS has selected Vitech Systems Group as the apparent successful vendor for software and implementation services for the Pension Administration System (PAS).

Jeff Davis and Claire Foster provided an overview of the business drivers and RFP selection process.

Chris Lodge, Vitech VP, presented an overview of the company, the project, and the V3 product.

The board asked questions about user licenses, training, disaster recovery and member portal security. The Board discussed whether there needed to be approval from someone at the City to move retirement data off city premises. Mike Monaco clarified that SCERS is the data custodian and has authority to make the decision. Mr. Harvey and Ms. Coskey wanted SCERS to work in full partnership with DoIT and were assured that SCERS had DoIT and FAS staff integrally involved with the project. Board members had additional questions and in the interest of time, they were asked to submit their questions to SCERS staff by Friday, July 17. Claire Foster agreed to be the SCERS staff contact for questions.

Motion: Upon motion by Glen Lee, seconded by Nick Licata, the Board of Administration approved the selection of Vitech, Inc. as SCERS's Pension Administration System vendor, contingent upon the successful negotiation and execution of an agreement with Vitech, Inc. The motion passed unanimously (6-0).

Executive Director Recruitment

Jean Becker reported that Susan Coskey will lead the recruitment for an Executive Director for SCERS. The next Administrative Committee meeting on July 23 will begin the search process.



Seattle City Employees' Retirement System
Board of Administration Meeting
720 Third Avenue, 9th Floor (Pacific Building)
(206) 386-1293

Lou Walters departed at 10:35 a.m.

Investment Committee Report – June 25, 2015

Tony Smith summarized the June Investment Committee meeting.

The Investment Committee decided not to hedge foreign currencies. Mr. Smith also reported that analysis was done on the SCERS's real estate portfolio. He indicated we are underweight overall on real estate (we have 10.6% and the target is 12.0%), and NEPC recommended that we allocate additional assets to non-core real estate, ultimately having a 70/30 split between core and non-core, respectively.

Regarding investment performance, the Plan was about even with both the Policy Benchmark and the median public plan return for Q1 2015. Year-to-date through early July, the public part of the Plan is still slightly ahead of the Public Market Index. On other matters, Pathfinder was liquidated and we had net capital calls of approximately \$4.2M in private equity. SCERS's funding ratio is essentially unchanged from April, currently at 69.02%. June's performance is looking down slightly.

Motion: Upon motion by Nick Licata, seconded by Glen Lee, the Board of Administration adopted the real estate pacing plan as recommended by the Investment Committee and authorized staff to evaluate non-core real estate managers for possible incorporation into SCERS's portfolio. The motion passed unanimously (5-0)

Susan Coskey departed at 10:40 a.m.

Executive Director Report

Ken Nakatsu indicated the search for an Executive Director had started and covered updates to the work plan.

Jeff Davis covered the Dashboard. Jean Becker reported that San Jose contacted SCERS about the dashboard. Jean Becker and Jeff Davis did a call with San Jose to share some information with them because they were really interested in it.

There will be more retirement seminars for City employees.

Staff is working with DoIT to make the phone system more efficient.

Tim Morrison has taken another position with the City so Cynthia Scheiderer is filling this position on a temporary basis.

Adjournment

Motion: Upon motion of Nick Licata, seconded by Jean Becker, the Retirement Board of Administration voted to adjourn the meeting. The motion passed unanimously (4-0).

The meeting adjourned at 10:48 a.m.

Susan Coskey, Secretary



**Seattle City Employees' Retirement System
Board of Administration Meeting
720 Third Avenue, 9th Floor (Pacific Building)
(206) 386-1293**

Minutes of Thursday, August 13, 2015

Board Members Present: Nick Licata (Chair), Glen Lee (9:08 a.m.), Jean Becker, Robert Harvey, Jr., Susan Coskey

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

Others Present: Carlton Seu (Seattle City Attorney's Office), Mike Monaco (Song Mondress Law Firm), George Emerson (FAS), Tom Kirn (FAS)

Nick Licata, Committee Chair, called the meeting to order at 9:00 a.m.

Mr. Licata asked if there was anyone present who wanted to make a public comment.

There was no public comment.

Administrative Consent Agenda

Minutes:

Provided in the Retirement Board packet was the minutes from the July 9, 2015 Retirement Board regular meeting.

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

Service	\$12,243,785.58
Beneficiary	\$ 932,673.64
Disability	<u>\$ 75,383.78</u>
Pension Payroll – PPE July 2015	\$13,251,843.00
Office Payroll – PPE July 14 and July 28, 2015	\$ 163,565.95
Vouchers Processed – July 2015	
• Expert and Consultant Services	\$ 47,411.23
• Investment Management Fees	807,507.80
• Interdepartmental Charges	113,868.93
• Miscellaneous	48,501.19

Immediate Withdrawals of Contributions for the month of July 2015:

MEMBER	Dept Name	Position
Beason, Jeremy Michael	SDOT	Maint Laborer
Bracher, Carol J	SPD	Comms Dispatcher II
Brown, Patricia K	SDOT	Radio Dispatcher
Burkhalter, Charles H	City Light	Elecl Engr, Assoc

Busalacchi, Bryan Phillip	Parks	Groundkeeper
Carmona, Ashley, Marie	Law	Admin Spec I
Chanez, Judith Denise	SPU	Water Treatment Op
Chase, Robin	Parks	Laborer
Chin, Leroy Max	FAS	Cashier
Clester, Kaylan Marie	Parks	Ed Prgm Asst
Connolley, Laura Darline	FAS	Admin Staff Asst
Davis II, Ronald (Arnetia)	Parks	Rec Prgm Coord, Sr
Dawson, Bonita L	SPD	Police Data Tech
Dizon, Rolando S	City Light	Janitor, Lead
Geissinger, Laurie G	City Light	Strat Advrs 2
Hammond, Lucile E	HSD	Human Svcs Prgm Supv Sr
Hernandez-Alvarado, Roberto	Library	Bldg Maint Worker
Hinshaw, Robert L	SPD	Comms Dispatcher II
Jeung, Glenda	FAS	Info Tech Prof B
Johnston, Brent Michael	Parks	Lifeguard
Kiss, Ryan C	City Light	Hydroelec Maint Mech
Linguist, Kathleen Elizabeth	HSD	Grants&Contracts Spec, Sr
Monnahan, Thomas William	Executive	Mayoral Staff Asst 2
Negron, Janice Rios	City Light	Elecl Engr Spec, Sr
Noell, Sharon Kau	SCL	Engy PIng Supv
Ringnalda, Ronald	SDOT	Constr & Maint
Rogers, Jaurel Damien	Library	Security Officer
Sall Diop, Aida	SCL	Elec Egr, Asst I
Smith, Craig Maurice	Sea Center	Laborer
Smith, Laura C	SPD	Comms Dispatcher I
Sorrell II, Albert	SDHR	Truck Driver, Heavy
Starrett, Valerie J	HSD	Finance Analyst, Sr.
Thompson, Christi L	SPD	Sr. Accountant
Thomson, Elliot	Library	Library Assoc I
Wilson, Reginald Lamont	SDHR	Manger I

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

Withdrawals for a total of: \$1,042,928.34



**Seattle City Employees' Retirement System
Board of Administration Meeting
720 Third Avenue, 9th Floor (Pacific Building)
(206) 386-1293**

c. 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
Aggenbach, Wilhelmus J	6/20/2015	63	7	333	Vested	Vested
Boler, Jean M	6/17/2015	61	13	248	Law Dept	City Attorney, Asst
Carlson, Candace	7/1/2015	65	4	315	Vested	Vested
Carrasco, Jorge	6/19/2015	65	11	271	City Light	City Light General Mgr&CEO
Castillo, Max B	6/17/2015	53	30	164	City Light	Elecl Svc Rep, Supvsng
Feavel, Paul T	6/30/2015	58	21	307	Vested	Vested
Holland, Elizabeth	6/23/2015	66	11	299	Vested	Info Technol Sysst Anlyst
Hudson, Daniel D	7/1/2015	55	26	104	InfoTech	Info Technol Prof B
Kleckner, Jerome L	6/17/2015	65	24	89	PublicUtil	Drainage&Wstwtr Coll Lead Wkr
Linley, Constance M	6/5/2015	68	27	167	Library	Library Assoc II
Mitchell, Denise M	6/13/2015	59	35	246	Police	Pol Data Tech, Sr
Moimoi, Fuamai	6/24/2015	62	22	93	Parks Dept	Rec Attendant
Raitzer, Gerald A	6/11/2015	64	7	63	City Light	Enrgy Mgmt Anlyst, Sr
Stewart, William T	7/1/2015	65	35	91	City Light	Elctn-Con-Wkg CC
Storm, Dennis J	7/1/2015	62	30	364	SDOT	Commercial Veh Enf Ofcr
White, Louella U	6/17/2015	62	15	330	PublicUtil	Drainage&Wstwtr Coll Wkr CI

For the month of July 2015: 65 new Members entered the System, 34 terminations, 17 Members retired in the System, 22 Members removed (\$27,591), 1 D/E Option, 5 F Option, and 2 over 60% benefit.

Motion: Upon motion by Nick Licata, seconded by Robert Harvey, Jr., the Board of Administration approved the Administrative Consent Agenda. The motion passed unanimously (4-0).

- Minutes of the July 9, 2015 Board Meeting.
- Ratification of Retirement Payroll, Office Payroll, Other Payments and Withdrawals.
- Ratification of Service Retirements for the month of July 2015.

Administrative Committee Report – July 23, 2015

a. Search Firm for Executive Director Recruitment

Jean Becker stated that the Administrative Committee met with Linda Paul of Search Partnerships who had been recommended by Susan Coskey. Ms. Paul talked about her experience and the process involved in recruiting an executive director. Ms. Becker stated that committee members were favorably impressed and that they recommended bringing forward a contract.

Ms. Coskey said that Ken Nakatsu and the Seattle Department of Human Resources (SDHR) will assist in the recruitment process. The Administrative Committee will be the working group. The Board and Mr. Nakatsu will comprise the selection committee. Kate Moore will work with Mr. Nakatsu to finalize the contract to move forward.

Motion: Upon motion by Jean Becker, seconded by Susan Coskey, the Board of Administration accepted the Administrative Committee's recommendation to retain The Search Partnership as the firm to conduct SCERS's Executive Director Search, contingent upon the successful negotiation and execution of an agreement with The Search Partnership. The motion passed unanimously (4-0).

Investment Committee Report – July 31, 2015

a. Public Equity Portfolio

Jill Johnson gave a review on SCERS's public equity portfolio.

Ms. Johnson stated that it is modestly overweight versus the target because we are investing in public equities until our private equity commitments are called. The allocation to public equity will decrease as private equity investments grow over time.

Glen Lee arrived at 9:08 a.m.

b. Fisher Termination Recommendation

Ms. Johnson then reviewed the reasons why Staff and NEPC were recommending the termination of the Fisher Investments US small cap equity value strategy. Fisher has been on Watch Status since February 2015. She stated that the recommendation was based on:

- Potential for organization instability when CEO Ken Fisher relinquishes his CEO title in November 2015; Fisher Investments has communicated that Mr. Fisher will remain Chairman and Chief Investment Officer of the firm;
- General lack of transparency; and
- Style drift concerns

Motion: Upon motion by Nick Licata, seconded by Robert Harvey, Jr., the Board of Administration accepted the Investment Committee's recommendation to terminate the Fisher US Small Cap Equity Value strategy. The motion passed unanimously (5-0).

c. Parametric Restructuring Recommendation

Ms. Johnson reviewed Staff and NEPC's recommendation to restructure the Parametric Covered Call Strategy from a US to a global mandate. The Investment Committee accepted the recommendation at its July 31, 2015 meeting.

Motion: Upon motion by Nick Licata, seconded by Glen Lee, the Board of Administration accepted the Investment Committee's recommendation to restructure the Parametric Covered Call strategy as detailed by Staff. The motion passed unanimously (5-0).

d. Direct Lending Education

Ms. Johnson stated that an Investment Committee educational piece was provided by Allan Martin and Don Stracke of NEPC on direct Lending. These are senior loans secured by collateral. This is a relatively new market which



**Seattle City Employees' Retirement System
Board of Administration Meeting
720 Third Avenue, 9th Floor (Pacific Building)
(206) 386-1293**

appeared after the global financial crisis. Tony Smith and George Emerson are meeting with managers and are planning to bring them to a future Investment Committee meeting.

e. Investment Summary Report – June 30, 2015

Ms. Johnson stated that SCERS just received the June 30, 2015 Investment Summary Report from BNY. There were some distributions in private real estate, and some are capital calls. The funding ratio is 67.7%. The index is up a little over 2% and the fund is up 1.8%.

Executive Director Report/Work Plan/Dash Board

Ken Nakatsu reported that Board of Administration meetings are expected to be held at City Hall and other venues beginning in September due to the new Pension Administration System (PAS) coming on board. Staff is hoping to have PAS contractors begin by the end of October. One of the first projects to begin is the scanning of records and the board room is the ideal project room for that task.

Jeff Davis and Mr. Nakatsu met with Financial Administrative Services (FAS) staff yesterday regarding finding space for SCERS's staff at Seattle Municipal Tower (SMT). There will likely be some space in SMT in a year or so.

It would make more sense to move some of the staff to SMT due to the implementation of the PAS. Besides the electronic content management (ECM), there will also be a project management team working with the SCERS team.

Also, proximity to the City's Deferred Compensation Plan staff, which is located on the 40th floor of SMT would be beneficial to members.

Mr. Nakatsu stated that there were two items of note on the work plan:

1. Extended time frame for executing the contract for the PAS. Things were still moving well. Staff is working closely with DoIT as well as FAS.
2. Working on cleaning up the retirement code. Staff is working with Carlton Seu and Mike Monaco because the current code is quite challenging to read, understand, and apply.

Mr. Harvey asked who had to sign off on legislative changes before the council. Mr. Nakatsu replied that when the retirement code was amended the previous year, the proposed revisions were reviewed with the labor coalition.

Jeff Davis then reviewed the dashboard.

He stated that the time to produce the retirement estimates was increasing. This is due to one of our retirement specialists being selected for an out of class assignment in another department.

Mr. Harvey asked why the budget was being underspent by so much. Mr. Davis replied that a large unspent amount was associated with the PAS and will be carried over to next year.

Mr. Davis stated that staff is finishing the annual report this month. Information will be used to update the upper left graph on page 3 of the dashboard. Board members should note that the information will be reflected in the September report.

Jason Malinowski reported that while it looks like we are overweight on fixed income that is not the case. Staff did a lot of rebalancing on June 30th, and transactions extended to July 1st.

Executive Session

The Board of Administration entered into Executive Session at 9:44 a.m. for approximately 45 minutes to discuss a disability retirement application, a current litigation and a pending legal matter.

Executive Session was closed and the Board re-entered regular session at 10:35 a.m.

Motion: Upon motion Nick Licata, seconded by Glen Lee, the Board of Administration approved the retirement disability application of Mr. Scott Jerochim. The motion passed unanimously (5-0)

Motion: Upon motion by Nick Licata, seconded by Robert Harvey, Jr., the Board of Administration voted to follow the recommendation of legal counsel in the Akiyama litigation. The motion passed unanimously (5-0).

Motion: Upon motion by Nick Licata, seconded by Robert Harvey, Jr., the Board of Administration voted to follow the recommendation of legal counsel and staff to attempt to resolve certain retirement benefit matters. The motion passed unanimously (5-0).

Adjournment

Motion: Upon motion of Nick Licata, seconded by Susan Coskey, the Board of Administration voted to adjourn the meeting. The motion passed unanimously (5-0).

The meeting adjourned at 10:40 a.m.

Susan Coskey, Secretary



Seattle City Employees' Retirement System
Joint Session of the Investment Committee and Board of Administration
720 Third Avenue, 9th Floor (Pacific Building)
(206) 386-1293

Minutes, Thursday, August 27, 2015

Board of Administration Members Present: Robert Harvey, Jr. (Chair), Glen Lee, Jean Becker, Sherri Crawford

Investment Committee Members Present: Robert Harvey, Jr. (Chair), Glen Lee, Jean Becker, Sherri Crawford

Investment Advisory Committee Members Present: Joseph Boateng, Chair (via conference call), Alan Hess, Dwight McRae

SCERS Staff Present: Ken Nakatsu, Jason Malinowski, Jeff Davis, Jill Johnson, Cecelia Chen, Nina Melencio

Others Present: Mike Monaco (Song Mondress Law Firm), Don Stracke (NEPC), Crystal Roncek (SDHR), Deanna Hobson (Pugh Capital); Chris Durbin (Cooley LLP), Jeff Lombard (Cooley LLP), John Stinebaugh (Brookfield Asset Management Inc.), Chris Harris (Brookfield Asset Management Inc.)

Robert Harvey, Jr., Committee Chair, called the meeting to order at 12:00 p.m.

Public Comment

There was no public comment.

Minutes

Provided in the Investment Committee packet were the minutes from the July 30, 2015 Investment Committee Meeting:

Motion: Upon motion of Glen Lee, seconded by Jean Becker, the Investment Committee approved the minutes from the July 30, 2015 meeting. The motion passed unanimously (4-0).

Capital Points Partners Discussion

Mr. Nakatsu gave a brief overview of the history of the investment. He stated that in the mid-2000's, SCERS invested \$5M in Capital Point Partners and the investment has performed relatively well. However, staff has been informed recently that the General Partner (GP) has exchanged the assets of Capital Point Partners for public stock in a Business Development Corporation (Regal One, now known as Princeton Capital Corporation) for which employees of Capital Point Partners are also involved. Limited Partners (LPs) of the Capital Point Partners Funds have a 96% interest in Princeton Capital Corporation. The Managing Partner of the GP is seeking to appoint himself to the Board of Directors and eventually wants to issue additional shares which would dilute our interest. SCERS has been in contact with other LPs. It is in the best interest of LPs to remove the GP to gain control of the Fund and impact the strategy of Princeton Capital Corporation, although we need to act very quickly. For this reason we have called the joint meeting of the Investment Committee and Board of Administration so the Board can act on a motion to remove the GP.

Jason Malinowski stated that through this process Adams Street, as well as NEPC, have been helpful.

Mr. Malinowski introduced Chris Durbin and Jeff Lombard from Cooley LLP.

Mr. Durbin stated that the events of the past week have come to a head. Their firm has been retained through the City Attorney's office to represent SCERS. Mr. Durbin said that SCERS is a shareholder in Princeton Capital Corporation by virtue of the asset transfer. Its annual meeting has been deferred several times but is now scheduled for September 10, 2015. They expect that date to hold unless we and the other LPs act immediately to remove the GP and block the meeting from occurring. The GP is seeking a position on the board of directors, and for a stock split. The LPs are unanimous that neither of the proposals should be passed. They are also unanimous to replace the GP. In the longer term, all LPs are seeking ways to wind down the investment.

SCERS staff is seeking to have authority to vote our partnership interest to remove the current GP and appoint a replacement GP.

Mr. Harvey asked if there was a downside to the proposed action.

Mr. Durbin replied that they did not see a downside.

Motion: Upon motion of Glen Lee, seconded by Sherri Crawford, the Board of Administration gave the staff authority to work with counsel to remove the General Partner for Capital Point Partners LP and add a new General Partner as agreed to by the majority of Limited Partners. The motion passed unanimously (4-0).

Non-Core Real Estate Manager Selection

Jason Malinowski and Cecelia Chen presented the staff's recommendation to commit \$15M to Brookfield Strategic Real Estate Partners II (BSREP II), a global non-core real estate strategy.

Mr. Malinowski stated that, over the last several months, staff reviewed a total of 19 strategies. One of the areas they looked at was portfolio fit. BSREP II would be a nice complement to SCERS's existing portfolio.

Ms. Chen gave an overview of the organization, its history, and its strategy.

Alan Hess wanted to know how this would affect risk. Mr. Malinowski replied that the strategy is consistent with our asset allocation study, and that the expected return is greater and the risk is correspondingly higher than core real estate.

Don Stracke stated that we are below target in real estate.

Mr. Boateng asked what made Brookfield unique compared to other managers.

Mr. Malinowski replied that Brookfield has been in its focus markets for a long period of time and is a very well-resourced organization.

Dwight McRae asked if staff still planned on liquidating some assets in the workout portfolio. Mr. Malinowski replied that staff has made some progress, but there remains several investments with the largest being a \$4M investment which is tied up in litigation.

Mr. McRae asked about the fee structure. Mr. Malinowski replied that the fees are consistent with other non-core real estate funds.

Glen Lee stated that it felt like private equity. He asked what type of events triggers the pay outs.



Seattle City Employees' Retirement System
Joint Session of the Investment Committee and Board of Administration
720 Third Avenue, 9th Floor (Pacific Building)
(206) 386-1293

Mr. Stracke responded that it is a closed ended fund. They invest and hold properties for 5-10 years.

Mr. McRae asked in the future where the capital would come from to fund this. Mr. Malinowski replied that distributions are expected from existing non-core real estate funds.

Mr. Malinowski introduced Chris Harris and John Stinebaugh of BSREP II.

Mr. Harris stated that they are real estate managers with \$200B in assets. They have \$2B in assets in the greater Washington area. They own Alderwood Mall and Seattle Steam.

Mr. Stinebaugh said that BSREP II controls a lot of real estate and has a successful track record in opportunistic investing.

Their investment strategy is focuses on buying high quality real estate at a discount. They may buy debt or take public companies private in order to access attractive real estate. Brookfield invests in North America, Europe, Brazil, Australia, and selectively in other markets. They have people on the ground in each of these regions. Brookfield places great importance on capital preservation and does not use as much debt as peers.

Mr. Hess asked if they are a development company. Mr. Stinebaugh replied that only in some cases will they develop.

Brookfield's experience in opportunistic real estate investing started in 1987.

Mr. McRae wanted to know where they expect to find opportunities going forward.

Mr. Harris replied that they acquire companies and add value. There are select countries that currently offer opportunities for discounts, such as Brazil, India and China.

Mr. Boateng asked if there were any changes in their senior management group.

Mr. Stinebaugh replied that they have been pretty stable. There was one person in their European team that left to start up a real estate company with his former colleagues.

Mr. Harvey asked about the poor performance of a Brazilian fund. Mr. Stinebaugh replied that it was a fund started ten years ago. The fund performance was flat in Brazilian Real, but was adversely affected by the currency exchange rate.

Mr. Hess stated that this was a good manager to invest in.

Motion: Upon motion of Glen Lee, seconded by Sherri Crawford, the Investment Committee recommended that the Board of Administration commit \$15 million to Brookfield Strategic Real Estate Partners II, as part of SCERS's non-core real estate allocation, pending satisfactory negotiation of a side letter agreement. The motion passed unanimously (4-0).

Quarterly Performance Review

Don Stracke of NEPC provided information on SCERS's Quarterly Investment Performance for the period ending June 30, 2015.

Mr. Stracke stated that since 1984 SCERS's gross performance has been ahead of the assumed rate of return. For the one year period ending June 30, 2015 the total fund produced 2.81% and outperformed the benchmark by 0.2%.

The fixed income benchmarks turned negative in the second quarter. Mr. Stracke stated that the new strategic asset allocation policy which the Board adopted became effective on July 1st.

The total fund returned 0.67% for the last quarter. The year to date was 2.94%. The three year period ending June 30, 2015 was 10.7% which was in line with the policy benchmark. For the five year benchmark, the fund underperformed the benchmark.

Mr. Hess stated that the fund is 41 basis points below the policy index over the last 30 years and we have \$2.4B in assets. If continued, this would be \$8M/year for the next 30 years which equals \$240M that we would not be getting. Mr. Hess said that the policy index may be inappropriate though.

Mr. Stracke replied that the policy index was changed in June 2014 to be more appropriate.

Mr. Harvey stated that we never reached our allocation to private markets, which contributed to underperformance.

Mr. McRae asked for confirmation that SCERS is not invested in the local China stock market. Mr. Stracke confirmed that SCERS is not.

Monthly Portfolio on Monitoring and Investment Accounting Summary Report – July 31, 2015

Mr. Malinowski presented the new monthly portfolio monitor. He stated that the market has been very volatile and that both the US and non-US equity markets were down 8% at one point during August.

Outside of the equity markets, core fixed income is flat. With the last couple of stress events, bonds have rallied, but not this time. We expect to be down 2.5% year to date through yesterday.

Mr. Malinowski said that we will want to start the Investment Committee Meetings using the Monthly Portfolio Monitor at future meetings. The Investment Accounting Summary report will be distributed for informational purposes only.

Mr. Malinowski reviewed the information on the Monthly Portfolio Monitor. He stated that the portfolio risk is a new area. Staff is using Bloomberg to capture risk measures. It gives staff and the Board a way to be cognizant of the inherent risk of the portfolio.

Adjourn Meeting

Motion: Upon motion of Jean Becker, seconded by Sherri Crawford, the Investment Committee voted to adjourn the meeting at 2:20 p.m. The motion passed unanimously (4-0).



Seattle City Employees' Retirement System
Board of Administration Meeting
600 4th Avenue, Room L280, City Hall Boards and Commissions Room
(206) 386-1293

Minutes of Thursday, September 10, 2015

Board Members Present: Nick Licata (Chair), Lou Walter (via phone at 9:18 a.m.), Jean Becker (via phone), 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 (Seattle City Attorney's Office), Mike Monaco (Song Mondress Law Firm), George Emerson (FAS), John Masterjohn (ARSCE), Alex Bernhardt (Mercer), Tad Anderson, Valerie Costa, Alec Connon, Karen Moskowitz, Andrew Kidde, Lynn Fitz-Hugh

Nick Licata, Committee Chair, called the meeting to order at 9:08 a.m.

Mr. Licata asked if there was anyone present who wanted to make a public comment.

There was public comment.

Tad Anderson stated he was an atmospheric scientist and a volunteer for 350 Seattle. He thanked the Board for their consideration. He had two specific requests from 350 Seattle:

1. That the board move a limited portion of assets to fossil-fuel free funds; and
2. The Board divest from direct holdings in thermal coal.

Mr. Anderson also thanked the SCERS staff for their most recent ESG report. He stated it was packed with important content and was an excellent review, most notably including a study from the Economist.

Valerie Costa said she is a Seattle resident and a small business owner. She grew up in Fall River, Massachusetts which is a city with two coal plants. Ms. Costa said half her family has asthma. She stated that one of the power plants has closed and the other is closing in 2017. Coal is not profitable anymore due to the low price of natural gas. Ms. Costa urged the Board to divest from coal and tar sands and was grateful to have the opportunity to share her story with the Board.

Valerie Schloredt stated she is pleased to be back with 350 Seattle. She said another sign that now is the time to move away from fossil fuels is the 50% fall in oil prices. Shell is taking an immense operational risk to drill in the Arctic. Ms. Schloredt stated that their strategy is unprofitable.

Alec Connon stated he is a Seattle teacher. In a little more than a year, the oil crash has wiped out \$1.3T in investments. CalPERS and CalSTRS have lost over \$5.2 Billion due to oil and it is a continuing trend.

Karen Moskowitz said she is a member of 350 Seattle and a business owner. She stated that the California State Assembly voted to divest \$300M in coal. CalPERS and CalSTRS are the two largest public pensions plans in the country and are the first public pensions plans to divest. She stated that they will be proceeding with divestment. Coal has been losing value for some time. Ms. Moskowitz stated that a precedent has been set now by CalPERS and CalSTRS which can perhaps guide SCERS's activities.

Andrew Kidde stated that he is a long time Seattle resident. He referred to a recent report from the Stranded Assets Program at the University of Oxford on how investment consultants advise institutional clients on sustainable green investing. He stated that investment advisors' recommendations focus on short term outcomes and they lack expertise

with green investments. He said they reinforce a conservative view of asset managers' fiduciary duty. Mr. Kidde stated that the Mercer report is an exception and that he is happy to have Alex Bernhardt presenting today.

9:18 a.m. – Lou Walter called in

Lynn Fitz-Hugh stated that on May 18th the Supreme Court ruled that trustees have a fiduciary responsibility to continually monitor fund investments and remove imprudent ones. Ms. Fitz-Hugh stated that the duty to monitor is present. She asked the Board to support a motion to divest.

Susan Coskey had a question about the California bill that was passed in the legislature.

Jason Malinowski replied that CalPERS and CalSTRS took no position when it was in legislation. The bill requires divestment from thermal coal companies but only if the Boards find it consistent with their fiduciary duty. It also indemnifies the Boards if they choose to divest. The bill is waiting for the Governor's signature. Mr. Malinowski has not seen an official position from CalPERS or CalSTRS on how they will respond if the Governor signs it.

Ms. Coskey stated that she just wanted to clarify that it was legislative action and not board action.

Administrative Consent Agenda

Minutes:

Provided in the Retirement Board packet was the minutes from the August 13, 2015 Retirement Board regular meeting.

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

Service	\$12,370,228.93
Beneficiary	\$ 932,581.92
Disability	\$ <u>73,465.64</u>
Pension Payroll – PPE August 2015	\$13,376,276.48
Office Payroll – PPE August 11 and 25, 2015	\$ 166,425.20
Vouchers Processed – August 2015	
• Expert and Consultant Services	\$ 66,643.81
• Investment Management Fees	\$ 108,792.75
• Interdepartmental Charges	\$ 112,489.93
• Miscellaneous	\$ 45,934.50

Immediate Withdrawals of Contributions for the month of August 2015:

MEMBER	Dept Name	Position
Acevez Ortiz, Yenny Dalila	Parks	Counselor
Albright, David J	FAS	Admin Spec I
Birch, Brennen P	Library	Library Assoc I
Bowman, Carolyn Louise	Library	Librarian
Cannon, Christopher A	Fire	Info Tech Prof B
Clark, Rachel	DPD	Info Tech Prof B
Clyburn Sr, Antonio M	Library	Security Ofcr



Seattle City Employees' Retirement System
Board of Administration Meeting
600 4th Avenue, Room L280, City Hall Boards and Commissions Room
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Crowell, Daniel Rincon	Library	Mats Distrib&Ground Asst
Debit, Donna Kathleen	DPD	Permit Specialist II
Donah, Mike E	DPD	Elevator Inspector, Chief
Epps, Matthew Todd	Library	Capital Impr Prjt Coord
Fuller, Andre Mikal	Muni Court	Admin Spec II
Henault, Brenda Ann	Library	Janitor
Hicks, David Merritt	HSD	Counselor
Howland Jr, George	DoIT	Strat Advrs 1
Khazak, Vladimir	SPU	Executive 3
Long, Andrew	City Light	Civil Engr, Asst I
Morton-Owens, Emily Gwyn	Library	Library Appl & Syst Mgr
Nelson, Janice L	HSD	Reg Nurse Consultant
Owens Jr, Joe Nathan	SPU	Meter Reader
Spearance, Carol	SPU	Manager 2
Thomas, Cortnie	SPU	Util Acct Rep I
Vales, Steven Carlos	SPD	Comm Dispatcher I
Webb, Jeffrey Scott	SPU	Janitor, Lead
Young, Marcus Anthony	SPU	Util Acct Rep I

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

Withdrawals for a total of: \$ 590,518.83

c. Ratification of Service Retirements

Retiree	RetireDt	Age	Yrs	Days	DeptName	Position
Allen III, Henry C	7/4/2015	70	17	147.34	SDOT	Sign Pntr, Sr
Baulig, Gerald T	7/7/2015	61	37	191.03	Parks Dept	Constr&Maint Equip Op
Brooks Jr., Norward J	7/8/2015	59	27	93.5	City Light	StratAdvrs1, Fin, Bud, & Actg-BU
Brown, Karen A	7/7/2015	58	24	55.24	SDOT	Sfty&Hlth Spec, Sr
Cepeda, Debra K	7/13/2015	53	31	159.15	Police	Pol Comms Dispatcher, Chief
Coburn, Gail A	7/25/2015	64	23	43.08	PublicUtil	StratAdvrs2, Utils
Dickinson, Carol A	7/8/2015	60	21	80.08	Vested	Manager3, Exempt
Donohue, Sharon K	7/15/2015	58	17	168.34	PublicUtil	Util Act Rep I
Duett, Neal K	7/15/2015	64	7	151.73	FAS	Stat Maint Mach
Duncan, Emanuel C	7/25/2015	65	16	24.53	PublicUtil	Drainage&Wstwtr Coll Wkr CI
Erickson, Steven S	7/7/2015	52	26	94.75	SDOT	Traffic Sign&Marking CC I
Green, Richard L	7/15/2015	64	30	38.46	FAS	Parking Meter Collector, Supvsg

Hare,Linda S	7/11/2015	67	23	330.07	Parks Dept	Maint Laborer
Harewood-Potter,Angela B	7/7/2015	62	26	25.7	Parks Dept	StratAdvsr2 *
Helmold,John R	7/7/2015	61	26	75.54	Parks Dept	Constr&Repair CC
Henderson,Barry G	7/24/2015	61	21	1.57	EXEC DEPTS	Property Rehab Spec
Hernandez,Michael A	7/7/2015	66	32	352.73	PublicUtil	Wtr Pipe Wkr,Sr
Janicki,Bernard S	7/8/2015	66	12	199.98	Police	Identification Tech
Kelley,Kenneth C	7/29/2015	58	27	227.25	SDOT	Constr&Maint Equip Op,Sr
Kessler,Sylvia M	8/8/2015	57	16	284.73	Vested	Admin Spec II
Lanier,Steven R	7/4/2015	62	29	337.38	PublicUtil	Info Technol Prof B
Lopez,George	7/15/2015	61	30	4.02	City Light	Maint Laborer
Lucas,Nota G	7/15/2015	62	31	243.85	PublicUtil	Png&Dev Spec,Sr
Manlangit,Edgardo R	7/15/2015	72	30	266.41	DPD	Land Use Plnr III
Mayer,Glenn A	7/4/2015	66	14	34.72	FAS	Auto Mechanic
McCoy,Brenda R	7/8/2015	67	36	246.97	Muni Court	Admin Spec I-MC
McEwen,Theresa S	8/8/2015	65	19	129.46	Parks Dept	Volunteer Prgms Coord
Messo,Karen K	7/8/2015	66	17	323.18	Human Svcs	Fin Anlyst-HSD
Morris,Frederic T	7/8/2015	66	20	157.76	City Light	Prot&Cntrl Elctn CC
Otani,Ann M	7/8/2015	57	34	361.97	Police	Info Technol Prof B
Overbey,Stephen G	7/4/2015	60	18	274.49	Police	Pol Comms Dispatcher I
Prince,Vincent R	7/7/2015	57	29	72.37	SDOT	Civil Engrng Spec,Assoc
Swanson,Ronald J	7/15/2015	59	36	216.32	City Light	Elec-Con-Wkg CC-Asg C Coord
Underwood,Charlie W	7/1/2015	67	23	300.43		
Wallace,Ellen O	7/15/2015	63	9	4.28	Human Svcs	Fin Anlyst,Sr-HSD
Youngs Jr.,Robert M	7/15/2015	61	41	179.7	City Light	Elecl Work Rev CC

For the month of August 2015: 74 new Members entered the System, 61 terminations, 36 Members retired in the System, 7 Members removed (\$9,996.54), 0 D/E Option, 4 F Option, and 0 over 60% benefit.

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

- Minutes of the August 13, 2015 Board Meeting.
- Ratification of Retirement Payroll, Office Payroll, Other Payments and Withdrawals.
- Ratification of Service Retirements for the month of August 2015.

Mercer: Investing in a Time of Climate Change

Alex Bernhardt is the head of Responsible Investment for Mercer in the United States. Mr. Bernhardt stated that Mercer has \$9T in assets under advisement.

The report he is presenting on was released on June 4, 2015 and has been downloaded 3000 times.

Almost 400 institutions have divested from fossil fuel companies with the majority of these representing faith based organizations and foundations.



**Seattle City Employees' Retirement System
Board of Administration Meeting
600 4th Avenue, Room L280, City Hall Boards and Commissions Room
(206) 386-1293**

Main arguments for divesting are an ethical argument that investing in a company condones its activity and a financial argument based on stranded assets theory.

Ms. Coskey asked about fiduciary duty. She stated that board members do not get to act on their consciences as a fiduciary.

Mr. Bernhardt replied that legal challenges of fiduciary duty are limited.

Ms. Coskey asked if there is anywhere that he knew where it has been upheld.

Lou Walter said it is a "yes or no" answer. They could be found in violation of their fiduciary duty.

Mr. Bernhardt replied "maybe". There is a lot of emphasis in fiduciary law on the process versus outcomes. He stated that consulting SCERS's counsel would be the best approach.

(Due to quorum concerns, Mr. Bernhardt's presentation was put on hold so that Executive Session and Agenda Items with Motions could be presented and voted on before several members of the board had to leave).

Executive Session

The Board of Administration entered into Executive Session at 9:49 a.m. for approximately 10 minutes to discuss a disability retirement application.

Executive Session was closed and the Board re-entered regular session at 9:58 a.m.

Susan Coskey leaves at 9:58 a.m.

Motion: Upon motion of Nick Licata, seconded by Sherri Crawford, the Board of Administration denied Mr. Brian Schaller's Disability Retirement application and directed SCERS's staff to advise Mr. Schaller of his appeal rights. The motion passed unanimously (4-0).

Non-Core Real Estate Manager Selection

Mr. Malinowski stated that Investment Staff brought forth Brookfield Strategic Real Estate Partners II as a recommended fund during the August 27, 2015 Investment Committee meeting. Staff discussed the search process and representatives from Brookfield presented on the organization and strategy.

Mr. Malinowski said that NEPC was also in full support of this recommendation.

Motion: Upon motion of Nick Licata, seconded by Sherri Crawford, the Board of Administration accepted the Investment Committee's recommendation to commit \$15 million to Brookfield Strategic Real Estate Partners II, as part of SCERS's non-core real estate allocation, pending satisfactory negotiation of a side letter agreement. The motion passed unanimously (4-0).

Mercer: Investing in a Time of Climate Change, continued

Mr. Bernhardt returned to his presentation. He described limitations and unintended consequences with divestment that made it a potentially difficult strategy to implement for institutional investors. Mercer prefers to reframe the question around how best to manage climate change risk.

Mr. Bernhardt reviewed Mercer's research. They worked with an advisory group of 13 members. Their research process involved utilizing climate models, developing risk factors and scenarios, estimating the sensitivity of asset classes to climate risk and identifying a set of portfolio implications. Their framework is based on four factors (technology, resource availability, impact, and policy) in order to describe the multi-faceted nature of climate change. Mr. Bernhardt stated that the policy factor is the most significant of all the factors while the resource availability and impact factors are more limited.

Jean Becker leaves at 10:25 a.m.

Mercer's four main findings are:

1. Climate change will have an impact regardless of scenario.
2. Sector impacts are most meaningful.
3. Asset class impacts are also material and vary by scenario.
4. A 2° C scenario does not harm overall returns out to 2050.

Lou Walter leaves at 10:34 a.m.

Mr. Bernhardt said that investors need to determine if climate risk should be considered in their portfolios and whether to take an active role in influencing climate risk outcomes. He stated that Europe is a leader in this regard. There is not as much action in the US. The US is an emerging market in responsible investing. Sixty percent (60%) of funds that are invested in Europe are invested responsibly. In the US it is 18%.

Mr. Bernhardt reviewed options for investors to protect against climate risk.

Mr. Licata asked Mr. Bernhardt where they found many of their investors leaning towards. Mr. Bernhardt replied that they are receiving increasingly more requests to do projects. They have conducted 4 or 5 presentations on their climate change study

ESG Quarterly Report

The ESG Quarterly Report was deferred until the October 8, 2015 Board of Administration meeting.

Investment Committee Report

Capital Points Partners Discussion

Mr. Malinowski stated that at the Joint Investment Board of Administration Committee meeting on August 27, 2015 there was action by the Board to remove the General Partner (GP) who had acted in a manner that was not in SCERS's best interest.

Tony Smith said that in the last two weeks, SCERS retained outside counsel and events have progressed very quickly. The GP has been served notice removing him and he has been replaced with an interim GP. There is no action for us to do right now.



Seattle City Employees' Retirement System
Board of Administration Meeting
600 4th Avenue, Room L280, City Hall Boards and Commissions Room
(206) 386-1293

Quarterly Performance Review

Mr. Malinowski stated that the total fund returned 0.7% for the second quarter, 2.9% year-to-date through June and an estimated -2% year-to-date through early September.

Executive Director Report

Mr. Nakatsu stated that there were no changes to the work plan.

Mr. Davis stated that SCERS began contract negotiations with the selected vendor for the Pension Administration System in August. Ice Miller is advising in contract negotiations.

Adjournment

The meeting adjourned at 11:00 a.m.

Susan Coskey, Secretary



Seattle City Employees' Retirement System
Board of Administration Meeting
Seattle Municipal Tower, Room 1610, 700 5th Avenue, Seattle, WA
(206) 386-1293

Minutes of Thursday, October 8, 2015

Board Members Present: Lou Walter (Chair), Robert Harvey, Jr., Jean Becker (via conference call), Sherri Crawford, Susan Coskey

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

Others Present: Mike Monaco (Song Mondress Law Firm), Carlton Seu (Seattle City Attorney's Office), George Emerson (FAS), Jonathan Brebner, Lynn Fitz-Hugh, Alex Lenferna, Kate Moore (SDHR), Linda Paul (The Search Partnership), Mike Ryan (Seattle City Attorney's Office – for introduction).

Lou Walter, Committee Chair, called the meeting to order at 9:15 a.m.

Mr. Walter asked if there was anyone present who wanted to make a public comment.

There was public comment.

Jonathan Brebner stated he was here with 350 Seattle. He said he knows that people here care about climate change. He wanted to address the urgency of the issue. He stated that climate change is not one of the things that can be addressed at a later date. Mr. Brebner spoke about the effects of methane as a greenhouse gas. He said that the amount of warming due to methane and other greenhouse gases will exceed our ability to remove them from the atmosphere. He emphasized the importance of acting before reaching a tipping point, and urged the Board to act by the end of the year.

Lynn Fitz-Hugh said that at the last Investment Committee meeting, two committee members posed a question on why the action the Board took in February was not enough. Ms. Fitz-Hugh stated that they are pleased by February's actions and that it was a good start. However, they view it as a first step, not a final action. Nine months have passed since the action and she said that is a lot of time. Ms. Fitz-Hugh stated that she hoped that the board is thinking about the issue of climate change seriously. Ms. Fitz-Hugh mentioned a comment by Jason Malinowski at the Investment Committee about likely incurring additional fees (\$150,000) to divest from coal. She noted that Nick Licata had commented that these fees were negotiable and could likely be lowered. Ms. Fitz-Hugh also recommended as an alternative that we invest in a MSCI fossil free index.

Susan Coskey stated that the board does not dispute the importance of addressing climate change. Ms. Coskey continues to look for precedent that the Board can meet its fiduciary duty while taking the actions that 350 Seattle is asking

Ms. Fitz-Hugh replied that at a previous meeting they brought up a recent Supreme Court decision that interprets fiduciary responsibility more broadly.

Ms. Coskey stated that she would like an example of precedence from another public pension board acting and making comparable decisions. If one exists, Ms. Coskey asked Ms. Fitz-Hugh to provide it to her via email. This would be information Ms. Coskey would like to explore and have the Board's attorneys review.

Mike Monaco said that the Supreme Court case has been raised several times. He stated that a board's duty to monitor investments is nothing new. The Supreme Court case is not about public pension plans and it did not break

any new ground for public pensions' duty to monitor. This duty to monitor is not new and the Board is aware of their duty.

Alex Lenferna stated that it has been a while since he has been at a board meeting and during that time a lot of things have changed. Most significantly, Mark Carney, Governor of the Bank of England and head of the G20 Financial Stability Board recently issued a report warning that the carbon bubble could destabilize the markets. Mr. Lenferna said that the Board needs to act quickly. The coal industry, in particular, is in a prolonged downward trend.

Administrative Consent Agenda

Minutes:

Provided in the Retirement Board packet was the minutes from the September 10, 2015 Retirement Board regular meeting and August 27, 2015 Joint Investment Committee/Board of Administration Meeting.

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

Service Beneficiary Disability	\$12,395,406.85 \$ 931,178.11 \$ 75,512.35
Pension Payroll – PPE September 2015	\$
Office Payroll – PPE September 8 and 22, 2015	\$ 175,764.34
Vouchers Processed – September 2015*	
• Expert and Consultant Services	\$ 4,410.07
• Investment Management Fees	\$ 97,494.49
• Interdepartmental Charges	\$ 105,557.86
• Miscellaneous	\$ 23,501.14

*The closing date for September is October 9, 2015. The figures represent vouchers that have been processed as of October 5, 2015.

Immediate Withdrawals of Contributions for the month of September 2015:

MEMBER	Dept Name	Position
Adamson, Kate A	FAS	Cust Svc Rep
Albertson, Kori Lyn	Sea Ctr	Personnel Spec
Amoguis, Christine Elizabeth	QDRO	
Amoguis, Vincent Barquin	FAS	Auto Mechanic
Bell, John B	FAS	Fleet & Fac Svcs Coord
Braun, Linda W	Library	Managing Libr I
Brink, Angel I	DPD	Acct Tech II
Cole, Christopher David	SDOT	Civil Engrng Spec Supv
Dixon, Lewanna Renee	DPD	Housing/Zoning Tech
Donkin, Stephe Sue	SPD	Parking Enforcement Ofcr
Ferreiro, Joel O	SDOT	Gardener



**Seattle City Employees' Retirement System
Board of Administration Meeting
Seattle Municipal Tower, Room 1610, 700 5th Avenue, Seattle, WA
(206) 386-1293**

Ford, Gary Lee	SDHR	Manager 1
Fulgham, Austin Thomas	City Light	Engrng Aide
Gallegos, Tiffany Marie	SPD	Paralegal
Givens, Tavona Latica	SDOT	Util Act Rep I
Giyen Lee Kim	SPU	Admin Staff Analyst
Greisen, Olga K	HSD	Counslr
Hagenah, William Alexander	Library	Library Assoc II
Hokama, Chelsea Mayumi	Library	Library Assoc I
Hoover, Jan K	HSD	Reg Nurse Consultant
Johnson, Gregory R	SPD	Police Comms Dispatcher I
Jurcak, Corey Michael	SDOT	Civil Engr Supv
Killian Jr, Roland David	Parks	Rec Attendant
Loumoli, Samiuela	SDOT	Cement Finisher, SR
Martinez, Tonja	FAS	Admin Spec II
McClellan, Tyler S.	FAS	Animal Contrl Ofcr I
McLain, Amy Darina	SPD	Pol Comms Dispatcher I
Means, Kimberly D	Parks	Civil Engrng Spec, Assoc
Munson, Evangeline	Parks	Lifeguard
Nuuyen, Quang Dai	SDOT	Civil Engr, Assoc
Overbey, Stephen G	Police	Dispatcher I
Rahmani, Tarik	Library	Fin&Opns Analysis Mgr
Rutz, Susanna L	Sea Ctr	Personnel Spec, Sr
Scheopner, Erin Kate	Sea Ctr	Admin Spec III
Simmons, Terri Watson	FAS	Capital Prjts Coord, Sr
Vincent, Nicholas Dean	SPU	Strat Advr 1
Walsh, Jay S	Sea Ctr	Stage Tech
Watson, Alford J	Parks	Laborer
Wolfe, Hill Landon	SPU	Util Act Rep I
Zech, Roxanne Michelle	SPD	Pol Ofcr - Student

Withdrawals for a total of: \$ 963,018.22

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	Years	Days	DeptName	Position
Allen-Vrablik,Eugenia A	8/22/2015	67	9	350.92	Human Svcs	Human Svcs Coord
Andrews,Linda L	8/22/2015	64	13	174.46	PublicUtil	Mgmt Svcs Anlyst,Sr
Axelrod,Shirli M	9/9/2015	63	22	143.4	PublicUtil	Envrnmntl Anlyst,Sr
Balansay,Carlos C	8/12/2015	53	30	251.55	PublicUtil	Civil Engr Supv
Bonoff,Michael H	8/5/2015	68	25	296.15	PublicUtil	Envrnmntl Anlyst,Sr
Chang,Paul S	9/9/2015	66	31	213.13	DPD	Strucl Plans Engr
Cheung,George K	8/28/2015	62	9	261.08	Vested	Civil Engr,Asst I
Chin,Mary S	9/9/2015	66	43	196.48	SDHR	Accountant,Sr
Coon, Debora A	8/12/2015	61	30	189	SPL	Custodian
Crawford,James P	8/4/2015	65	19	63.63	InfoTech	Info Technol Prof B-BU
Denure,Suzanne M	9/9/2015	57	28	7.69	Parks Dept	Installation Maint Wkr
Downing III,W. Kirk	9/5/2015	60	21	149.6	PublicUtil	Util Act Rep II
Eicher,Kathleen P	8/20/2015	66	17	5.68	Parks Dept	Rec Prgm Spec
Gallagher,Patrick O	9/2/2015	62	33	70.13	City Light	Meter Elctn Working CC
Handley,Larry J	8/4/2015	65	24	179.84	City Light	Cblspl-Jrnywkr In Chg
Hector,Ellen M	8/8/2015	58	30	156.03	FAS	Warehouser,Sr-BU
Helbach,Mary T	9/4/2015	62	4	289.96	Library	Library Assoc I
Hill,James B	8/4/2015	67	28	364.09	City Light	Warehouser-BU
Jerochim, Scott	8/13/2015	51	14	361	SPU	Meter Reader
Johnson,Doris M	8/12/2015	63	30	174.38	Library	Asst Mgr-Library
Komboukos,Merrilee	9/9/2015	65	31	174.11	City Light	Warehouser,Sr-BU
Koskie,Albert T	9/2/2015	68	33	259.42	City Light	Elecl Hlpr
Kules,Allan R	9/9/2015	65	29	197.88	DPD	Info Technol Prof B-BU
Miller,George M	8/4/2015	64	5	188.62	SDOT	Civil Engr,Assoc
Morford,Rachel V	8/12/2015	61	29	209.77	Library	Library Assoc II
Murphey,Katherine E	9/5/2015	65	6	280.2	Vested	
Petilla,Helen P	8/4/2015	64	25	56.64	SDHR	Benefits Asst
Protis,Walter N	8/12/2015	63	25	363.6	City Light	Credit Rep
Reynolds,Thomas K	8/12/2015	67	2	51.9	Vested	Librn*Intermittent
Rutan,Marcia E	8/12/2015	65	7	75.57	PublicUtil	Plng&Dev Spec,Sr
Seil,Janis A	9/9/2015	58	23	279.27	City Light	Meter Elctn
Sheppard,Steven D	8/12/2015	68	43	283.5	NeighbDept	Plng&Dev Spec,Sr
Shilling, Karen	8/12/2015	61	34	271	SPD	PoI Comms analyst
Slocum,Nancy E	8/12/2015	57	7	170.61	Human Svcs	Trng&Ed Coord
Smith,Katherine M	8/26/2015	62	31	44.58	City Light	Rights-Of-Way Maint Wkr
Thrush,Steven K	9/9/2015	56	25	305.5	City Light	Prot&Cntrl Elctn II



**Seattle City Employees' Retirement System
Board of Administration Meeting
Seattle Municipal Tower, Room 1610, 700 5th Avenue, Seattle, WA
(206) 386-1293**

Van Ottingham, Mary R	8/12/2015	66	35	48.42	PublicUtil	Admin Staff Asst
Voerman, Garrett B	8/26/2015	68	8	146	City Light	Manager3,Utills-BU
Washington-Reed, Shawn M	7/31/2015	56	27	189.22	FAS	Warehouser,Sr-BU
Wilson, Kyle J	8/6/2015	57	16	138.8	City Light	Pwr Marketer
Yap, Lenny G	9/9/2015	55	30	13.46	City Light	Info Technol Prof A,Exempt

The following list represents the retirements that have been processed since the last Retirement Board meeting. For the month of September 2015: 60 new Members entered the System, 31 terminations, 41 Members retired in the System, 11 Members removed (\$20,225.46), 3 D/E Option, 5 F Option, and 3 over 60% benefit.

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

- Minutes of the September 10, 2015 Board Meeting.
- Minutes of the August 27, 2015 Joint Investment Committee/Board of Administration Meeting.
- Ratification of Retirement Payroll, Office Payroll, Other Payments and Withdrawals
- Ratification of Service Retirements for the month of September 2015.

Executive Session

The Board of Directors entered into Executive Session at 9:33 a.m. for approximately 45 minutes to discuss a personnel issue.

Executive Session was closed and the Board of Administration meeting re-entered regular session at 10:17 a.m.

10:17 a.m. – Jean Becker left the meeting

Administrative Committee Report – September 24, 2015

There was no oral report on the September 24, 2015 meeting.

Investment Committee Report – September 24, 2015

European Direct Lending Manager Selection

Tony Smith reported on the September 24, 2015 Investment Committee meeting. He stated that BlueBay Direct Lending Fund II SLP was the European direct lending manager selection by staff and NEPC. He said that BlueBay was presented to the Investment Committee and the Investment Committee recommended that the Board of Administration accept their recommendation and approve the selection.

Motion: Upon motion of Sherri Crawford, seconded by Robert Harvey, Jr., the Board of Administration accepted the Investment Committee's recommendation to commit \$24 million to BlueBay Direct Lending Fund II SLP, pending satisfactory legal review. The motion passed unanimously (4-0).

Parametric Covered Call

Tony Smith stated that the portfolio manager for the Parametric covered call strategy is going to retire at the end of next year. Staff will continue to monitor the manager, but does not see a need at this time to formally put Parametric on watch status.

ESG Quarterly Report

Jason Malinowski gave the ESG Quarterly Report for third quarter. The report was originally scheduled for the September 2015 board meeting, but was deferred due to lack of time.

Mr. Malinowski stated that there were two important items listed under Industry Developments. First, the Vermont Pension Investment Committee (VPIC) looked at the possibility of divestment but declined. He stated that VPIC did not feel divestment was in line with their statutory requirements and fiduciary duties.

The second item comes out of California. They recently passed legislation requesting that CalPERS and CalSTRS divest from coal companies unless their boards determine that it is inconsistent with their fiduciary duties. This legislation is still waiting for the governor's signature. It is unclear how the boards will act.

Mr. Malinowski continued with his report and discussed topical research. He stated that Mercer presented at the last board meeting on the investment impact of climate change through potential scenarios impacting various asset classes. Mr. Malinowski stated that the analysis was largely heuristic but it was a good first step.

Mr. Malinowski commented that a report by The Economist that looked at aggregate impact of climate change on investments had merit. The Economist found that climate change, warming of 2° Celsius, should create a loss of 3% of aggregate investment assets. If climate change is greater than 2° Celsius the loss would be greater. The Economist argues that climate change will decrease economic growth and affect performance across portfolios. This systemic impact will make it difficult for investors to avoid climate risk.

Mr. Malinowski stated that the BlackRock/Ceres paper provides several examples of ESG actions that investors can take, including shareholder initiatives and various forms of corporate engagement.

Staff also reviewed the Ceres 2015 report, "Carbon Asset Risk: A Review of Progress and Opportunities." Mr. Malinowski stated that there has been some progress with respect to investor engagement with fossil fuel and utility companies. Some companies, particularly European companies, have been responding to engagement efforts of investors. Shell has decided to pull back from drilling in the Arctic which is a positive engagement development. American companies like Exxon and Chevron have been less receptive.

Mr. Malinowski said that he and Mr. Nakatsu attended a strategy meeting via conference call for INCR's Shareholder Initiative on Climate and Sustainability.

Mr. Malinowski said that since February 2015 staff has participated in 30 events, meetings, and calls devoted to ESG matters.

SCERS joined other institutional investors by signing a letter to Institutional Shareholder Services (ISS) about concerns with their proxy voting policies. SCERS was one of two public pension plans that signed the letter.

One of the other positive actions SCERS is attempting is to integrate climate change into the investment process. Mr. Malinowski stated that SCERS is going through an RFP process with NEPC for an infrastructure manager(s). SCERS is talking to Mercer about using their research and ratings when looking at finalists from the infrastructure RFP.

Mr. Malinowski and Jill Johnson will be flying to New York to meet with infrastructure finalist candidates. He hopes to bring the recommended managers to the Board in the fourth quarter.



**Seattle City Employees' Retirement System
Board of Administration Meeting
Seattle Municipal Tower, Room 1610, 700 5th Avenue, Seattle, WA
(206) 386-1293**

Mr. Nakatsu is attending an INCR round table on October 22nd. He recently attended a White House Summit on clean energy. They highlighted the fact that \$4B had been committed by investors in 2015 for clean energy.

Ms. Johnson spoke to the motion that was on the agenda regarding proxy voting. She stated that ISS is the largest investor service used to vote or monitor proxies. SCERS engaged ISS at the beginning of the year. ISS offers a range of guidelines that are tailored for different types of investors.

Staff reviewed three policies:

- Standard Policy
- Sustainability
- Public Fund

Ms. Johnson stated that they are recommending that SCERS switch from the Standard Policy to the Public Fund policy which is best in alignment with SCERS's goals.

Mr. Malinowski said that the Public Funds goal focuses on fiduciary responsibility and is also relatively strong across environmental, social and governance issues.

We are provided a report every quarter regarding how our public equity managers have voted.

Motion: Upon motion of Robert Harvey, Jr., seconded by Sherri Crawford., the Board of Administration instructed its separate account managers to vote the proxies of public companies on SCERS's behalf using the Institutional Shareholder Services' (ISS) Public Funds Proxy-Voting Policy, when practicable. The motion passed unanimously (4-0).

Executive Director Report

Mr. Nakatsu stated that there is nothing significant to report other than the Pension Administration System negotiations with ViTech.

Mr. Davis reported that staff went through two days of scheduled negotiations with ViTech. Negotiations stopped early yesterday because staff and ViTech reached agreement. Both teams worked collaboratively through the terms of the agreement and expect a contract to be signed before the end of the month.

SCERS Work Plan

Mr. Nakatsu stated that on the Work Plan, the PAS was shifted by a month due to the contract negotiations. The Work Plan also reflects that the Administrative Committee will incorporate the establishment of a process for election of members to the Investment Advisory Committee (IAC).

SCERS Operations/Finance

Mr. Davis gave an update on the Dashboard. He stated that it is taking longer to provide retirement estimates to members but staff is taking steps. One staff member will be returning from a loaned assignment to another department and we will also be hiring an additional TLT Retirement Specialist.

Adjournment

Motion: Upon motion of Sherri Crawford, seconded by Robert Harvey, Jr., the Board of Administration voted to adjourn the meeting. The motion passed unanimously (4-0).

The meeting adjourned at 11:05 a.m.

Susan Coskey, Secretary



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

Board of Administration Members:

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

SCERS Staff:

Ken Nakatsu, Interim Executive Director
Jeff Davis, Chief Finance/Operations Officer
Jason Malinowski, Chief Investment Officer
Tony Smith, Deputy Chief Investment Officer
Jill Johnson, Investment Strategic Advisor
Cecelia Chen, Investment Analyst
Nina Melencio, Office Administrator

Legal:

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

Minutes of Thursday, November 12, 2015

Board Members Present: Nick Licata, Glen Lee, Jean Becker, Lou Walter (via conference call at 9:18 a.m.), Robert Harvey, Jr., Sherri Crawford, Susan Coskey (arrived at 9:28 a.m.)

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

Others Present: Carlton Seu (Seattle City Attorney's Office), Mike Monaco (Song Mondress Law Firm), Valerie Schloredt, Andrew Kidde, Tad Anderson, Lynn Fitz-Hugh, Secora Sawyer, Mariah Fisher, Bill Roach, Tom Kirn (FAS), Kate Moore (SDHR)

Nick Licata, Committee Chair, called the meeting to order at 9:13 a.m.

Mr. Licata asked if there was anyone present who wanted to make a public comment.

There was public comment.

Valerie Schloredt stated that previously the Board had said that in order to divest from fossil fuels they needed to see examples of peers doing so. She said that Providence, Rhode Island voted in July to divest and that Washington D.C. voted to divest almost entirely from fossil fuel companies. Ms. Schloredt stated that she hopes that the Board will investigate this.

Andrew Kidde said that the recent decline of coal and oil stocks reflect on-going structural concerns. Even with these concerns, most fossil fuel companies are betting on business as usual and increasing fossil fuel demand.

Tad Anderson spoke about a new investment tool from Corporate Knights that was mentioned in a November 10th email from Nick Licata to other board members. He stated that the tool was intended to assist the board in examining the financial impact of divesting from fossil fuels. The tool will be free and publicly available and only needs an Excel spreadsheet to use.

9:18 – Lou Walter joins the meeting by phone

Mr. Anderson stated that the CEO of Corporate Knights has offered to explain the methodology of the tool to SCERS staff. The tool cannot predict the future but can reveal trends. Mr. Anderson said that he hopes that the information can help provide solid evidentiary basis for staff to assess the question of fiduciary responsibility in regard to fossil fuel divestment.

Lynn Fitz-Hugh stated that today's presentation and previous presentations provide a solid case for fossil fuel divestment and are consistent with fiduciary responsibility. Ms. Fitz-Hugh said that several peer groups that have

partially divested include Rhode Island, DC and California. She said that California was ordered to only if it was consistent with fiduciary responsibility, and it still did.

Secora Sawyer stated she was here regarding her deceased mother's retirement benefits. Ms. Sawyer said she is her mother's sole designated beneficiary and other people are trying to steal the money by asserting that her mother was married. Ms. Sawyer said she understood from SCERS's legal counsel, Mike Monaco that the issue needed to be resolved in Superior Court, which she wants to avoid.

Nick Licata said that this situation is going to be discussed in Executive Session. But the Board wants to give its counsel, Mike Monaco, an opportunity first to review the fiduciary responsibilities of the Board after acting on the Administrative Consent Agenda.

Administrative Consent Agenda

Minutes

Provided in the Retirement Board packet was the minutes from the October 8, 2015 Retirement Board regular meeting.

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

Service	\$12,477,254.18
Beneficiary	\$ 942,208.10
Disability	\$ 75,708.08
Pension Payroll – PPE October 2015	\$13,495,170.36
 Office Payroll – PPE October 6 and 20, 2015	 \$ 172,304.74
 Vouchers Processed – October 2015	
• Expert and Consultant Services	\$ 243,137.07
• Investment Management Fees	\$ 2,127,745.07
• Interdepartmental Charges	\$ 117,643.44
• Miscellaneous	\$ 54,771.94

Immediate Withdrawals of Contributions for the month of October 2015:

MEMBER	Dept Name	Position
Albertson, Kori Lyn	Sea Ctr	Personnel Spec
Balansay, Carlos	SPU	Civil Engr, Supv
Calalang, Jonathan M	SPD	Info Tech Prof A, Exempt
Ford, Gary L	SDHR	Manager
Brink, Angela	DPD	Acctg Tech II
Hill, James B	SCL	Warehouser
Newborn, Cris	SPD	Pol Comms Dispatcher I
McClellan, Tyler S	FAS	Animal Contrl Ofcr I
Allwood, Colleen L	Parks	Rec Attendant
Blotter, Shane M	SCL	Pwr Dispatcher, Asst
Byron, Cynthia L	Library	Library Assoc II
Davidson, Joey M	FAS	Equip Svcr
Holden, Anne F	Arts & Cult	Public Relations Spec
Miller, George M	SDOT	Civil Engr Spec, Sr
Price, Jane V	Sea Ctr	Usher

Withdrawals for a total of: \$ 771,309.70

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
Berentsen,Joseph P	9/16/2015	64	29	190.89	DPD	Civil Engrng Spec,Sr
Campbell,William R	9/25/2015	64	10	324	Vested	Wtr Treatment Op,Sr
Cote,Dimne A	10/7/2015	57	20	18.95	City Light	Elctn-Con-(OI)
Dileva,Mary Pat	10/7/2015	65	15	300.67	City Light	Admin Spec III
Do,Andre	10/3/2015	64	24	334.23	City Light	Elecl Engrng Spec,Sr
Dyer,Paul A	10/3/2015	66	35	303.49	PublicUtil	Laborer
Evans,Hiroko S	10/7/2015	70	15	10.09	Human Svcs	Human Svcs Prgm Supv,Sr
Evans,John R	10/7/2015	70	24	101.21	PublicUtil	Civil Engrng Spec,Assoc
Fair,Muriel A	9/23/2015	52	30	131.32	PublicUtil	Util Svc Inspector,Sr
Guarin,David	10/7/2015	56	33	104.01	PublicUtil	Manager2,Utills
Hailey,Rosie L	10/7/2015	62	26	110.28	Law Dept	Legal Asst
Hayes,Scott E	9/12/2015	67	16	237.64	City Light	Manager2,Fin,Bud,&Actg-BU
Helton,Judy A	10/7/2015	62	16	257.32	City Light	Admin Staff Asst
Jensen,Carolyn L	9/16/2015	56	24	232.84	SDOT	Civil Engrng Spec,Assoc
Jerochim,Peter S	9/22/2015	61	35	110.72	City Light	Elecl Work Rev CC
Kenyon,Joyce N	9/17/2015	64	34	136.35	SDOT	Parking Pay Stat Shop,Supv
Khandekar,Mohan R	10/7/2015	73	30	38.81	Parks Dept	Architect,Sr
Klein,Robert J	10/7/2015	59	14	127.73	DPD	Admin Spec II-BU
Krueger,Jenelle T	10/7/2015	52	28	162.41	SDOT	Civil Engrng Spec,Sr
Kulseth,Stephen M	10/8/2015	62	5	76.54	Vested	Carpenter *
Norred,Cynthia J	10/7/2015	61	22	136.44	Police	Manager2,General Govt
Ogg,Wade S	10/6/2015	55	6	204.16	Vested	Line C CC
Patton,Douglas L	10/7/2015	64	21	67.13	Parks Dept	Info Technol Prof B
Prentice,Patricia A	9/2/2015	67	23	109.07	KC	ESD
Rose,Carolyn A	10/7/2015	69	24	125.29	City Light	Info Technol Systs Anlyst
Siegel,Teresa J	10/2/2015	53	30	11.19	Parks Dept	Accountant,Prin
Stonehouse,Dennis B	10/3/2015	62	30	53.14	PublicUtil	Util Systs Maint Tech,Sr
Ware,M. Christine	10/7/2015	63	23	70.62	PublicUtil	Manager2,General Govt
Weinstein,Elyette M	10/1/2015	65	1	170	Vested	
Williams,Daniel W	10/3/2015	59	36	356.92	PublicUtil	Maint Laborer

For the month of October 2015: 50 new Members entered the System, 66 terminations, 30 Members retired in the System, 17 Members removed (\$24,284.45), 5 D/E Option, 3 F Option, and 5 over 60% benefit.

Motion:

Upon motion by Nick Licata, seconded by Robert Harvey, Jr., the Board of Administration approved the Administrative Consent Agenda. The motion passed unanimously (6-0).

- Minutes of the October 8, 2015 Board Meeting.
- Ratification of Retirement Payroll, Office Payroll, Other Payments and Withdrawals
- Ratification of Service Retirements for the month of October 2015.

Mr. Licata wanted to hear about the Department of Labor (DOL) guidance on ESG.

Mr. Monaco stated that he received a copy of the DOL Interpretative Bulletin several days ago. Mr. Monaco said that what the DOL guidance does is that it takes the 1994 ESG guidance and essentially reissues it.

9:28 Susan Coskey arrives at the meeting

Mr. Monaco went on to say that while DOL provided more clarity about how ESG issues could be considered by fiduciaries, it did not substantially change their responsibilities for investments. Mr. Monaco said that SCERS is still operating on the same legal foundation that it has always been on as reflected in its current ESG Policy.

Mr. Licata responded that he appreciated that Mr. Monaco was dealing with this directly because the headlines say that DOL was easing restrictions. The 1994 interpretation was more liberal. The new interpretation looks like it reverses it.

Mr. Monaco stated that the one thing the DOL clarified is what we thought was obvious. If you have an ESG consideration that impacts investment risk, then it can be considered just like any other investment risk. There is no higher standard just because the risk is related to ESG.

Mr. Licata asked if the new instruments that have been developed enter into this.

Jason Malinowski replied that there are a number of data providers offering ESG services. These services have been expanding for a number of years and are not tied to the DOL.

Mr. Licata asked if there are tools that SCERS can utilize.

Mr. Malinowski replied that as companies disclose more, vendors are coming out with more and potentially more useful tools.

Mr. Licata asked if the prudence is largely due to the process.

Mr. Monaco responded that we cannot rely on getting lucky. If you do not have a prudent process and you still do okay, it does not matter. It is still a breach of fiduciary responsibility. If you have a prudent process, it does not matter if something goes wrong. The critical issue is the process.

Mr. Licata said he is asking the staff to look at providing an analysis with the pros and cons of divesting from thermal coal and investing in a fossil fuel free index fund. He asked if that was something we can look at.

Ken Nakatsu replied that staff did that analysis at the February Board meeting. There was a memo which summarized the seven reasons why NEPC did not feel divestiture was prudent. The Investment Advisory Committee agreed. It covered coal specifically but did not specifically cover investing in a fossil free index fund. Perhaps some things have changed, but otherwise the points made in the memo, at this time, still seem valid.

Mr. Licata wanted to know when the next ESG report will be presented and who compiles the information for the report.

Mr. Malinowski responded that Jill Johnson and he produce the report with input from NEPC. The report is produced quarterly and will be provided at the December board meeting.

Executive Session

The Board of Directors entered into Executive Session at 9:56 a.m. for approximately 15 minutes to discuss claims to the death benefits of Michelle R. Sawyer.

Executive Session was closed and the Board of Administration meeting re-entered regular session at 10:10 a.m.

Motion: Upon motion of Nick Licata, seconded by Robert Harvey, Jr., the Board of Administration agreed to follow legal counsel's recommendation on further proceedings on this matter. The motion passed unanimously (5-0).

Administrative Committee Report – October 29, 2015

Jeff Davis reported on the October 29, 2015 Administrative Committee Meeting.

Mr. Davis stated that IT Manager Claire Foster spoke about the capability of the Board's SharePoint site and also provided training.

Mr. Harvey is leading the charge on the Board self-evaluation process. He will be providing copies of Board evaluation examples prior to the next meeting.

There was a discussion on the Strategic Planning Process recognizing that a new Executive Director and Board Chair will be coming on board soon. Administrative Committee members will map out a framework and timeline at a future meeting.

Investment Committee Report – October 29, 2015

Jason Malinowski reported on the October 29, 2015 Investment Committee meeting.

There was discussion on the Monthly Portfolio Monitor for September 2015. The market value at the end of September 2015 was \$2.25B with a funding ratio of 63%.

Mr. Malinowski stated that Don Stracke and Allan Martin of NEPC gave an overview of infrastructure and recommended a pacing plan to target a fifty percent (50%) allocation to an open-end core fund and 50% to closed-end funds. This will take a number of years to accomplish.

Mr. Malinowski reviewed the recommendation to invest in Stonepeak II for \$8M. The Investment Committee had approved a \$10M commitment, but Stonepeak II is oversubscribed, so they came to us yesterday to lower the commitment to \$8M. The legal review has already been completed.

Motion: Upon motion of Nick Licata, seconded by Glen Lee, the Board of Administration accepted the Investment Committee's recommendation to commit \$8 million to Stonepeak Infrastructure Fund II LP. The motion passed unanimously (7-0).

Executive Director Search Update

Kate Moore of Seattle Department of Human Resources (SDHR) reported on the search for SCERS new Executive Director.

Ms. Moore stated that Linda Paul of the Search Partnership will be reviewing her recruiting and sourcing process with members of the Board at a meeting later this afternoon. The purpose of today's meeting will be to select those that appear to be the best match. Ms. Paul will then do in-depth interviews before the meeting with the Board in December.

Executive Director Report

Jeff Davis reported that the Pension Administration System (PAS) contract's final version was sent to the vendor and should be completed this week.

Mr. Davis stated that SCERS has received a recognition award for administration from the Public Pension Coordinating Council (PPCC) which is a coalition of three national associations that represent public retirement systems and administrators: the National Association of State Retirement Administrators (NASRA), the National Council on Teacher Retirement (NCTR), and the National Conference on Public Employee Retirement Systems (NCPERS). To receive the Recognition Award for Administration, SCERS must certify that it meets the requirements in five areas of assessment:

- Comprehensive Benefit Program
- Actuarial
- Audit
- Investments
- Communications

There was a discussion that the retirement estimates' backlog was trending on the high side. Mr. Davis stated that this was due to auditing but the department has added resources, and an employee that has been working out of class in another agency has returned to member services.

Mr. Davis reported on the Work Plan and noted that contract negotiations on the PAS have been extended into November although, hopefully, not past this week. The credit and infrastructure efforts have also been extended.

Mr. Malinowski stated that SCERS is still in legal negotiations with BlueBay.

Mr. Davis said that a consultant has been retained to improve the spreadsheet tool that the retirement specialist utilizes for benefit estimates. The spreadsheet is going to be used for 3-4 more years while the PAS is being implemented. This will be completed in the next few months and staff will be trained in January and February.

Adjourn Meeting

Motion: Upon motion of Sherry Crawford seconded by Lou Walter, the Board of Administration voted to adjourn the meeting at 10:30 a.m. The motion passed unanimously (7-0).



Seattle City Employees' Retirement System
Board of Administration Special Meeting
Seattle Municipal Tower, Room 5539
(206) 386-1293

Board of Administration Members:

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

SCERS Staff:

Ken Nakatsu, Interim Executive Director
Jeff Davis, Chief Finance/Operations Officer
Jason Malinowski, Chief Investment Officer
Tony Smith, Deputy Chief Investment Officer
Jill Johnson, Investment Strategic Advisor
Cecelia Chen, Investment Analyst
Nina Melencio, Office Administrator

Legal:

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

Minutes of Thursday, November 12, 2015

Board Members Present: Glen Lee, Jean Becker, Robert Harvey, Jr., Sherri Crawford

SCERS Staff Present: Ken Nakatsu, Nina Melencio

Others Present: Kate Moore (SDHR), Linda Paul (the Search Partnership)

Robert Harvey, Jr, Committee Chair, called the meeting to order at 11:12 a.m.

Executive Session

The Board of Directors entered into Executive Session at 11:12 a.m. for approximately four (4) hours for the purposes of evaluating the qualifications of an applicant for public employment.

Executive Session was closed and the Board of Administration meeting re-entered regular session at 1:44 p.m.

Adjourn Meeting

Motion: Upon motion of Glen Lee, seconded by Jean Becker, the Board of Administration voted to adjourn the special meeting at 1:44 p.m. The motion passed unanimously (4-0).



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

Board of Administration Members:

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

SCERS Staff:

Ken Nakatsu, Interim Executive Director
Jeff Davis, Chief Finance/Operations Officer
Jason Malinowski, Chief Investment Officer
Tony Smith, Deputy Chief Investment Officer
Jill Johnson, Investment Strategic Advisor
Cecelia Chen, Investment Analyst
Nina Melencio, Office Administrator

Legal:

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

Minutes of Thursday, December 12, 2015 - REVISED

Board Members Present: Nick Licata, Glen Lee, Jean Becker (arrived at 9:10 a.m.), Lou Walter (arrived at 9:12 a.m.), Robert Harvey, Jr., Sherri Crawford

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

Others Present: Carlton Seu (Seattle City Attorney's Office), Mike Monaco (Song Mondress Law Firm), Michael Ryan (Seattle City Attorney's Office), Valerie Schloredt, Tad Anderson, Lynn Fitz-Hugh, Bill Roach, Crystal Roncek (SDHR),

Nick Licata, Committee Chair, called the meeting to order at 9:00 a.m.

Mr. Licata asked if there was anyone present who wanted to make a public comment.

There was public comment.

Tad Anderson stated that we are the first generation to feel the effects of climate change and are the last generation that can do something about it. He said that the Board's actions to date are not adequate. Mr. Anderson encouraged the Board to think outside of the business-as-usual box.

Valerie Schloredt stated that if the board had divested three years ago from coal, that SCERS would have saved more than \$150,000 per year. She said that the coal industry is going down and making a big mess along the way. Ms. Schloredt stated that SCERS needs to look back on the past year for perspective and asked that SCERS divest from coal in 2016.

Bill Roach stated that he is a 44 year member of SCERS and has appeared before the Board five times. Mr. Roach said that the City of San Francisco Retirement System voted to divest from coal the previous day, December 9, 2015. He stated that coal has lost money for years and no one is claiming coal will recover. Mr. Roach requested the Board to divest from coal.

Lynn Fitz-Hugh stated that she thought \$19M lost on fossil fuel investments over the last three years was a lot of money, as is the \$535,000 lost on coal investments. She said that fiduciary responsibility requires SCERS to make a choice that is the same or better. Ms. Fitz-Hugh stated that SCERS's attorney says that the Board does not have to turn out to be right, but has to have a reasonable belief that they are making a sound choice. She stated that NEPC's advice more than a year ago that it would cost more to divest coal than to hold it is false. Ms. Fitz-Hugh asked the Board to reassess their decision.

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

Administrative Consent Agenda

Minutes

Provided in the Retirement Board packet were the minutes from the November 12, 2015 Retirement Board regular meeting and November 12, 2015 Special meeting of the Board.

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

Service	\$12,647,153.00
Beneficiary	\$ 959,969.03
Disability	\$ <u>76,814.27</u>
Pension Payroll – PPE November 2015	\$13,683,936.30
 Office Payroll – PPE November 13 and 25, 2015	 \$ 173,196.90
 Vouchers Processed – November 2015	
• Expert and Consultant Services	\$ 24,362.68
• Investment Management Fees	\$ 173,984.99
• Interdepartmental Charges	\$ 112,270.74
• Miscellaneous	\$ 54,693.38

Immediate Withdrawals of Contributions for the month of November 2015:

MEMBER	Dept Name	Position
Ackley, Tod	Sea Ctr	Stage Tech
Arndt, Lara E	Library	Library Assoc II
Brown, Jon M	SCL	Manager3, Exempt-BU
Burrell, Kevin S	OED	Manager 3, Exempt
Castilleja, Michael D	Parks	Rec Leader
Cayabyab, Cherry G	NeighDept	StratAdvsrI,Exempt
Davidson, Joey M	FAS	Equip Svcr
Driss, Miriam Sue	Library	Branch Mgr I
Evans, John S	SPU	Civil Engrng Spec,Assoc
Holsworth, Sarah J	FAS	Equip Svcr
Kenyon, Joyce N	SDOT	Parking Pay Stat Shop,Supv
Kenyon, Joyce N	SDOT	Parking Pay Stat Shop,Supv
Khandekar, Mohan R	Parks	Architect,Sr
Kinsman, Monika Joy	SPD	Volunteer Supv
Krueger, Jennelle T	SDOT	Civil Engrng Spec,Sr
Lanhaus, Liliana G	FAS	StratAdvsrI,Fin,Bud,Actg
Laurencio Jr, Raymond R	SDOT	Gardner
Leavitt, Jordan J	SCL	Lnwkr
Mohamed, Fouzia M	HSD	Counslr

Mohamud, Idil N	HSD	Counslr
Moze III, Herman A	SCL	Admin Spec II-BU
Niederer, Kenneth B	SPU	Info Technol Prof B-BU
Niro, Raennette B	HSD	Admin Spec I-BU
Ogg, Wade	SCL	Line C CC
Olson, Christine L	Law	City Attorney, Asst
Sahle, Sitina E	Library	Library Assoc I
Ware, M. Christine	SPU	Manager2, General Govt

Withdrawals for a total of: \$1,564,987.81

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	Years	Days	DeptName	Position
Blouch, Robert R	11/4/2015	59	24	307.88	City Light	Meter Elctn
Byrd, Russell C	11/4/2015	58	21	182.95	FIRE	Fire Protection Engr, Sr
Jaramillo, Steve P	10/14/2015	59	34	163.05	PublicUtil	Constr&Maint Equip Op
Lester, Martha S	10/24/2015	61	25	296.67	LegCtyCncl	StratAdvsr-Legislative
McBride, John R.	11/13/2015	60	13	219	Vested	Vested
Mejilla, Gerardo V	11/4/2015	65	26	65.13	PublicUtil	Pmp Stat Elecl Tech
Moorman, Jeffrey W	10/21/2015	67	9	71.32	DPD	Info Technol Prof B-BU
Pratt, Kathryn A	11/4/2015	67	10	362.65	Human Svcs	Counslr
Rasmussen, Mary E	11/4/2015	58	40	80.69	Parks Dept	Elctn CC
Rolla, Lea Ann	11/4/2015	60	25	268.15	PublicUtil	Wtr Treatment Op-WDM I
Skinner, Jeffrey L	11/4/2015	69	37	234.5	Parks Dept	Rec Cntr Coord
Wang, Xiao S	11/3/2015	72	10	49.3	Library	Page

For the month of November 2015: 18 new Members entered the System, 35 terminations, 12 Members retired in the System, 12 Members removed (\$15,782.28), 2 D/E Option, 2 F Option, and 2 over 60% benefit.

Motion: Upon motion by Nick Licata, seconded by Robert Harvey, Jr., the Board of Administration approved the Administrative Consent Agenda. The motion passed unanimously (5-0).

- Minutes of the November 12, 2015 Board Meeting.
- Minutes of the November 12, 2015 Special Meeting of the Board.
- Ratification of Retirement Payroll, Office Payroll, Other Payments and Withdrawals
- Ratification of Service Retirements for the month of November 2015.

ESG Quarterly Report

Jason Malinowski and Jill Johnson gave the ESG Quarterly Update for the fourth quarter.

Mr. Malinowski reviewed developments of other US public pensions regarding fossil fuel investments.

(Lou Walter arrived at 9:12 a.m.)

Mr. Malinowski reported that Corporate Knights and South Pole released a free tool that calculates performance over the past three years if an investment portfolio had been divested of fossil fuel companies. Staff ran the tool on SCERS public equity portfolio. The three year time period is very short. If you look at the effects since 1990, the return impact is immaterial but the standard deviation is higher for the divested portfolio.

Mr. Licata asked what analysis California and San Francisco are using.

Mr. Malinowski replied that staff did not know what San Francisco is using, but CalPERS is looking at the last 20 years. He stated that over the last five years coal companies have lost 90%, while the S&P 500 Index is up 90%, but just looking at recent performance may be inaccurate. It is difficult to extrapolate what will happen in the future.

Mr. Nakatsu said that Japanese equities are down 9% since 1990 while the S&P 500 Index is up more than 800%, but no one would argue to divest from Japanese equities.

In terms of other items on the ESG Quarterly Update, Mr. Malinowski said that State Street Global Advisors launched the first fossil free ETF about a week ago.

Ms. Johnson reported that Mr. Nakatsu attended the INCR roundtable for plan sponsors and investment consultants in October 2015. SCERS rejoined the Council of Institutional Investors (CII) which is focused on the governance part of ESG. Ms. Johnson attended the CII three-day Fall Conference.

Ms. Johnson said that since February 2015, members of SCERS staff have participated in 41 meetings, events, and calls devoted to ESG matters.

SCERS joined 400 other investors in signing the Global Investor Statement on Climate Change.

SCERS staff has hired Mercer to produce ESG-focused research reports on finalists from the infrastructure RFP.

Mr. Malinowski reported that staff was approached by Friends of the Earth about Dimensional Fund Advisors' exposure to Southeast Asian companies involved with palm oil production and deforestation. Mr. Malinowski stated that NEPC is scheduled to provide an ESG update at the February 2016 Investment Committee meeting.

Mr. Licata asked what the next steps were related to ESG.

Mr. Malinowski responded that in February 2015, NEPC identified seven (7) reasons why SCERS should not divest. They are currently assessing if these reasons still hold..

Mr. Licata requested a memo to the Board about the nature of NEPC's February 2016 ESG review.

Executive Session – Capital Points Litigation

The Board of Directors entered into Executive Session at 9:30 a.m. for approximately 15 minutes to discuss current litigation.

Executive Session was closed and the Board of Administration meeting re-entered regular session at 9:42 a.m.

Capital Point Partners, LP Proposed Settlement Agreement (Staff)

Motion: Upon motion of Lou Walter, seconded by Nick Licata, the Board of Administration accepted the Investment Committee's recommendation to give Staff the authority to work with legal counsel to pursue a settlement with the defendants in the litigation case of Capital Link Fund I, LLC et al. v. Capital Point Management, LP et al. as agreed to by the majority of Limited Partners in Capital Point Partners, L.P. The motion passed unanimously (6-0)

Administrative Committee Report – November 19, 2015

Jean Becker reported on the November 19, 2015 Administrative Committee (AC) meeting. Ms. Becker stated that the AC reviewed board charters and identified several to review for updating as well as updating the strategic plan and beginning a board self-evaluation process.

Ms. Becker said that a consultant would be helpful to help plan a timeline and process so that the new Executive Director (ED) can hit the ground running. She stated that Mr. Harvey has been working on the board self-evaluation process and benchmarking it against other organizations. It may be helpful for the consultant to assist with the board self-evaluation process also.

The AC would like to recommend to the Board that it add resources for strategic planning, and recommend that Mr. Nakatsu look at various approaches on how to move forward with strategic planning. Ms. Becker stated that this is a discussion item and there is no need for a motion. Ms. Becker would like options presented at the January 2016 board meeting.

Staff will also provide a list of accomplishments that identify which current strategic plan objectives the accomplishments correspond to. Ms. Becker noted that SCERS has made a lot of progress towards the strategic plan objectives and it was a good time to add any new ones.

Investment Advisory Committee Charter and Investment Advisory Committee Appointment

Mr. Malinowski reviewed the proposed changes in the Investment Advisory Committee (IAC) Charter that had been recommended by the Administrative Committee. Changes include:

- Adding a process for the recruitment and selection of new IAC members
- Revising the duties of IAC members
- Changing the IAC member term from 2 to 3 years

Motion: Upon motion of Nick Licata, seconded by Robert Harvey, Jr., the Board of Administration accepted the Administrative Committee's recommendation to adopt the revised Investment Advisory Committee Charter. The motion passed unanimously (6-0).

Motion: Upon motion of Nick Licata, seconded by Lou Walter, the Board of Administration accepted the Administrative Committee's recommendation to reappoint Joseph Boateng, Alan Hess, and Dwight McRae to the Investment Advisory Committee with terms commencing on January 1, 2016. The motion passed unanimously (6-0)

Investment Committee Report – November 19, 2015

Tony Smith reported on the November 19, 2015 Investment Committee (IC) meeting. Mr. Smith stated that Don Stracke of NEPC presented the third quarter performance report. For the quarter, SCERS returned -5.3%, which was consistent with the policy index.

The market has been volatile with SCERS returning an estimated 0.5% year-to-date. This is a challenge since the actuarial return is 7.5%. High yield spreads have increased to well over 600 basis points and the market is anticipating an increase in defaults. Yet unemployment is down to 5%.

Robert Harvey, Jr. stated that Metro is looking for drivers, school districts can't find substitute teachers, McDonalds is hiring.

Mr. Harvey asked what it meant to the system if it has three years of flat performance.

Mr. Nakatsu replied that it will affect the City's budget.

Mr. Davis said that staff determines on an annual basis what the City's required contribution is to eliminate the underfunding in the amortization period, which is now 27 years. Last year it went down, this year it is flat.

Glen Lee stated that it also depends on NEPC's expected returns to the various asset classes. If NEPC anticipates some of the asset classes behaving much differently than before, it would impact the actuarial rate of return and the City's contribution rate.

Mr. Malinowski reported that Sherri Crawford, Tony Smith and he will attend NEPC's public fund workshop in January 2016. He said the early read is that asset class expected returns will be flat to slightly higher than last year.

Mr. Smith continued with his IC report. He stated that there is no change to the watch status for the PIMCO Total Return strategy.

Adams Street Partners also provided an update of SCERS's private equity portfolio.

Executive Director Report

Ken Nakatsu stated that there is an updated work plan. Work with ViTech will pick up in earnest in January 2016.

Mr. Davis stated ViTech staff was on-site this week and last week focusing on staff concerns and data conversion. Good progress was made and for the next three months will be working on planning, then implementation.

Mr. Nakatsu stated that the Pension Administration System (PAS) implementation is a three year process and will be the most significant operational development for employees and retirees.

He said that staff is also cleaning up the municipal code. If the second tier retirement plan is approved, it will need to be added to the code.

Mr. Davis reported on the dashboard and said that there has been improvement on the retirement estimate backlog.

In January and February, member services staff will be trained on the retirement estimate tools and the process. We want to maximize the productive time of the retirement specialists with less data manipulation and set up.

Mr. Malinowski stated that third quarter was a challenge, although SCERS is in line with its peers and the policy index.

Presentation

This board meeting is Nick Licata's last board meeting as chair of the board due to his retirement. Mr. Walter thanked Mr. Licata for his contributions to SCERS on behalf of all the board members and presented Mr. Licata with an engraved clock.

Mr. Nakatsu stated that SCERS really got a lot accomplished the last two years having Mr. Licata on board.

Mr. Licata said that the board members and staff are really committed to being thorough. He was feeling confident leaving the board.

Adjourn Meeting

Motion: The Board of Administration voted to adjourn the meeting at 10:41 a.m. The motion passed unanimously (6-0).



**Seattle City Employees' Retirement System
Board of Administration Special Meeting
Seattle Municipal Tower, Room 5539
(206) 386-1293**

Board of Administration Members:

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

SCERS Staff:

Ken Nakatsu, Interim Executive Director
Jeff Davis, Chief Finance/Operations Officer
Jason Malinowski, Chief Investment Officer
Tony Smith, Deputy Chief Investment Officer
Jill Johnson, Investment Strategic Advisor
Cecelia Chen, Investment Analyst
Nina Melencio, Office Administrator

Legal:

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

Minutes of Thursday, December 18, 2015

Board Members Present: Lou Walter (arrived at 8:37 a.m.), Glen Lee, Jean Becker, Robert Harvey, Jr., Sherri Crawford, Susan Coskey

SCERS Staff Present: Ken Nakatsu, Nina Melencio

Others Present: Kate Moore (SDHR), Linda Paul (the Search Partnership)

Susan Coskey called the meeting to order at 8:25 a.m.

Executive Session

The Board of Directors entered into Executive Session at 8:25 a.m. for approximately three (3) hours for the purposes of evaluating the qualifications of an applicant for public employment.

Executive Session was closed and the Board of Administration meeting re-entered regular session at 10:39 a.m.

Adjourn Meeting

Motion: Upon motion of Sherri Crawford, seconded by Lou Walter, the Board of Administration voted to adjourn the special meeting at 10:39 a.m.. The motion passed unanimously (6-0).