

2021 ANNUAL REPORT TO MEMBERS

Putting Together The Retirement You Deserve

Dear Valued Member:

Retirement security is an important benefit provided to our members after a career in public service with the City of Seattle, and the Seattle City Employees' Retirement System (SCERS) is here to support you as you complete this part of your life puzzle. Over the last several years, we have all watched the investment markets swing, especially in the current year. This can be nerve-wracking, but I want to take this opportunity to remind you that as a member of SCERS you are part of a defined benefit pension plan. This means that when you retire, you will not bear the risk of outliving your retirement benefits or that your retirement income will ever be reduced because of investment performance. SCERS is here to ensure that you receive the retirement benefits promised.

I am pleased to present the *2021 Annual Report to Members*. This report provides a summary of SCERS's financial health, investment performance, and key accomplishments for the last calendar year. It includes a snapshot of the detailed information contained in the Annual Financial Audit Report and Actuarial Valuation, both of which can be found on SCERS's website, www.seattle.gov/retirement.

Looking Back

Pandemic concerns and adjusted operations continued through calendar year 2021 and SCERS continued to remotely serve its members through email, phone, mail, and video conferences. Last year continued to be strong for SCERS's investment returns, and at the close of 2021, SCERS had more than \$4.1 billion in net assets (up from \$3.6 billion in 2020). We are all pleased with these great returns, but I want to emphasize that we do not count on this kind of investing environment every year. We know that markets go up and down. As a long-term investor, our job is to make sure we have a carefully considered plan to strengthen our fund no matter the economic climate.

Looking Forward

As the world, the City, and SCERS returns onsite and establishes a new normal, SCERS is dedicated to continuing to grow and improve its service to its members. In 2022, SCERS's priority focus is on customer service, addressing service request backlogs, and reducing turn-around times.

Thank you for your hard work with the City, please stay safe and healthy, and the SCERS Team is honored to be part of your retirement picture.

Sincerely,



Jeffrey S. Davis
Executive Director



INTRODUCTION

About SCERS

SCERS provides retirement benefits to non-uniformed, City of Seattle employees and serves more than 19,000 members.

SCERS's Mission

Fulfill the promise made to our members by delivering the retirement benefits they have earned.



Values

Excellence: We strive to produce the best outcomes for our members while fostering the human resources and the quality of the processes needed to reach these outcomes.

Stewardship: We safeguard the information and resources entrusted to us by our members and also care for and cultivate our team to best meet our commitments.

Integrity: We bring the highest level of transparency, respect, fairness, and equity to all our interactions with our members, stakeholders, and ourselves.

Accountability: We own our commitments, and we take responsibility for the personal growth necessary to continue to meet these commitments.

Service: We dedicate ourselves to meeting the needs of and creating the best experience for our members in their interactions with the Retirement System. We are considerate and understanding of our members and of each other.

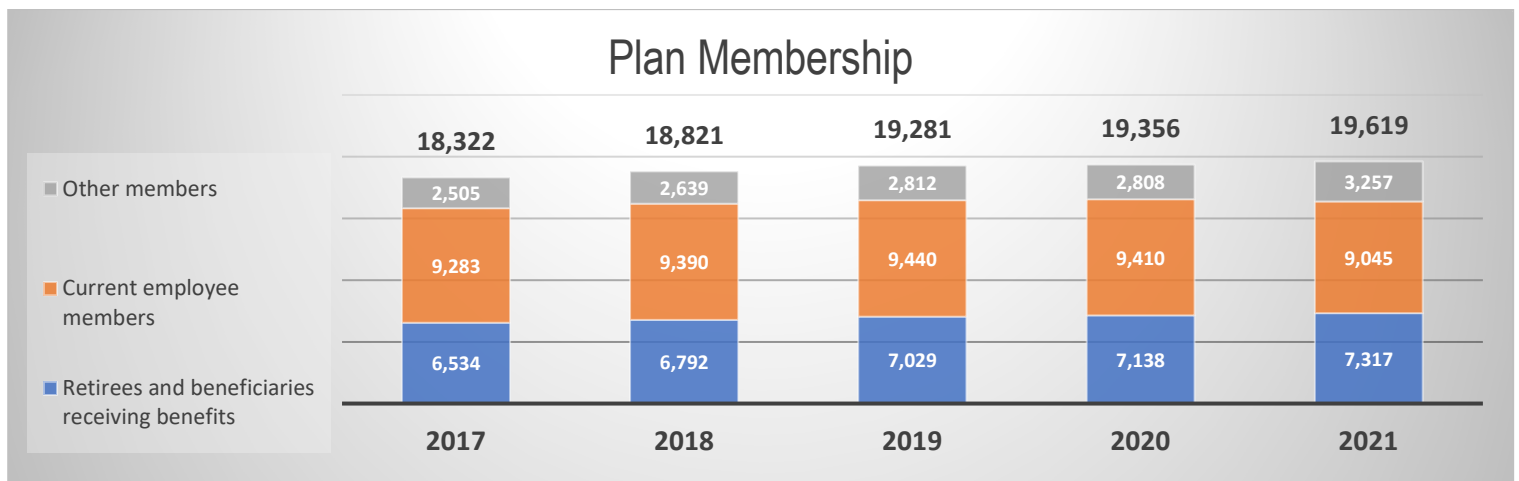
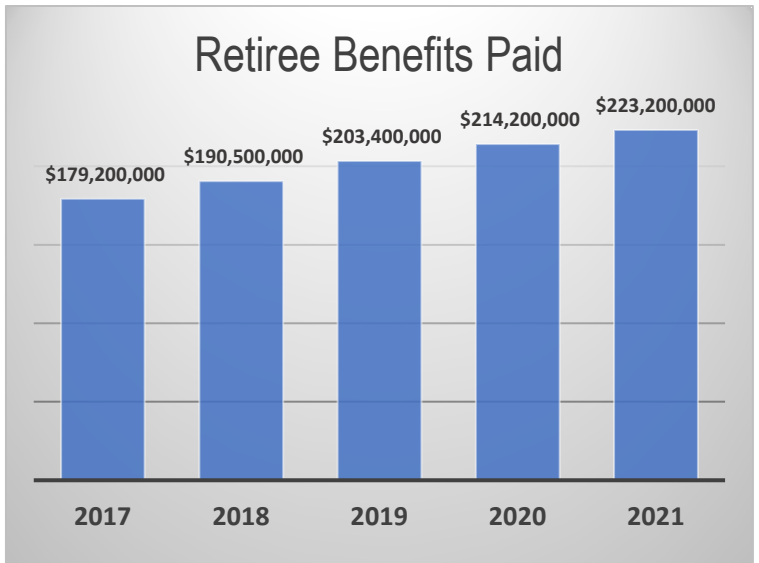
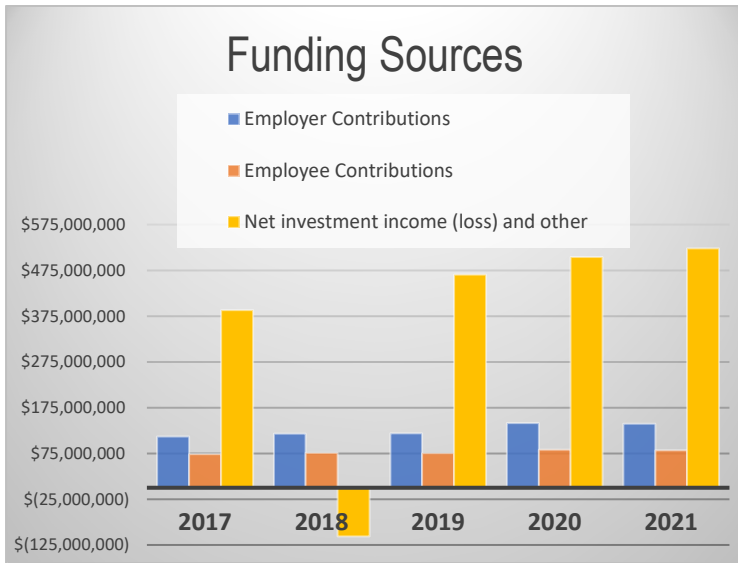
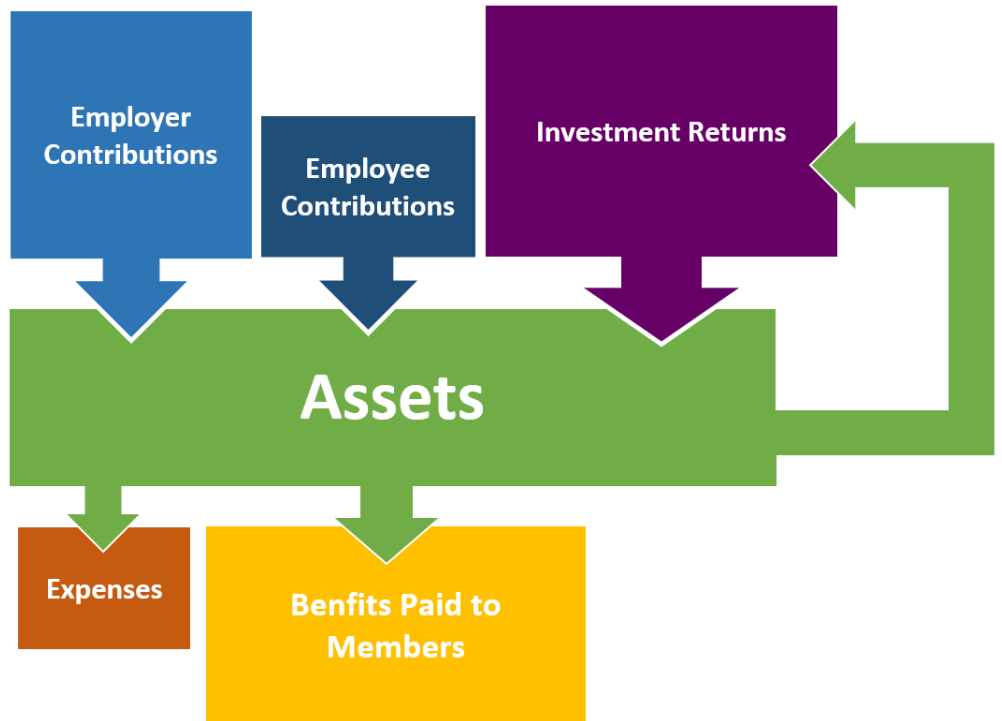
Cooperation: We prioritize the sharing of information and resources to create a stronger team and become a more effective service provider.

Trust: We cultivate trust at every level of the organization in order to uphold our integrity, to create a safe environment for risk and innovation, and to bring out the best in each other.

As part of a defined benefit pension plan, retirees do not bear the risk of outliving their retirement benefits or that investment performance will reduce their retirement income.

PLAN OVERVIEW

Did you ever wonder where the money comes from to pay retirees?



INVESTMENT OVERVIEW

2021 net assets totaled over \$4.1 billion, a \$493.3 million increase from 2020



SCERS's investment performance is on pace with the strategic benchmark

Where Retirement Funds are Invested

Equity: 62%

Ownership stakes in companies that are listed on a public stock exchange or privately owned.

- Public Equity: 49%
- Private Equity: 13%

Fixed Income: 27%

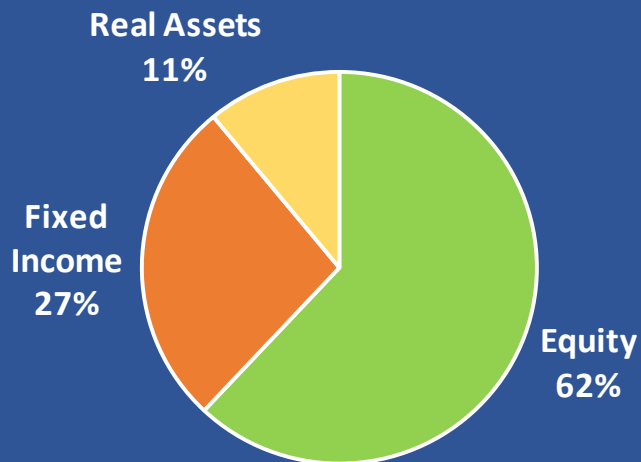
Debt investments where the borrower may be governments, companies, or other parties.

- Core Fixed Income: 20%
- Credit Fixed Income: 7%

Real Assets: 11%

Tangible investments that produce inputs into the economy.

- Real Estate: 9%
- Infrastructure: 2%



| | Net of Fees | | | | Gross of Fees | | |
|----------------------------|-------------|-------------|-------------|--------------|---------------|--------------|--------------|
| | 1 year (%) | 3 years (%) | 5 years (%) | 10 years (%) | 15 years (%) | 20 years (%) | 30 years (%) |
| SCERS Total Fund | 16.8 | 15.5 | 11.4 | 9.8 | 6.5 | 7.2 | 7.6 |
| Strategic Policy Benchmark | 16.3 | 15.8 | 11.6 | 10.2 | 7.0 | 7.3 | 7.9 |

FINANCIAL SNAPSHOT

SEATTLE CITY EMPLOYEES' RETIREMENT SYSTEM

Fiduciary Net Position

DECEMBER 31, 2021

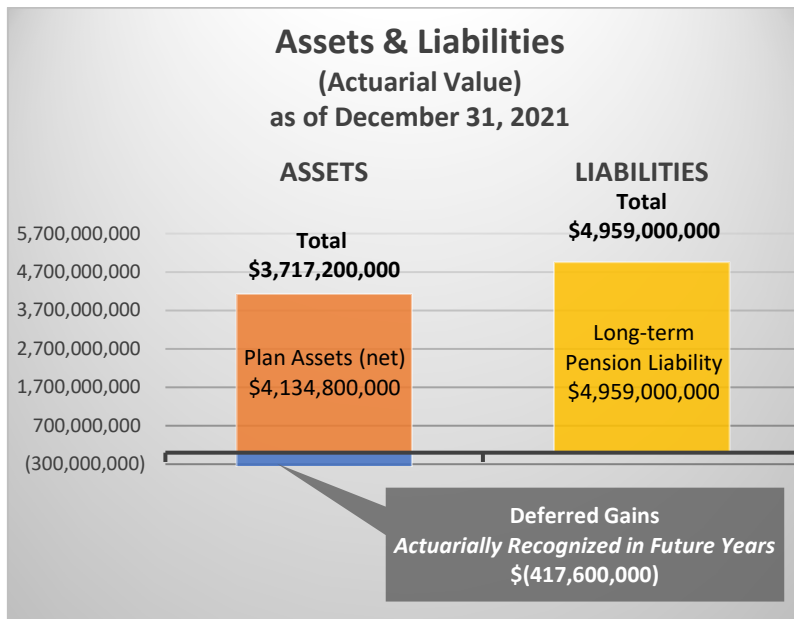
Assets:

| | |
|---|----------------------|
| Cash and cash equivalents and receivables | \$ 437,546,128 |
| Investments at fair value | 3,912,537,754 |
| Securities Lending Collateral | 8,490,499 |
| Prepaid Expenses | 393,445 |
| Total Assets | 4,358,967,826 |

Liabilities:

| | |
|----------------------------|--------------------|
| Securities lending payable | 8,490,397 |
| Other payables | 215,695,450 |
| Total Liabilities | 224,185,847 |

Total fiduciary net position \$ 4,134,781,979



Unfunded Liability

\$1.24 billion

Unfunded liability is the difference between long-term liabilities and current assets. Every year the City makes contributions to ensure this liability will be met by 2042

SEATTLE CITY EMPLOYEES' RETIREMENT SYSTEM

Changes in Fiduciary Net Position

FOR THE YEAR ENDED DECEMBER 31, 2021

Additions:

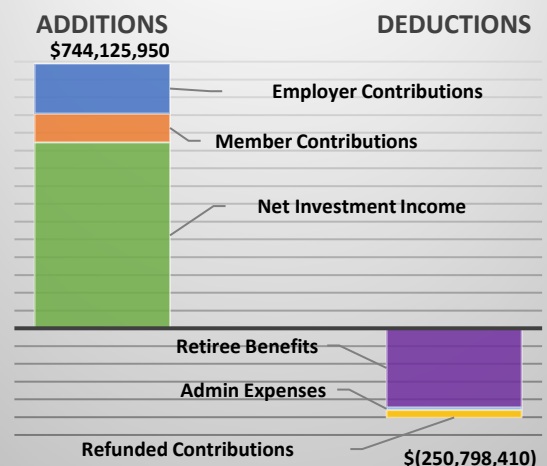
| | |
|--|--------------------|
| Employer contributions | \$ 139,664,957 |
| Member contributions | 81,682,256 |
| Net investment income and other income | 522,778,737 |
| Total additions | 744,125,950 |

Deductions:

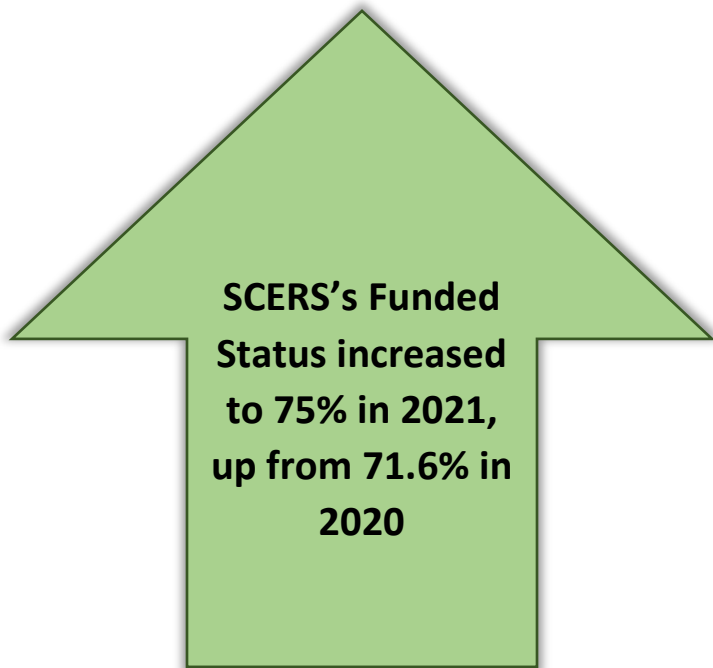
| | |
|--------------------------|--------------------|
| Retiree benefits | 223,168,101 |
| Refunds of contributions | 20,954,178 |
| Administrative expenses | 6,676,131 |
| Total deductions | 250,798,410 |

Net increase (decrease) \$ 493,327,540

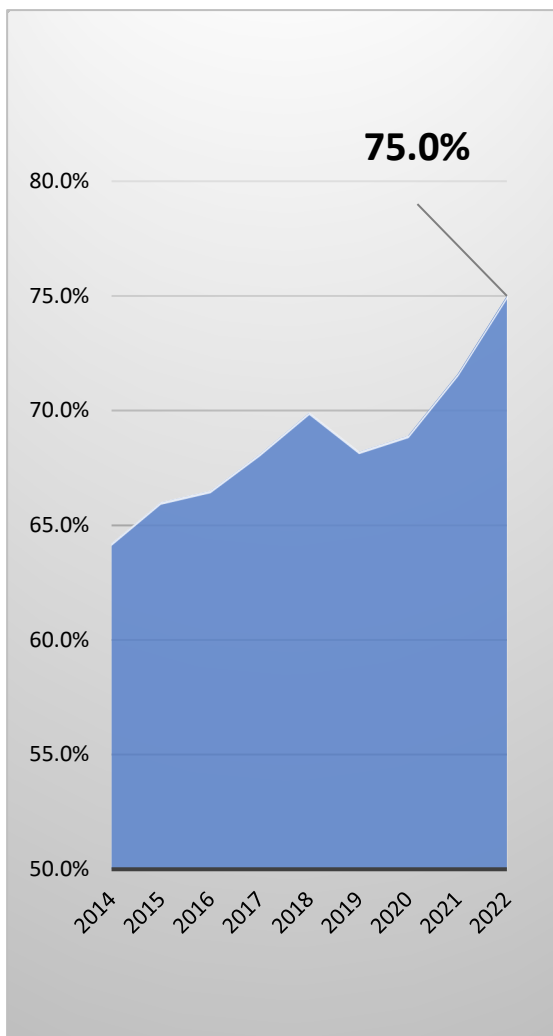
2021 Additions & Deductions



FUNDING STATUS



| Year | Funding Status |
|------|----------------|
| 2022 | 75.0% |
| 2021 | 71.6% |
| 2020 | 68.9% |
| 2019 | 68.2% |
| 2018 | 69.9% |
| 2017 | 68.1% |



Staying on Target

SCERS plans to be fully-funded by 2042

This is achieved by:

- A carefully planned and executed investment program
- Conducting an Experience Study that evaluates and adjusts economic & demographic assumptions every 4 years to ensure projections are realistic

Assumptions were updated in 2022. The next update is in 2026.








- Annually adjusting the City's required contribution to ensure the long term liability will be met
- The City's commitment to always meet the annually required contribution (Council Resolution No 31474)
- In 2017, the City implemented a 2nd tier to the plan (SCERS 2)



STRIVING FOR BEST-IN-CLASS CUSTOMER SERVICE

The Member Self-Service (MSS) Portal that was rolled out in 2020 really picked-up in 2021. By the end of 2021, there were over 7,100 members using the MSS portal (up from 4,200 users in 2020). The MSS Portal provides members with direct access to their retirement information, including a benefit calculator.

Throughout 2021, the SCERS Member Service team also was busy providing information and virtual services to members. Below is a summary of some of the services that were provided in 2021.

| | | |
|---|-------|--|
|  | 524 | new members were added to the Plan |
|  | 415 | members retired from the plan |
|  | 1,197 | benefit estimates were prepared for members |
|  | 183 | service credit purchases were completed |
|  | 195 | withdrawals were processed and paid |
|  | 182 | survivorship payments were created |
|  | 19 | seminars, benefit fairs, & orientations were held serving 546 members |

SCERS also conducted a member satisfaction survey in 2021 to gauge satisfaction with SCERS's services and identify areas for improvement. Feedback from this survey has SCERS focusing on its customer service, addressing service request backlogs, and reducing turn-around times in 2022.

CALCULATING YOUR BENEFIT

Every member's vision of retirement is unique.

The defined benefits provided by SCERS 1 and SCERS 2 can help you plan for your future

Both plans provide benefits based on years of service and retirement age that can be estimated by you for use in initial planning. SCERS 1, additionally, provides you with the greater of the service/age calculation or two-times match of your Accumulated Contributions with Interest.

For a formal estimate contact SCERS



SCERS Plan 1 (You are a SCERS Plan 1 member if you have membership eligibility before January 1, 2017)

How to use this chart:

1. Find your estimated years of service at retirement on the left and the age when you plan to retire along the top
2. Multiply the number where the selected column and row intersect by your years of service. The result is stated as a percentage.
3. Multiply the percentage calculated above by the highest salary you received consecutively over 52 pay periods (roughly two years)

| Years of Service | Retirement Age | | | | | | | | | | | | | |
|------------------|----------------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| | 52 | 53 | 54 | 55 | 56 | 57 | 58 | 59 | 60 | 61 | 62 | 63 | 64 | 65 |
| 28 plus | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 |
| 27 | 1.90 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 |
| 26 | 1.80 | 1.90 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 |
| 25 | 1.70 | 1.80 | 1.90 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 |
| 24 | 1.60 | 1.70 | 1.80 | 1.90 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 |
| 23 | 1.50 | 1.60 | 1.70 | 1.80 | 1.90 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 |
| 22 | 1.40 | 1.50 | 1.60 | 1.70 | 1.80 | 1.90 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 |
| 21 | 1.30 | 1.40 | 1.50 | 1.60 | 1.70 | 1.80 | 1.90 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 |
| 20 | 1.20 | 1.30 | 1.40 | 1.50 | 1.60 | 1.70 | 1.80 | 1.90 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 |
| 10-19 | | | | | | 1.52 | 1.58 | 1.64 | 1.70 | 1.76 | 1.82 | 1.88 | 1.94 | 2.00 |
| 5-9 | | | | | | | | | | | 1.82 | 1.88 | 1.94 | 2.00 |

Example: The chart shows that at age fifty-eight with twenty-five years of creditable service, your factor would be two. Your years of service, twenty-five, multiplied by your factor, two, equals 50 percent. Then, multiply 50 percent by your monthly compensation (let us say it's \$2,000), and the rough estimate of your SCERS Plan 1 monthly benefit at age fifty-eight would be \$1,000.



CALCULATING YOUR BENEFIT

SCERS Plan 2 (You are generally a SCERS Plan 2 member if you were hired on or after January 1, 2017)

How to use this chart:

1. Find your estimated years of service at retirement on the left and the age when you plan to retire along the top
2. Multiply the number where the selected column and row intersect by your years of service. The result is stated as a percentage.
3. Multiply the percentage calculated above by the highest salary you received over 130 pay periods (roughly five years)

| Years of Service | Retirement Age | | | | | | | | | | |
|------------------|----------------|------|------|------|------|------|------|------|------|------|------|
| | 55 | 56 | 57 | 58 | 59 | 60 | 61 | 62 | 63 | 64 | 65 |
| 30 plus | 1.75 | 1.75 | 1.75 | 1.75 | 1.75 | 1.75 | 1.75 | 1.75 | 1.75 | 1.75 | 1.75 |
| 29 | 1.68 | 1.75 | 1.75 | 1.75 | 1.75 | 1.75 | 1.75 | 1.75 | 1.75 | 1.75 | 1.75 |
| 28 | 1.61 | 1.68 | 1.75 | 1.75 | 1.75 | 1.75 | 1.75 | 1.75 | 1.75 | 1.75 | 1.75 |
| 27 | 1.54 | 1.61 | 1.68 | 1.75 | 1.75 | 1.75 | 1.75 | 1.75 | 1.75 | 1.75 | 1.75 |
| 26 | 1.47 | 1.54 | 1.61 | 1.68 | 1.75 | 1.75 | 1.75 | 1.75 | 1.75 | 1.75 | 1.75 |
| 25 | 1.40 | 1.47 | 1.54 | 1.61 | 1.68 | 1.75 | 1.75 | 1.75 | 1.75 | 1.75 | 1.75 |
| 24 | 1.33 | 1.40 | 1.47 | 1.54 | 1.61 | 1.68 | 1.75 | 1.75 | 1.75 | 1.75 | 1.75 |
| 23 | 1.26 | 1.33 | 1.40 | 1.47 | 1.54 | 1.61 | 1.68 | 1.75 | 1.75 | 1.75 | 1.75 |
| 22 | 1.19 | 1.26 | 1.33 | 1.40 | 1.47 | 1.54 | 1.61 | 1.68 | 1.75 | 1.75 | 1.75 |
| 21 | 1.12 | 1.19 | 1.26 | 1.33 | 1.40 | 1.47 | 1.54 | 1.61 | 1.68 | 1.75 | 1.75 |
| 20 | 1.05 | 1.12 | 1.19 | 1.26 | 1.33 | 1.40 | 1.47 | 1.54 | 1.61 | 1.68 | 1.75 |
| 19 | | | 1.12 | 1.19 | 1.26 | 1.33 | 1.40 | 1.47 | 1.54 | 1.61 | 1.75 |
| 18 | | | 1.05 | 1.12 | 1.19 | 1.26 | 1.33 | 1.40 | 1.47 | 1.61 | 1.75 |
| 17 | | | 0.98 | 1.05 | 1.12 | 1.19 | 1.26 | 1.33 | 1.47 | 1.61 | 1.75 |
| 16 | | | 0.91 | 0.98 | 1.05 | 1.12 | 1.19 | 1.33 | 1.47 | 1.61 | 1.75 |
| 15 | | | 0.84 | 0.91 | 0.98 | 1.05 | 1.19 | 1.33 | 1.47 | 1.61 | 1.75 |
| 14 | | | 0.77 | 0.84 | 0.91 | 1.05 | 1.19 | 1.33 | 1.47 | 1.61 | 1.75 |
| 13 | | | 0.70 | 0.77 | 0.91 | 1.05 | 1.19 | 1.33 | 1.47 | 1.61 | 1.75 |
| 10-12 | | | 0.63 | 0.77 | 0.91 | 1.05 | 1.19 | 1.33 | 1.47 | 1.61 | 1.75 |
| 5-9 | | | | | | 1.05 | 1.19 | 1.33 | 1.47 | 1.61 | 1.75 |

Example: The chart shows that at age fifty-eight with twenty-five years of creditable service, your factor would be 1.61. Your years of service, twenty-five, multiplied by your factor, 1.61, equals 40.25 percent. Then, multiply 40.25 percent by your final compensation (let's say it's \$2,000), and the rough estimate of your SCERS Plan 2 monthly benefit at age fifty-eight would be \$805.



MEET YOUR BOARD

Teresa Mosqueda
Board of Administration Chair

Kimberly Loving
Board of Administration Secretary
Interim Seattle Department of Human Resources Director

Jamie Carnell
Board of Administration Treasurer
Interim City of Seattle Finance Director

Robert Harvey, Jr.
Board Appointee
Term: July 1, 2020 - June 30, 2023

Judith Blinder
Elected Active Member
Term: July 1, 2020 - June 30, 2022

Sherri Crawford
Elected Active Member
Term: July 1, 2021 - June 30, 2024

Lou Walter
Elected Retiree Member
Term: July 1, 2020 - June 30, 2023

Non-current Board Members that were active during 2021

Glen Lee (through July 2022)
Board of Administration Treasurer

Bobby Humes (through July 2021)
Board of Administration Secretary

The SCERS Board of Administration welcomes attendance and comments from the public at its monthly meetings, which can be attended in-person or virtually. Meeting schedules and agendas are available at <http://www.seattle.gov/retirement/about-us/calendar>. Members of the public can submit public comment via email using the instructions on the agendas available at the web address above.

WANT TO KNOW MORE?



Visit us on the web at www.seattle.gov/retirement for information on calculating your benefit, frequently asked questions, the latest SCERS news, financial information, registration for upcoming seminars, board information and all things SCERS!



e-mail

retirecity@seattle.gov



Call

(206) 386-1293



Write

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



Fax

(206) 386-1506



Visit*

720 Third Avenue, Suite 900
Seattle, WA 98104

*Please see our website for the updates on office closures, hours, and precautions we are taking to keep you and your loved ones safe