

Minutes

**Seattle City Employees' Retirement System
Regular Board Meeting**

**Wednesday, December 3, 2008 - 9:00 a.m.
Pacific Building, 10th Floor**

Present: Jean Godden, Dwight Dively, Mark McDermott, Lou Walter, Mary Norris, and Rod Rich.

Absent: Frank Mathews.

Also Present: Carlton Seu, City Attorney's Office; Mike Monaco, Song Mondress; Bill Gilmore, retiree; Joan James, active member; Tracey Monroe, TCW; representatives from Save Darfur of University of Washington; and Cecelia M. Carter, SCERS.

With Dwight Dively acting as Chair, the Meeting was called to order at 9:03 am

Public Comment: Mr. Ned Leskowski of Save Darfur / University of Washington commented regarding the initial request to SCERS to divest from the Sudan, and the Investment Committee's recommendation to the Board, and requested that the Board consider one of the other options for action presented to the Investment Committee. Another representative from the group discussed the political history of the Sudan and the current events regarding the President of the country. He further mentioned there is a current campaign to inform Secretary of State Elect on the situation in the Sudan.

Mr. Gilmore asked for an explanation of the System's funding level and what that means. Mr. Dively answered Mr. Gilmore's questions and concerns.

Ms. James asked why it is customary to run an audit for the active membership every other year. Mr. Dively again responded and answered her questions and concerns.

Ms. Godden arrived to the meeting at 9:04am and assumed the Chair.

Minutes:

Upon motion by Rod Rich, seconded by Mary Norris, the Retirement Board approved the minutes from the November 5, 2008 Retirement Board meeting.

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

Information: The following items represent normal expenses and nothing extraordinary.

Service	\$7,769,934.70
Beneficiary	\$87,409.30
Disability	\$74,241.90

Pension Payroll – November 30, 2008 **\$8,731,585.90**

Office Payroll - pay periods ending October 28 & Nov 11, 2008 \$42,349.14

Vouchers Processed – October 1 - 31, 2008 **\$ 482,880.24 ***

* \$ 405,425.38 Expert and Consultant Services

Immediate Withdrawal of Contributions:

Member	Department	Position
Avlonitis, Kiriaky Carrie	Muni Court	Court Clerk
Joseph, Jennifer M	Parks	Rec Leader
Considine, Lorna L	Parks	Rec Leader
Enge, Bryant M	SDOT	Executive 2

Faulkner, Maria H	Parks	Lifeguard
Lemay, Kimberly J	Parks	Rec Leader
Garcia, Monsais	Law	Attorney, Assitant
Cuero, Patricia	Personnel	Strategic Advisor 3
Xu, Mei S	DPD	Personnel Sepcialist
Reich, Maxwell T	Parks	Sr.Lifeguard
Knight, Carl L	Muni Court	Bailiff
Shim, Edna C	Legisilative	Legislative Aid
McGuire, Sheri Lynn	Light	Utility Laborer
Mittelbach, Renata	Police	Student Officer
Hicks, Damlen L	Parks	Rec Leader
Wellington-Cheatham Gennia Marie	Parks	Personnel Sepcialist
Abene, Catherine Lee	SDOT	Manager 3
Tran, Arlene	Light	Accounting Tech 111
Durfee, Casey S	Library	SR.System Analyst
Maxwell, Kyle D	Parks	Beach and Pool Manager
Mahood, Tricia L	Police	Dispatcher 11
Freitas, Calvin D	Muni Court	Admin Spec 11
Kuoppala, Eric F	Library	Driver
Niquet, Stephane William	Light	Information tech Prof B

24 Withdrawals for a total of: \$340,820.80

Motion: Upon motion by Dwight Dively, seconded by Lou Walter, the Retirement Board ratified the Retiree Payroll, Office Payroll, other Payments and Withdrawals.

Ratification of Service Retirements:

Information: The following list represents the retirements that have been processed since the last Retirement Board meeting.

<u>Member</u>	<u>Retired</u>	<u>Years</u>	<u>Days</u>	<u>Department</u>	<u>Position</u>	<u>Age</u>
Ferrari, Mary E	10.15.2008	19	178	DEA	Accountant	63
Harris, Johnny E	10.15.2008	35	67	City Light	Executive 2	55
Hendrick, Ralph G	10.02.2008	9	124	City Light	Electrician	55
Hughes, Robert A	10.01.2008	7	338	Vested		62
Leonard, Gloria J	10.02.2008	29	181	Library	Executive 2	61
Malmquist, Susan K	10.29.2008	6	339	Parks	Rec Leader	63
Moon-Jordan, Abigail	10.15.2008	17	213	Health Dept	Social Worker	63
Morrison, Charles A	11.04.2008	26	307	SDOT	Manager II	54
Mueller, Susan Fuller	10.02.2008	22	351	SDOT	Strat Advsr 2	65
Patterson, Daniel S	11.04.2008	15	60	Vested		57
Shockey, Willard L	10.09.2008	16	302	Fire Dept	Info Tech Prof	64
Smart, Diane A	10.15.2008	14	332	SDOT	Payroll Supv	64
Turla, Buenaventura S	10.04.2008	20	42	DEA	Sr Accountant	71
Vincent, Gerrone A	10.27.2008	15	236	Vested		57

Motion: Upon motion by Lou Walter, seconded by Dwight Dively, the Retirement Board approved the service retirements listed above, pending final review.

Last month 52 new members entered the System, 14 retired from the System, there was 1 retirement continuation due to death of retiree, 24 others terminated City employment.

Ratification of Investment Transactions and Statement of Securities and Cash:

Information: Provided in the Retirement Board packet is the Investment Summary report that represents the transaction summary and the market value of the investments as of October 31, 2008. (*Attachment #2*)

Motion: Upon motion by Lou Walter, seconded by Dwight Dively, the Retirement Board accepted the Investment Summary report.

Investment Committee Report:

Ms. Carter reported the next investment committee meeting will be Thursday, January 29, 2009. The Committee will not meet in December.

She further reported the November Investment Committee meeting was held November 20, 2008 and included participation from the Investment Advisory Committee. The investment consultant (Pension Consulting Alliance) gave the quarterly review for the period ending September 30, 2008. The following paragraph summarizes the report:

“During the most recent quarter, the SCERS Total Portfolio underperformed the policy benchmark return by (90) basis points. During this difficult and tumultuous time with the market shaken by the credit crisis, SCERS portfolio has held up relatively well during the quarter, due primarily to the relatively good performance of its Domestic Equity (36% of the portfolio) and International Equity (16% of the portfolio) portfolios. Over the latest 1-year period, the SCERS portfolio trailed the policy benchmark by (2.2%) per annum. Underperformance during the trailing 1-year period can be mainly attributed to poor manager performance within the Plan’s Fixed Income, Real Estate, Alternatives, and Mezzanine portfolios. Over the latest 3- and 5-year periods, the portfolio underperformed its policy benchmark by (90) and (20) basis points per annum, respectively.”

The Seattle City Employees’ Retirement System (SCERS) portfolio had an aggregate value of \$1.8 billion as of September 30, 2008.

Ms. Carter further outlined the portion of the Investment Committee meeting whereby the Committee reviewed its policy direction with regards to the divestment. She explained the Committee recommends the following policy to be accepted by the Board.

Motion: Upon motion by Lou Walter, seconded by Dwight Dively, the Retirement Board accepted the Investment Committee’s recommendation to adopt the following policy concerning geopolitical and social issues with regards to plan investments and have such incorporated into the SCERS Investment Policy.

RECOMMENDED POLICY

Geopolitical and Social Issues

The Retirement Board shall maintain its fiduciary obligations to the members of the System as its top priority. This requires the Board to act prudently and in the exclusive interest of participants in the management of System assets. In light of this duty, the Retirement Board gives favorable consideration to investments in securities of companies that meet a high ethical and social standard of conduct in their operations that, in the long-term, are expected to result in superior investment performance. As a result, the Retirement Board expects that its portfolio managers will give consideration to the following geopolitical and social issues when investing in portfolio companies including, but not limited to, the following:

1. Respect for Human Rights

2. Respect for Civil Liberties
3. Respect for Political Rights
4. Discrimination Based on Race, Sex, Disability, Language or Social Status
5. Worker Rights
6. Environmental Effects and Impacts
7. War, Conflicts, and Acts of Terrorism
8. Any other issue of serious social or political concern

The Retirement Board further expects that its portfolio managers will inform the Retirement System concerning the facts and analysis employed in the consideration of the above with respect to portfolio investments. Investments will not be selected, rejected, or divested from based solely on geopolitical and social issues. The Retirement Board may, however, consider such issues to the extent that such issues bear on the financial advisability of the investment.

After this motion was passed, Mr. McDermott asked for the floor and presented to the Board a resolution he asked the Board to consider and pass. The resolution is intended not to circumvent investment policy, but to display the Board's acknowledgment of the situation currently taking place in the Darfur region of Sudan. After discussion regarding Mr. McDermott's original submission; the Board agreed upon the following language in the resolution.

**RESOLUTION SUBMITTED TO THE SEATTLE CITY EMPLOYEES RETIREMENT BOARD CALLING FOR THE
DIVESTMENT OF CITY RETIREMENT FUNDS**

**Submitted by Mark M. McDermott
December 3, 2008**

Whereas, in 2004, the United States Congress has issued a joint resolution that genocide exists in Darfur; and

Whereas, in 2007, the United States Congress passed the Sudan Accountability and Divestment Act of 2007 that states the following:

“It is the sense of Congress that the United States Government should support the decision of any State or local government to divest from, or to prohibit the investment of assets of the State or local government in, a person that the State or local government determines poses a financial or reputational risk...Notwithstanding any other provision of law, a State or local government may adopt and enforce measures that meet the requirements of subsection (e) to divest the assets of the State or local government in persons that the State or local government determines, using credible information available to the public, are conducting or have direct investments in business operations in power production activities, mineral extraction activities, oil-related activities, or the production of military equipment.”; and

Whereas, the Seattle City Employees Retirement System (SCERS) has credible information available to it that is also available to the public, that its investments include funds that include firms that have been identified as conducting direct investments in oil-related activities, power production, mineral extraction or production of military equipment; and

Whereas, the investment of retirement funds that will benefit current and past City employees in companies whose investments are helping to perpetuate genocide in Darfur is morally repugnant to the Retirement Board's sense of moral decency; and

Whereas, the SCERS Board has reviewed its policy on geopolitical and social issues and believes divestment from the Sudan is consistent with this policy:

BE IT RESOLVED, that the SCERS Board clearly states its opposition to genocide and its support for efforts around the world to stop the genocide; and

BE IT FURTHER RESOLVED, that the SCERS Board clearly states its opposition to having City retirement funds invested in companies that have direct investments or business activities in the Sudan in the following sectors: power production, oil-related activities, mineral extraction or production of military equipment; and

BE IT FURTHER RESOLVED, that the SCERS Board direct staff to take all necessary steps to direct investment managers to divest from companies with significant operations in power production, oil-related activities, mineral extraction, or production of military equipment in Sudan, and make no further investments in such firms until further notice from the Board; and

BE IT FURTHER RESOLVED, that the SCERS Board direct staff to reinvest the funds formerly invested in these companies in other investment funds.

At the close of this dialogue and passing of the resolution, Mr. Walter expressed his position on the issue of divestment and further he believed this resolution made a positive statement consistent with the Board's responsibilities to members of the system. Mr. McDermott continued with an expression that he was pleased at the passing of this resolution. Councilmember Godden reiterated Mr. Walter's and Mr. McDermott's expressions and thanked the Board for taking this matter under consideration and working through the process.

Motion: On motion of Lou Walter, seconded by Dwight Dively the Board requested the staff to develop an implementation plan for this policy change by the January Investment Committee meeting.

Executive Director Report:

- Employee buy-back report
 - As of November 20, 2008 -
 - 753 members requested participation in the buy back program
 - \$1,982,068.33 dollars were committed by employees to this program
 - \$1,872,964.31 dollars have been paid by the various departments (\$109,104.02 still due)
 - this represents 24.33% of eligible members participated in this program to date
 - participation paperwork will be accepted by the Retirement Office until close of business December 9, 2008 in order to avoid the additional interest payments

Old Business:

(1) Status of Benefit Enhancements

Information: The estimated current funding level of the Retirement Fund is: 67.55% as of October 31, 2008.

The above amount is an estimate calculated each month by the Retirement Office staff. As provided by Ordinance 120685, changes to the Floor COLA will occur once the funding level has reached at least 100% and has been confirmed by the Board after commissioning an actuarial valuation.

(2) Investment Policy Project

(3) Sudan Divestment Request [see Investment Committee Report above]

New Business:

(1) Executive Session

The Board reserves the right to enter into executive session if necessary.

Adjournment

Motion: Upon motion by Rod Rich, seconded by Lou Walter, the Retirement Board voted to adjourn the meeting at 10:40 am.

Mark McDermott, Secretary