



MINUTES

Board Members Present: Councilmember Tim Burgess; Robert Harvey; David Stewart; Glen Lee; Lou Walter; Sherry Crawford; Jean Becker

SCERS Staff Present: Cecelia M. Carter; Tony Smith; Jeff Davis; Claire Foster; Beverly Yapp; Lisa Carns

Others Present: Mike Monaco, Song Mondress Law Firm; Carlton Seu, Seattle City Attorney's Office; Nate Van Duzer, Council Staff; John McCoy, Legislative Central Staff; Tom Kirn; Finance and Administration; John Masterjohn, Retiree; Steve Viney, Retiree.

Councilmember Burgess, Board Chair called the meeting to order at 9am.

Public Comment: No public comment.

Administrative Consent Agenda

Minutes:

Provided in the Retirement Board packet was the minutes from the December 13, 2012 Retirement Board regular meeting.

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

Service	\$10,312,967.80
Beneficiary	\$907,470.37
Disability	\$76,173.65
Pension Payroll – PPE December 31, 2012	<u>\$11,296,611.82</u>

Office Payroll – PPE December 14 and 28, 2012	\$88,079.83
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Vouchers Processed – December 31, 2012	\$272,060.89
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- *Expert and Consultant Services – \$9,605.20
- *Investment Management Fees – \$176,471.48
- *Interdepartmental Charges - \$58,858.60
- *Miscellaneous - \$27,125.61

Immediate Withdrawals of Contributions for the month of December 2012:

Member	Department Name	Position
Alina, Kristopher S	Parks	Rec Leader
Batson, Tracy A	City Light	Admin Spec II
Bell, Vaughn E	Arts	Arts Prgm Spec Sr
Caros, Charmaine A	Personnel	Acct Tech II
Davis, Cory William	FAS	Strat Advr
Dizard, Lawrence D	City Light	Painter
Farmer, Jessica A	Exec	Strat Advr
Fitzpatrick, Kori A	City Light	Ofc Maint Aide
Galvez, Sherri L	SPU	Util Acct Rep I
Galvin, Daniel M	Parks	Cashier Sr
Holiday, Kaliha M	FAS	Cust Svc Rep
Hong, Thuy T	FAS	Plng & Dev Spec Sr
Ivory-Ndiaye, Angelo L	Library	Page
Kelly, Laura Yvonne	SPU	Admin Spec II
Krantz, Roger M	Seattle Center	Stage Tech
Morgenroth, Brian C	SPU	Civil Eng Sr

Member	Department Name	Position
Nakano, Kellie K	HSD	Program Supv Sr
Ovbiebo, Kehinde O	SDOT	Accountant
Yiu, Alice Kee-Ping	FAS	Mgmt Sys Anlyst Sr
Youngblood, Mark J	City Light	Hydro Op I

Bold entries above indicate refund payout made to beneficiary of a member dying while in active status.

Withdrawals for a total of: \$371,917.02

Ratification of Service Retirements for the month of December

Retiree	RetireDt	Years	Days	Age	DeptName	Position
Allen,Greg L	12/1/2012	18	118	64	Neighborhoods	Info Tech Prof C
Anderson,Sherry G	12/4/2012	25	135	66	SPU	Solid Wst Fld Rep,Lead
Baird,Gary O	12/5/2012	22	136	61	City Light	Hydro Op Chief
Booth,Richard L	12/4/2012	29	326	63	Parks	Maint Laborer
Brisbois,Dwight D	12/5/2012	30	45	62	SDOT	Civil Engrng Spec, Sr
Brooks,Renee T	12/5/2012	31	52	54	City Light	Real Property Agent Sr
Broom,David C	12/3/2012	17	312	66	Vested	Vested
Clemence,Doris	12/5/2012	13	58	64	City Light	Pwer Anlyst,Sr
Dahle,Carolyn J	11/20/2012	10	164	58	Vested	Vested
De Anguera,Paul G	12/5/2012	38	144	64	FAS	Info Tech Prof
Donnelly,Kevin S	12/5/2012	21	157	63	DPD	Civil Engrng Spec,Sr
Eisner,Nancy E	12/4/2012	26	223	59	Parks	Aquatic Cntr Coord
Hoover,Sidney D	12/4/2012	28	175	68	Municipal Courts	Prob Counsler II
Johnson,Debra A	12/1/2012	23	242	57	City Light	Manager 3
Larson,Michael C	12/5/2012	26	233	66	SDOT	Parking Pay Stat Tech
Schluter,Catherine A	12/5/2012	6	20	62	City Light	Info Tech Prof B
Sellers,Lillie H	11/21/2012	5	51	67	Municipal Courts	Admin Spec II
Siverson,Rodrick F	12/4/2012	34	350	62	City Light	Manager 3
Skiffington,Daniel D	11/17/2012	30	177	66	SPU	Maint Laborer
Ward,Michael D	12/5/2012	33	280	58	SPU	Drainage & Wstwr Coll Wkr I

For the month of December 2012: 34 new Members entered the System, 38 terminations, 20 Members retired in the System, 20 Members removed (\$23,287.21), 1 option C, 6 Option D/E continuation, 3 Option F, 2 over 60% benefit.

Motion:

Upon motion by Tim Burgess, seconded by Bob Harvey, the Retirement Board approved the below items contained in the Administrative Consent Agenda.

- Minutes of the December 13, 2012, Board Meeting
- Ratification of Retirement Payroll, Office Payroll, Other Payments and Withdrawals
- Ratification of Service Retirements for the month of December 2012

Executive Director Report:

Ms. Carter reported the contracts with PIMCO and Research Affiliates will be funded no later than February 2013.

Introduction of New Staff / Assignments

Ms. Carter introduced Claire Foster to the Board of Administration. Ms. Foster was hired into the IT Professional (A) position at SCERS. Ms. Foster transferred from the Finance and Administration Services Department on January 2, 2013.

Ms. Carter introduced Jeff Davis. Mr. Davis is on loan from the Department of Planning and Development to oversee the Accounting and Operations of SCERS.

Overview of SCERS Board of Administration 2013 Agenda Plan

Ms. Carter provided the Board with an outline of the 2013 projects and reports. The document includes expected deadline dates. The item noted was the Strategic Planning session. The Board asked Ms. Carter to schedule the Strategic Planning session for a half day in February.

Ms. Carter announced the upcoming 2013 conferences. The upcoming conferences include:

Council of Institutional Investments – Spring 2013: April 17-19, 2013

National Council of Public Employees Retirement Systems (NCPERS): May 18-23, 2013

Government Finance Officers Association Conference – June 2-5, 2013

Council of Institutional Investments – Fall 2013: September 25-27, 2013

Ms. Jean Becker arrived at 9:06am.

Ms. Carter announced she would follow-up with an email with the location and deadlines for each of the above conferences.

Overview of RFP's for 2013

Ms. Carter provided the Board with a scheduled outline of the 2013 RFP's. Ms. Carter reminded the Board that the contract with PCA expires June 2013. Ms. Carter requested the Board authorize the Executive Director to develop for review an RFP for an Investment Consultant to be presented to the Investment Committee on January 31, 2013 and to the Board of Administration at the February 14, 2013 meeting.

Motion: Upon motion by Tim Burgess, seconded by Lou Walter, the Retirement Board of Administration authorizes the SCERS Executive Director to develop for review an RFP for an Investment Consultant for review at the Investment Committee meeting on January 31, 2013 and at the Board of Administration meeting on February 14, 2013.

Ms. Carter reported the Custodial Services agreement with BNY Mellon expires April 30, 2014. Ms. Carter reminded the Board changing the custodian services requires the Staff begin drafting an RFP in June 2013.

2013 Furlough Program

Ms. Carter reported there seems to be confusion surrounding Council Bill 117617. SCERS Executive Management recommends the Board of Administration authorize staff to move forward with a proposed Amendment to Council Bill 117617. The proposed Amendment will define the repayment method under this and any future furlough programs that may be adopted by City Council to deduction of equivalent vacation or compensatory hours only. This redefinition of repayment method affects only Personnel HRIS having to deduct the equivalent number of hours from the affected member's vacation or compensatory accrued hours. The member is responsible for ensuring he or she has saved enough accrued hours of vacation and/or compensatory time to cover the period that should have been taken as a furlough day. John McCoy recommended that Personnel and the City Budget Office be included on the proposed changes. Councilmember Burgess requested the Executive Director include the Personnel Department and the City Budget Office in the discussions and ensure they agree with the proposed revisions. Councilmember Burgess also requested the proposed language is reviewed by the union representatives.

The Board of Administration requested an update on this subject matter at the February 14, 2013 Board of Administration meeting.

New Business

Governance Committee

Ms. Becker (Governance Committee Chair) reported the Governance Committee met January 8, 2013 from 10am – 12pm at the SCERS office. Present at the meeting were Jean Becker, Chair; Robert Harvey, Sherry Crawford, Cecelia Carter, John McCoy and Lisa Carns. Ms. Becker provided the Board of Administration with draft charters for the Board Chair, SCERS Executive Director and the Administrative Committee. Ms. Becker requested the Board of Administration review the charters and provide her with any feedback. Ms. Becker indicated she will request the attorney's review the charters as well. The next Governance Committee meeting is scheduled for January 24, 2013 at 9am. At this meeting the Committee will review the Charters for the Board of Administration Treasurer and Secretary and Delegation of Authority. Ms. Becker recommended to the Board of Administration that once the draft charters are complete that the Board meet to review. This could be an item at the Strategic Planning Session or a specific item at a Board of Administration meeting. The Board was reminded the Treasurer is Glen Lee by virtue of his position as Director of Finance and the Secretary is David Stewart by virtue of his position as Director of Personnel. Councilmember Burgess commended the Governance Committee for the great work.

IT Strategic Overview

Ms. Carter reported that the RBASE data system is not compatible with the Windows 7 upgrade. SCERS is working with DoIT to determine alternatives for this issue. SCERS has been moved down the list for the upgrade to the end of the 3rd Quarter. Staff is reviewing the operational systems (processing, reconciliations, calculating procedures). Claire Foster will work on a strategic plan for the Pension System Project and will report to the Board of Administration for approval.

Operations Overview

Mr. Jeff Davis reported he will be working as the Acting CFO for the SCERS department for about six months. He will oversee the Finance, Accounting and Operations. Mr. Davis' focus at this time are in the following areas: (1) staffing (roles and responsibilities); (2) review staff's workload and ensure adequate tools and training are provided; (3) review of the technology and system maintenance; (4) overall operations of SCERS (clear processes surrounding buy-backs, system replacement, and cash management).

There was dialogue between Board and SCERS staff. Mr. Davis reported he would work closely with the SCERS' Executive Director and provide the Board of Administrations with an outline of his recommendations.

Mr. Walter and Ms. Becker expressed their concern regarding the operating system. Ms. Foster responded that she will keep the Board of Administration updated on the process and outcomes.

Mr. Walter acknowledged Mr. Rodney (Rod) Rich's service on the Board of Administration. Mr. Rich served the Board of Administration from 2006 – 2012.

Councilmember Burgess announced at 9:30am that the Board would go into executive session to discuss a personnel matter until 10am.

At 10am a 15 minute extension was announced.
The Board resumed to public session at 10:20am.

Motion: Upon motion by Tim Burgess, seconded by Lou Walter, the Board of Administration (the "Board") retracts its earlier motion to develop an RFP for an Investment Consultant and instead directs the Executive Director to engage in discussion and negotiations for a one year extension on the Pension Consulting Alliance (PCA) consulting contract scheduled to expire June 30, 2013 (and to report status at the February 14th Board meeting). Additionally, the Board requested PCA to be present at the scheduled February 14, 2013 Board meeting to present an overview of SCERS' investment portfolio to include assessments of performance differences between the SCERS' portfolio and the Washington State Investment Board's Commingled Trust Fund as well as the University of Washington Foundation's Endowment Funds.

Adjournment:

Motion: Upon motion of Tim Burgess, seconded by Glen Lee the Retirement Board voted to adjourn the meeting at 10:23am.

David L. Stewart, Secretary



MINUTES

Board Members Present: Councilmember Tim Burgess; Robert Harvey; David Stewart; Glen Lee; Lou Walter; Sherry Crawford; Jean Becker

SCERS Staff Present: Cecelia M. Carter; Tony Smith; Jeff Davis; Claire Foster; Beverly Yapp; Lisa Carns

Others Present: Mike Monaco, Song Mondress Law Firm; Jeff Slayton, Seattle City Attorney's Office; Neil Rue, PCA; Mike Moy, PCA; Nate Van Duzer, Council Staff; John McCoy, Legislative Central Staff; George Emerson, FAS; Patti Kieval, Local 17; Jessica Wang, FAS; Justin Natali, City Personnel; Steve Viney, Retiree.

Councilmember Burgess, Board Chair called the meeting to order at 9:03am.

Public Comment: No public comment.

Administrative Consent Agenda

Minutes:

Provided in the Retirement Board packet was the minutes from the January 10, 2013 Retirement Board regular meeting.

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

Service	\$10,462,782.90
Beneficiary	\$918,601.53
Disability	\$76,173.65
Pension Payroll – PPE January 31, 2013	\$11,457,558.08

Office Payroll – PPE January 15 and 29, 2013 **\$96,419.73**

Vouchers Processed – January 31, 2013 **\$364,727.09**

- *Expert and Consultant Services – \$56,179.30
- *Investment Management Fees – \$162,525.52
- *Interdepartmental Charges - \$94,412.57
- *Miscellaneous - \$51,609.70

Immediate Withdrawals of Contributions for the month of January 2013:

Member	Department Name	Position
Adie, David J	DPD	Struct Plans Engineer
Avery, Darrell L	HSD	Youth Emplmnt
Basilio, Romano S	Library	Delivery Driver
Coffin, Jennifer R	SPU	Util Acct Rep I
Dela Paz, Channa A	SPU	Civil Engr Spec
Halley, Verna D	Seattle Center	Admin Spec II
Jeffries, Nicole J	SPU	Acct Tech II
Kebreab, Debesai	Seattle Center	Rec Attend
Leiber, Philip R	City Light	Exec 3
Lindsay, Scott C	City Light	Warehouser, Sr
Martin, Stephanie A	Parks	Rec Attend
Merritt, Timothy J	Parks	Groundskeeper I
Park, Lance M	Seattle Center	Admin Spec II
See, Christina Marie	City Light	Volunteer
Sugiyama, Kathryn A	FAS	Strat Adv 2
Sullivan, Nora Michelle	City Light	Meter Reader

Member	Department Name	Position
Tassew, Tsega	Parks	Program Aide
Todd, Dawn W	City Council	Legislative Asst
Toms-Trend, Zimya A	HSD	Prgm Intake Rep
Williams, Pamela Renee	SDOT	Civil Engr
Winninghoff, Jessica Raine	Seattle Center	Laborer
Wolf, Susan E	City Light	Admin Staff Asst
Wright, Steven	Parks	Capital Proj Coord Sr

Bold entries above indicate refund payout made to beneficiary of a member dying while in active status.

Withdrawals for a total of: \$691,818.41

Ratification of Service Retirements for the month of January

Retiree	RetireDt	Years	Days	Age	DeptName	Position
Au,Nguyet T	12/29/2012	31	169	56	SPU	Mgmt Sys Anlyst Sr
Blake,J Paul	1/2/2013	6	219	62	SPU	Executive 2
Bucasas,Gregory P	12/31/2012	35	140	63	Parks	Parks Maint CC
Clemente,Romeo D	12/31/2012	31	158	54	Municipal Courts	Info Tech Prof C-BU
Damron,Edwin J	12/19/2012	32	297	61	SPU	Accountant
Denning,Carolyn G	12/29/2012	32	249	65	DoIT	Info Tech Prof B
Dimola,Donna J	12/29/2012	22	305	65	Police	Acct Tech III
Dubuque,Richard P	12/27/2012	20	233	71	City Light	Mgmt Sys Anlyst Sr
Effertz,Mary E	12/26/2012	13	12	58	Vested	Vested
Field,Alex	12/29/2012	15	36	69	Library	Events Services Manager
Francis,Roy	12/29/2012	16	171	68	SDOT	Manager 3
Gaukel,Kathleen A	1/1/2013	27	1	63	K.C. Health	Nurse Practitioner
Halbeck,David H	12/19/2012	7	218	63	DPD	Pressure Sys Inspector
Halvorsen,Jan F	12/31/2012	10	349	69	DPD	Elevator Inspect Sr
Hogan,Kathleen C	1/1/2013	28	168	61	Police	Personnel Spec Sr
Huynh,Minh L	12/19/2012	27	181	66	SDOT	Maint Laborer Sr Traffic
Johnson,Joyce M	12/31/2012	44	102	65	SPU	Util Acct Rep I
Kakida,Terry J	1/2/2013	27	269	58	SPU	Manager 3
Kelso,Dianne R	12/29/2012	28	6	66	DPD	Inspect Support Anlyst
Kennedy,Jacqueline O	12/15/2012	17	67	62	Parks	Delivery Wkr
Losteter,Thomas I	12/29/2012	19	6	66	City Light	Accountant Prin
Mar,Mary Ellen	12/12/2012	28	5	58	SPU	Util Acct Rep I
Mason,Steve C	12/12/2012	28	193	52	Vested	Vested
McElhose,Robert L	12/31/2012	27	340	61	DPD	Land Use Planner IV
McKenzie,Eileen L	12/19/2012	17	267	63	FAS	Admin Spec II-BU
Meyerholtz,Marita D	12/18/2012	19	80	62	Library	Librarian
Mickelson,Sharon T	1/1/2013	30	67	66	Personnel	Strat Advsr I
Mount,D'Anne	12/29/2012	27	265	64	DoIT	Strat Advsr 2
Myers,Ruby D	12/29/2012	33	146	60	Municipal Courts	Admin Spec I
Peel,Dena L	1/1/2013	19	175	59	Vested	Vested
Saisitthidej,Nokeo	1/1/2013	33	110	56	DoIT	Info Tech Prof A
Skinner,M K	12/31/2012	33	219	66	Parks	Maint Laborer

Retiree Name	RetireDt	Years	Days	Age	Dept Name	Position
Snow,Stephen R	12/29/2012	33	70	67	Parks	Admin Staff Asst
Sutherland,Mariah	12/21/2012	8	213	66	Library	Library Assoc I
Taimi,Sitiveni	12/29/2012	35	163	61	Parks	Maint Laborer
Tenna,Sebhat	1/2/2013	10	41	60	Neighbor- hoods	Strat Advsr I
Triesch,Stephen J	12/31/2012	35	219	62	SPU	Fin Sys Anylst
Tullio,Maria R	12/19/2012	26	3	58	Parks	Aquarium Biologist 3
Watson,William C	12/31/2012	25	133	65	DPD	Manager 2
Wilson,Kathi A	12/26/2012	30	1	51	City Light	Generation Supv

For the month of January 2013: 70 new Members entered the System, 36 terminations, 40 Members retired in the System, 18 Members removed (\$19,493.59), 2 Pop-Up from Option D, zero D/E Option, 4 Option F, 8 over 60% benefit.

Jean Becker arrived at 9:06am

Motion: Upon motion by Tim Burgess, seconded by Bob Harvey, the Retirement Board approved the below items contained in the Administrative Consent Agenda.

- Minutes of the January 10, 2013, Board Meeting
- Ratification of Retirement Payroll, Office Payroll, Other Payments and Withdrawals
- Ratification of Service Retirements for the month of January 2013

Lou Walter arrived at 9:08am

Investment Committee Report

The Investment Committee met on January 31, 2013 at 12 noon at the Seattle City Employees' Retirement System Office, 720 Third Avenue, Suite 900 (Pacific Building). Committee members present: Lou Walter, Chair, Bob Harvey, Glen Lee; David Stewart. Other Board members present: Jean Becker; Sherry Crawford. Staff Present: Cecelia Carter, SCERS Executive Director; Tony Smith; Ben Kalman; Jeff Davis; Carlton Seu, Seattle City Attorney's Office; Lisa Carns; Beverly Yapp. Others present: Neil Rue, PCA; David Sancewich, PCA; Mike Moy, PCA; John McCoy, Legislative Central Staff; George Emerson, FAS; Zone Montoya, Personnel Department; Jessica Wang, FAS.

The Investment Committee discussed the following items at the meeting on January 31, 2013:

1. **SCERS Divestment Policy:** Mr. Tony Smith, SCERS staff reported over the last four-to-six weeks, SCERS received requests to develop responses to two unrelated socio-political issues: (i) fossil fuels' threat to the global environment and (ii) recent incidents of mass killings in the U.S. by individuals using assault weapons. PCA provided a detailed memo outlining the background on these particular issues, as well as a brief overview of fiduciary investment responsibility and geopolitical issues, various models that are currently being used by other plan sponsors to address potential ESG (Environmental, Social and Governance) issues, and suggested next steps for SCERS to develop a framework to assess and respond to such issues.

The outcome from the discussion resulted in the Investment Committee recommending the Board of Administration direct the Governance Committee to develop policy and procedures for studying and evaluating how to address advocacy concerns.

The Board noted the guiding principal for the Governance Committee in developing the policy and procedures for addressing is "Do no harm to the Investment Portfolio."

Ms. Carter announced that a collection of letters and emails were provided to the Board from active and retired SCERS members concerning the subject of divestments.

2. **Portfolio Protection Strategies:** Mr. Tony Smith, SCERS staff reported that Neil Rue with PCA provided a brief memo recapping the November 29, 2012 discussion with the Investment Committee that plan sponsors are increasingly researching ways to better manage downside risk within the context of the increasing frequency of global financial stress. These plan sponsors have done this through various means, and PCA believes both tail risk management strategies (Static and Facility) are worth investigating and potentially useful for the SCERS portfolio. The Investment Committee requested the review of this item be dedicated to regular standing Investment Committee.

3. Investment Accounting Summary Report for November and December 2012:

Mr. Tony Smith, SCERS staff reported as of November 30, 2012, the Total Portfolio had a market value of \$1.922 billion. As had been previously reported, SCERS funded Parametric at the beginning of the month. With the exception of Private Equity, the portfolio was within its target weights for all asset classes. Staff also reported that the fund received approximately \$2.9 million in distributions during the month. As of the report date, the mark-to-market funded ratio for the plan stood at 64.00%.

Mr. Tony Smith reported as of December 31, 2012, the Total Portfolio had a market value of \$1.952 billion. Staff reported that JPMorgan was funded for the Active Emerging Markets Equity Mandate. With the exception of Private Equity, the portfolio is within its target weights for all asset classes. Staff reported that the fund received approximately \$6.2million in distributions during the month. As of the report date, the mark-to-market funded ratio for the plan stood at 64.73%.

Mr. Walter commented that overall the Portfolio performed well for 2012. Tony Smith commented that since 2009 the Portfolio was up 125%. The performance of the portfolio is looking good, but the overall funding ratio is hindered by the plan demographics. The risk programs will be discussed at the Investment Committee meeting February 28, 2013.

Ms. Carter reminded the Board that the Strategic Planning Session is scheduled for February 22, 2013 from 1-4pm. The agenda will be distributed on February 15, 2013. The purpose of the meeting is to outline strategic goals. Justin Natali from the City Personnel Department will facilitate the meeting.

Motion: Upon motion by Tim Burgess, seconded by Lou Walter, the Retirement Board directed the Governance Committee to develop policy and procedures for studying and evaluating advocacy concerns.

Motion: Upon motion by Tim Burgess, seconded by David Stewart, the Retirement Board accepted the Investment Committee consent agenda.

Executive Director Report:

Investment Consulting Contract –One Year Extension Update: Ms. Carter, SCERS Executive Director reported PCA agreed to a one-year extension on the current consulting agreement. The extension will include the same scope of work at the same fee rate. A draft of the extension contract will be provided to the Board at the March 14th meeting and a motion for approval will be needed at that time.

2013 Board Election: Ms. Carter announced the Board Active Seat currently held by Ms. Jean Becker will be up for election in 2013. The nominations will open in April. The Board was provided a 2013 SCERS Trustee Election Timeline. Ms. Carter reminded the Board if there is no challenger the Incumbent will be re-appointed to the seat.

Dashboards Q4 2012: Ms. Carter and Mr. Smith presented the report to the Board. The Dashboard outlined the 4th Quarter 2012 summary of investment activity, data on membership changes for retirees and active members, retirement benefit summary, cash flow and performance measures. Mr. Smith highlighted the top ten manager holdings (equity and fixed income) for the 4th Quarter 2012.

Councilmember Burgess announced he was pleased overall with the 2012 performance. However improvement is needed specifically with the funding ratio. The goal for the funding ratio is 80% are higher.

Mr. Harvey questioned an evaluation report outlining the progress of the funding ratio. Ms. Carter indicated she would provide the Board with the information. Milliman will also provide a study and scenarios for the Board's review.

Mr. Walter and Ms. Becker thanked the Staff for their hard work on the Portfolio.

Ms. Carter highlighted there were 344 new retirees for 2012 and 171 retirements were terminated. The 4Q 2012 contributing members is 8,153. The average retirement benefit for the reporting period is \$1,957. Ms. Carter highlighted on the performance measures for 4Q 2012. There were 177 new estimate requests received; there were 83 pending from 3Q 2012; 212 were completed during the 4Q 2012. The total number of estimates completed in 2012 was 940. The Local 21C and the Intent to Retire programs created a significant increase in workload for the staff in Q4 2012.

New Business

SCERS Operations Projects: Mr. Jeff Davis, SCERS staff reported he is temporarily working in the SCERS department to evaluate the following:

1. Staffing – (i) ensure staff is clear on roles and responsibilities; ensure the job duties and expectations are complete. The staff established a Performance Evaluation Policy in 2012 which was implemented for 2013. The Job Duties and Expectations 2013 are part of this process; (ii) review of staff levels and expertise. Mr. Davis stated this means staff is currently assessing the need of bringing on term-limited assignments to assist with the Investment Accounting and demands of year-end benefits; and (iii) evaluate the tools currently being used by staff and ensure the necessary tools are provided.
2. Technology – Mr. Davis reported SCERS is receiving assistance from the Finance and Administration IT department. The IT support is providing and assisting with the stability of SCERS IT functions. Mr. Davis is reviewing buybacks holistically which means the transaction, communications, review of the current code in order to identify how to create a more efficient approach to buybacks. Mr. Davis will bring the draft policy for buybacks to the Board for review and approval.
3. Cash Management - Mr. Davis reported he would evaluate the work that has been done thus far on cash management, create policies outlining the cash process, and review the resources. Mr. Davis will work with Tony Smith and Ben Kalman on this process.

Ms. Claire Foster provided the Board with a document mapping out the key IT Initiatives for SCERS. The tasks include the following:

1. Extend Platform Stability – Ms. Foster reported this means to have a plan in place to support R-Base on the current operating system through 2013. FAS -IT Department is assisting SCERS reducing the capacity issue.
2. Port RIS to Oracle Platform – Ms. Foster reported the analysis is underway to port the Retirement System Information System to an Oracle platform in the HRIS environment. The benefits of completing this task are: eliminates current platform restraints; improved security and auditing features; closer alignment with HRIS; operational improvements from reduced manual entry; better data management; and improved reporting capabilities.
3. Strategic System Replacement – Ms. Foster reported staff is working on reassessing the RFP scope and options for the IT Consulting Services RFP.

Mr. Walter expressed his concerns regarding the program flexibility and accommodating the needs of SCERS members. Mr. Walter asked if the Board would be included on the new system process. Staff reported a request for volunteers from the Board is part of the project plan. Mr. Walter volunteered.

Governance Committee Report : Ms. Becker reported the Governance committee met on February 13, 2012. The Committee provided the Board with draft charters for the following:

1. Board
2. Board Secretary
3. Board Treasurer
4. Executive Director
5. Board Chair

Ms. Becker requested the Board Administration review the charters and provide feedback. Ms. Becker also reported the Committee will continue to work on new charters for the Investment Committee, Investment Advisory Committee and Advocacy Issues.

Ms. Becker requested a special meeting or a designated time at a Board meeting to discuss the charters. The next Governance Committee meeting will be scheduled for early March. Once the date is determined, the meeting notification will be placed on SCERS website.

SCERS Investment Portfolio Overview Presentation: At the January 14, 2013 Board meeting the Board requested PCA provide (i) an analysis of the differences in performance of the SCERS' investment portfolio versus the Washington State Investment Board (WSIB) as well as the University of Washington Foundation's Endowment Funds and (ii) a comparison of SCERS's annual

performance returns for 1-, 3-, and 5-year periods ending December 31, 2012 versus a select group of public funds. Mr. Neil Rue with PCA reported that SCERS' investment performance was lower than the selected peer group due largely to difference in risk tolerance among the different plans. PCA was able to obtain information for all of the plans sponsors except for the University of Washington Foundation who declined the request to disclose data to Staff or PCA. Due to not receiving information from University of Washington Foundation PCA attribution analysis includes data from Colorado Fire and Police Pension Association (FPPA). The FPPA is a plan similar in size to SCERS.

SCERS Comparison with WSIB: Mr. Rue reported over the last ten years SCERS underperformed WSIB by (1.9%)/year. Over the last five years, this lag is (1.0%)/year. The lags are due to differences in policy and risk tolerance. Over the last five years, SCERS matched WSIB in terms of performance relative to policy. WSIB's aggregate group of managers have outperformed SCERS' group of managers. This is due largely to benchmark definitions, particularly with private market investments. Due to deviations from policy, SCERS has been able to add more value than WSIB over both the five and ten year time frames.

SCERS Comparison with FPPA: Mr. Rue reported over the last ten years SCERS outperformed FPPA by 0.9%/year. Over the last five years, this lag was (7.0%)/year. The ten year lag is due entirely to differences in policy and risk tolerance. The five year lag is due to the timing and funding and de-funding specific managers and mandates.

Mr. Rue reported the common themes when comparing SCERS with the above plans are (1) policy choices; and (2) SCERS had significant underweight to private equity.

Mr. Rue recommended a review of the underlining Policy.

Mr. Bob Harvey commented that from what PCA reported the reason SCERS' peers are out-performing is due to SCERS underweight in private equity. There was dialogue regarding private equity. Councilmember Burgess commented and questioned PCA about best policy practice in regards to taking risks as it relates to the duration of private equity. Councilmember Burgess also commented that he was hearing PCA state the risks are rewarded long term. Councilmember Burgess also noted that the risks associated with private equity could be wrong.

PCA commented the portfolio structure and Board policy decisions may need to be re-evaluated given the current economic paradigm. That shift could and would be achieved at the next Asset Liability Study which is scheduled for mid-2014. Several Board members asked whether SCERS could afford to wait that long. Ms. Carter indicated she would work with PCA to escalate the Asset Liability Study process into 2013.

PCA was asked to provide options regarding the policy and allocations and the consequences of each option.

Councilmember Burgess announced at 10:50am the Board would go into executive session to discuss a personnel matter until 11:30am.

At 11:30am a 20 minute extension was announced.

At 11:50am a 10 minute extension was announced.

The Board resumed to public session at 11:55 am.

Adjournment:

Motion: Upon motion of Tim Burgess, seconded by David Stewart the Retirement Board voted to adjourn the meeting at 11:55am.

David L. Stewart, Secretary



MINUTES

Board Members Present: Councilmember Tim Burgess; Robert Harvey; David Stewart; Glen Lee; Lou Walter via phone; Sherry Crawford; Jean Becker

SCERS Staff Present: Cecelia M. Carter; Tony Smith; Ben Kalman; Jeff Davis; Claire Foster; Beverly Yapp; Lisa Carns

Others Present: Mike Monaco, Song Mondress Law Firm; Carlton Seu, Seattle City Attorney's Office; John McCoy, Legislative Central Staff; Tom Kirn, FAS; Jessica Wang, FAS; Steve Viney, Retiree; Ken Yaeger, Retiree

Councilmember Burgess, Board Chair called the meeting to order at 9:01am. Councilmember Burgess also announced the meeting needed to conclude by 11am.

Public Comment: Mr. Kenneth Edward Yaeger stated he was going to announce his candidacy for Mayor on Friday, March 15, 2013.

Administrative Consent Agenda

Minutes:

Provided in the Retirement Board packet was the minutes from the February 14, 2013 Retirement Board regular meeting.

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

Service	\$11,505,027.50
Beneficiary	\$907,061.24
Disability	\$74,781.64
Pension Payroll – PPE February 28, 2013	\$12,486,870.38
Office Payroll – PPE February 12 and 26, 2013	\$97,987.19
Vouchers Processed – February 28, 2013	\$361,105.12
*Expert and Consultant Services – \$72,810.60	
*Investment Management Fees – \$149,088.68	
*\$902,913.02 paid in 2013 accrued to 2012 (4Q fees)	
*Interdepartmental Charges - \$97,776.75	
*Miscellaneous - \$41,429.09	

Ms. Cecelia Carter, SCERS Executive Director highlighted that the 4Q 2012 fees accrued in the amount of \$902,913.02 were paid in February

Immediate Withdrawals of Contributions for the month of February 2013:

Member	Department Name	Position
Adams, Barbara J	SDOT	Signal Elctn
Becken, Guy P	Parks	Edu Prgm Asst
Bentz, Jeffrey S	DoIT	Mgmt Sys Anylst
Betts, Michael	Seattle Center	Event Booking Rep Sr
Cameron, Nancy E	SPU	Strat Advr 2
Davis, Brian J	Seattle Center	HVAC Tech
Faulkner, Kevin Dale	Parks	Lifeguard Sr
Fulton, Andrew Y	Parks	Lifeguard
Higa, Linda H	DPD	Acct Tech II
Irwin, Susan E	Library	Librarian
Jenkins, Rashad M	Police	Comms Dispatch I
Lanier, Matthew R	SDOT	Accountant

Member	Department Name	Position
Liang, Jane Ning Xiang	Personnel	Strat Advr 2
Luttrell, Keith A	Police	Parking Enf Offcr
Mueller, Karyn A	SPU	Civil Engr Sr
Noiel, Unika V	Personnel	Personnel Anlyst Asst
Powell, JoAnne	DoIT	Info Tech
Rickey, Alice R	Library	Librarian
Rogers, Jay A	Muni Court	Marshall
Toland, Andrea J	SPU	Strat Advr I
Vimahi, Malakai T	SPU	Mtc Wkr
Zamperini, Kathleen R	SDOT	Acct Tech II

Bold entries above indicate refund payout made to beneficiary of a member dying while in active status.

Withdrawals for a total of: \$384,576.13

Ratification of Service Retirements for the month of February

Retiree	RetireDt	Age	Years	Days	DeptName	Position
Almachar, Richard M	1/15/2013	66	40	9	King County	Admin Spec II
Anderson, Kathleen S	1/23/2013	65	23	117	SDOT	Transport Plnr, Sr
Berg, Mark A	1/2/2013	62	27	318	City Light	Maint Lead Wkr
Carlson, Judith A	1/8/2013	64	19	121	FAS	Cust Serv Rep
Carmichael, Douglas A	1/30/2013	63	38	231	City Light	Pwr Marketer
Chan, Yvonne M	1/15/2013	60	23	320	FAS	Personnel Spec Sr
Eng, Nancy M	1/8/2013	62	35	34	City Light	Info Tech Prof B
Franco, Jack L	1/15/2013	68	9	180	Parks	Laborer
Harvey, Warrenette R	1/30/2013	63	24	136	SPU	Util Acct Rep I
Henderson, Robert J	1/5/2013	67	12	71	City Light	Safety & Health Spec Sr
McQuillin, Michael J	1/28/2013	63	10	309	Vested	Vested
Monni, Florence	1/8/2013	65	22	345	Personnel	Admin Staff Asst
Neiford, Joseph O	1/8/2013	62	26	340	Parks	Landscape Architect Sr
Newman, Bonnie E	1/16/2013	65	30	58	Police	Admin Spec II
Pfotenhauer, Jeanette	1/11/2013	65	6	162	Vested	Vested
Poole, Alfred	1/19/2013	72	11	143	Human Services	Executive I
Pruitt, Fred A	1/30/2013	60	24	159	SPU	Constr & Maint Equip Op Sr
Puderbaugh, Velma E	1/4/2013	66	42	251	Library	Librarian
Richardson, Mark F	1/9/2013	60	33	189	Parks	Rec Attendant
Richmond, Scott E	1/30/2013	54	32	287	City Light	Auto Mechanic
Smith Jr, Franklin H	1/11/2013	62	8	229	Vested	Vested
Stewart, Annemarie C	1/30/2013	51	31	155	Parks	Personnel Spec Sr
Stieglitz, Lawrence J	1/16/2013	62	34	194	City Light	Info Tech Prof B
Tong, Mimi L	1/30/2013	62	20	99	City Light	Acct Tech II
Trujillo, Teresa M	1/16/2013	65	31	115	SPU	Training & Ed Coordinator
Wilkinson, LaRita	1/8/2013	58	37	167	Parks	Maint Laborer
Wilson, Linda A	1/23/2013	65	18	63	Seattle Center	Manager 1
Wyckoff, Richard V	1/9/2013	71	31	9	FAS	Info Tech Prof
Yoshimi, Diane H	1/7/2013	52	20	217	Vested	Vested

For the month of February 2013: : 52 new Members entered the System, 37 terminations, 29 Members retired in the System, 20 Members removed (\$32,824.22), 3 D/E Option, 4 Option F, 5 over 60% benefit.

Motion: Upon motion by Tim Burgess, seconded by David Stewart, the Retirement Board approved the below items contained in the Administrative Consent Agenda.

- Minutes of the February 14, 2013, Board Meeting
- Ratification of Retirement Payroll, Office Payroll, Other Payments and Withdrawals
- Ratification of Service Retirements for the month of February 2013

Mr. Glen Lee arrived at 9:05am.

Investment Committee Report

The Investment Committee met on February 28, 2013 at 12 noon at the Seattle City Employees' Retirement System Office, 720 Third Avenue, Suite 900 (Pacific Building). Committee members present: Lou Walter, Chair, Bob Harvey, Glen Lee; David Stewart. Other Board members present: Jean Becker; Sherry Crawford. Advisory Committee present: Russell Powell; John Comerford; Dwight McRae; Joseph Boateng (via phone). Staff Present: Cecelia Carter, SCERS Executive Director; Tony Smith; Ben Kalman; Jeff Davis; Carlton Seu, Seattle City Attorney's Office; Lisa Carns; Beverly Yapp. Others present: Neil Rue, PCA; David Sancewich, PCA; Mike Moy, PCA; Andrew Bratt, PCA: John McCoy, Legislative Central Staff; George Emerson, FAS; Zone Montoya, Personnel Department; Jessica Wang, FAS; Steve Viney, Retiree.

Mr. Tony Smith, SCERS Staff provided the Board with a brief overview of the items discussed at the Investment Committee on February 28, 2013:

SCERS Performance Report for 4Q 2012: The SCERS Total Portfolio returned 2.88% for the quarter ending 12/31/2012, beating the policy benchmark by 39 basis points, primarily due to security selection in public Equities, U.S. Fixed Income, and the Real Return asset classes. During the 1-year period, the Total Portfolio returned 14.00%, trailing the policy benchmark, which returned 14.22%. Over the 3-year period, the Total Portfolio returned 8.87%, outperforming the policy benchmark, which was up 8.66%. Despite trailing over longer time periods relative to its peers, near-term performance placed the Total Portfolio in the top quartile for the quarter and second quartile for the trailing 1-year time period.

2013 Work Plan: Neil Rue from PCA presented a tentative work plan to the Investment Committee. The schedule outlined tasks and projects that would both be ongoing refinements, as well as newer concepts that Staff and PCA believe are worthy of further research and discussion. The Investment Staff and Consultant are working to complete the (1) Core Real Estate search; (2) the process of implementing a tactical overlay facility for SCERS; and (3) continuing the discussion on strategically addressing risk in the portfolio that cannot be hedged away by diversification.

Board members questioned the direction of revisiting asset allocation, expediting the asset liability review, revising the work plan. SCERS Staff reported one of their goals is to review the work plan.

SCERS Expected Portfolio Return: Neil Rue from PCA presented a memo to the Investment Committee that reflected their 10-year expected return estimate for SCERS' portfolio based on PCA's updated 2013 capital markets assumptions. After accounting for SCERS' strategic asset allocation, the expected portfolio return will decline to 6.8%, which is lower than the actuarial assumed rate of return of 7.75%. Because risk appetite is a component of the expected rate of return and any decline in expected return has to ultimately be addressed by the plan sponsor, the Investment Committee made it clear that they don't want to delay the process in assessing strategic asset allocation. This coincides with investment staff's recommendation to implement a tactical overlay program and also staff's work in developing a strategic solution to mitigating risk in the portfolio as soon as possible.

There was dialogue from the Board about analysis on lowering the expected return. Lowering the expected return puts pressure on contributions.

Portfolio Protection Education 101: Neil Rue from PCA presented a slide book on addressing portfolio protection. There are differences between PCA and investment staff's views. The agreement is that in addition to implementing an overlay facility, it would be prudent to develop a strategically oriented solution in managing systematic or market risk (which cannot be diversified away through traditional asset allocation) within the portfolio. Mr. Jack Hansen from the Clifton Group then led an educational presentation on overlay solutions and the role they can play in performance enhancement and risk management. The Investment Committee asked what the purpose would be in continuing the conversation on strategic risk management if

SCERS had the tactical facility in place. Jack reiterated that diversification alone cannot remove systematic or market risk from the portfolio.

Mr. Smith offered additional education on overly systems and requested that the Board let him know if they are interested.

PIMCO Pathfinder Update: David Sancewich from PCA provided a brief update on the management changes at PIMCO. On January 23, 2013, PIMCO announced that Neel Kashkari, the head of PIMCO's global equity division, was leaving the firm to run for public office. While the change created some organizational uncertainty, it did not lead to any departures in terms of the investment analysts or portfolio managers that are involved in the strategy. They recommended that SCERS continue to monitor the account closely for the next 6 to 12 months.

Workout Portfolio Update: Mike Moy and Andrew Bratt from PCA presented an updated memo on the workout portfolio & other assets. After engaging with various managers in the secondary markets, PCA found that SCERS' collective value in real estate and non-real estate assets would be insufficient to garner any real interest in the secondary market. Further, any potential sale would likely result in a substantial discount to current NAV levels and would require time from staff and consultant that would be better spent on other important items. Because PCA doesn't have insight into the percentage of assets that may or may not be recovered, they recommend that all of the assets, real estate and non-real estate alike, be carried at realistic values in SCERS' financial statements and be allowed to harvest until final distribution.

Mike Moy and Andrew Bratt also presented a brief update on SchemaLogic, a direct holding in SCERS' private equity allocation. Schemalogic was distributed in-kind back in 2011, and despite numerous attempts to make contact and inquire about SCERS' interest and the transaction, Schemalogic and the acquirer were unresponsive. Through recent investigative work, PCA discovered that the consideration that was received in the transaction sale of Schemalogic was insufficient to compensate Schemalogic shareholders. PCA recommended SCERS write off the entire balance for this investment. The Investment Committee agreed and approved.

House Bill 1899: Ms. Cecelia Carter, SCERS Executive Director reported to the Investment Committee that House Bill 1899 was introduced on February 15, 2013 and a public hearing was held on February 21, 2013. Ms. Carter outlined the bill would permit first class cities (i.e. Seattle, Tacoma, Spokane) the option to direct the investment of pension assets over to the Washington State Investment Board.

Councilmember Burgess stated that House Bill 1899 was a bill introduced that relates to investing the assets of the first class cities' retirement systems into the Washington State Retirement System for management. The House Bill was withdrawn at the City's Request. There was no action taken on the Bill.

Investment Accounting Summary Report for January 2013: As of January 31, 2013, the Total Portfolio had a market value of \$2.008 billion. Staff reported that Research Affiliates and PIMCO were funded for the Active Developed Markets mandates as of the middle of February. With the exception of Private Equity, the portfolio was within its target weights for all asset classes. Staff also reported that the fund received approximately \$600,000 in distributions during the month.

Motion: Upon motion by Tim Burgess, seconded by Bob Harvey, the Retirement Board accepted the Investment Committee consent agenda.

Executive Director Report:

Ms. Carter, SCERS Executive Director reported the Pension Consulting Alliance contract one-year extension is complete. An approval is needed from the Board.

Motion: Upon motion by Tim Burgess, seconded by Glen Lee, the Retirement Board approved the Pension Consultant Alliance contract one year extension.

Ms. Carter reported the Board and Staff first strategic planning session was held on February 22nd. The meeting was productive but a follow-up session is needed. The second session is scheduled for Friday, April 12th from 1-4pm in Seattle City Employees' Retirement System Board Room.

Ms. Carter reported that SCERS staff will present the SCERS Performance Report to the Government, Performance and Finance committee on March 20th at 9:30am in Council Chambers. Participating in the presentation are Cecelia Carter, SCERS Executive Director; Jean Becker, SCERS Board Member; Tony Smith, SCERS Staff; and Neil Rue, Pension Consulting Alliance.

The Board Active Seat currently held by Ms. Jean Becker is up for election this year. Nominations open April 11th at 8am and close April 18th at 5pm. The election notification is posted on SCERS' website. The notification will also be posted in the Daily Commerce Journal on March 22nd, 27th, April 2nd and April 5th.

Mr. Jeff Davis, SCERS staff provided a status overview on the following Operations projects:

Completed Tasks:

- (1) The member statements were processed and mailed
- (2) SPU and SCL Audit information requests were prepared and distributed

Ongoing Tasks:

- (1) Collecting information for the Milliman Actuarial report
- (2) The financial audit is currently being conducted by CliftonLarsonAllen
- (3) SCERS contribution of data to the City's CAFR is in progress

Ongoing Initiatives:

- (1) Staff Tools: The revised template for cash withdraws and rollovers to make them consistent with the new option G template are complete.
- (2) Buybacks: Continuing to work with staff to evaluate all aspects of different buyback types.
- (3) Cash Management: Completed the framework of the model.

New Initiative:

- (1) Communication Audit: Review all types of communications to members or potential members (letters, forms, statements, emails, website)
- (2) Evaluate and revise communications based on (a) usefulness – are we asking for information we already have; (b) timeliness – are we providing members information with enough time to act; (c) accuracy; and (d) clarity

Technology:

Mr. Davis reported that he and Claire Foster, SCERS staff evaluated the existing RFP. The purpose of the RFP is to evaluate SCERS' operational needs and provide assistance in developing a future RFP to get a new Pension System. Mr. Davis and Ms. Foster have been working with the City's Purchasing Department. Mr. Davis and Ms. Foster plan to report to the Board during the third quarter an analysis of different system options. Board members are welcomed to participate in the vendor selection process. Mr. Walter stated he would like to participate in the selection process.

Mr. Davis stated he would keep the Board updated on each of the ongoing tasks.

Ms. Becker, Board Member commented that she is happy to hear there is going to be a communication audit. She asked that staff reach out to members for feedback. Mr. Davis stated the communication audit is in the early stages and part of the process is to ask members to complete a survey.

Ms. Claire Foster provided the Board with an IT operations update on the following projects:

Operational Improvements: Finance and Administration Services IT Division operations assessment is wrapping up. The finding will be reviewed within the next week or two. Necessary plans will be implemented.

Market Survey – Pension Administration Systems: Crystal Roncek from Personnel/Deferred Comp will be assisting SCERS staff with the planning and coordination of a market survey. The purpose of the survey is to educate SCERS staff and the Board on the current trends, offerings, and industry leaders in the Pension Administration System/Defined Benefit Plan workspaces. The information will be used to inform decisions regarding options and approach to implementation. The Board members will be sent invites to the demonstrations.

RBase Replacement / Port to Oracle: The team is on schedule to complete the proof of concept and have the technical design finalized by the end of March. The team has ported a copy of the existing RBase database to the Oracle HRIS Development environment and started prototyping of new user screens. The next steps are (1) complete proof of concept and prototyping sessions; (2) scope the development effort; and (3) develop implementation plan and schedule.

Mr. Davis commented there has been a lot of progress made with the RBase project in a short amount of time.

New Business

Governance Committee Report : Ms. Becker reported the Governance committee has met several times over the last three months in efforts to develop Policy Charters for the following:

1. Board
2. Board Chair
3. Board Secretary
4. Board Treasurer
5. Executive Director
6. Administrative Committee

Ms. Becker stated the purpose in developing the charters is to provide the Board with clarity on its roles and responsibilities beyond the Seattle Municipal Code and to develop a Board of the 21st Century. The developed charters will provide more documented detail for the Board to work more efficiently and effectively.

The Board briefly reviewed each draft charter Ms. Becker presented. Ms. Becker asked the Board members for their comments regarding the draft charters by March 28, 2013.

Ms. Becker and Mr. Mike Monaco, with Song Mondress Law Office will review the feedback provided and bring back the final version of each charter for the Board's approval.

Mr. Monaco stated he will review and determine if there are any revisions needed to the Seattle Municipal Code and report back the finding to the Board. If revisions are necessary, staff will work with the Legislative Office.

Ms. Becker stated the goal is to submit the Charters to the Board for approval at the April Board meeting.

Councilmember Burgess commented the Governance Committee has done excellent work.

Ms. Becker proposed once the charters are adopted that the charters be reviewed on an annual basis.

Councilmember Burgess commented the Board represents members of the Retirement System. It's the Board's responsibility to advocate for the members, defend and protect the system, promote the value of a public pension system, and protect public employees. Councilmember Burgess requested the statement be molded in the Seattle City Employees' Retirement System mission statement.

There was discussion regarding an Investment Committee charter. The roles and responsibilities are outlined in the Investment Policy. It was agreed that the Executive Director is responsible for implementing policy decisions.

There was further discussion about a Finance Policy. The Governance Committee recommended the Administrative Committee charter include finance, operations and member services policies for the department.

Ms. Becker recommended from sub-committee discussions that an Audit Committee be formed to oversee the annual review of the Department's financial statements.

The deliverables for the April Board meeting is to have the charters completely reviewed and revised for final format and any necessary Seattle Municipal Code changes outlined.

Councilmember Burgess asked if there was any other business the Board wishes to discuss before entering into Executive Session.

Mr. Lou Walter acknowledged the service Mr. Richard McIver provided to the Seattle City Employees' Retirement System Board of Administration as Board Chair. Councilmember Burgess also acknowledged Mr. McIver and his contributions to the City of Seattle. Mr. McIver (former City Councilmember) passed away on March 9, 2013.

Councilmember Burgess announced at 10:05am the Board would go into executive session to discuss a legal and personnel until 11am.

The Board resumed to public session at 10:50am.

There were no motions.

The meeting was adjourned at 10:50am.

David L. Stewart, Secretary



MINUTES

Board Members Present: Councilmember Tim Burgess; Robert Harvey; David Stewart; Glen Lee; Lou Walter; Sherry Crawford; Jean Becker

SCERS Staff Present: Cecelia M. Carter; Tony Smith; Ben Kalman; Jeff Davis; Claire Foster; Beverly Yapp; Lisa Carns

Others Present: Mike Monaco, Song Mondress Law Firm; Carlton Seu, Seattle City Attorney's Office; Tom Kirn, FAS; George Emerson, FAS; Steve Viney, Retiree; John Masterjohn, Retiree; Brenda Bauer, Retiree

Councilmember Burgess, Board Chair called the meeting to order at 9:01am.

Public Comment: No public comment

Councilmember Burgess announced the Board would go into executive session at the end of the meeting to discuss a personnel matter.

Administrative Consent Agenda

Minutes:

Provided in the Retirement Board packet was the minutes from the March 14, 2013 Retirement Board regular meeting.

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

Service	\$10,598,360.50
Beneficiary	\$906,551.49
Disability	\$74,781.64
Pension Payroll – PPE March 31, 2013	\$11,579,693.63

Office Payroll – PPE March 12 and 26, 2013 **\$97,793.95**

Vouchers Processed – March 31, 2013 **\$844,625.97**

- *Expert and Consultant Services – \$64,247.10
- *Investment Management Fees – \$649,092.10
- *Interdepartmental Charges - \$99,845.96
- *Miscellaneous - \$31,440.81

Immediate Withdrawals of Contributions for the month of March 2013:

Member	Department Name	Position
Abramo, Allegra A	SPU	Planning and Dev Spec II
Benshoof, Kristin L	Parks	Naturalist
Born, Ashley	Seattle Center	Stage Tech
Dunham, Michael J	Library	Library Assoc I
Faletogo, Iosia M	City Light	Janitor
Hall, Jeffrey M	Seattle Center	Dining Room Attd
Hollingsworth, Raft T	Parks	Rec Leader
Kiros, Bereket	Seattle Center	Parking Attend Sr
Lux, Marleen T	Police	Mgmt Sys Anlyst
Poirier, David W	SPU	Scale Attendent
Sblendorio, Kristen A	SPU	Civil Eng Spec
Tafesse, Eskedar	Personnel	Admin Spec II
Thompson, Robert W	SPU	Mtc Labor

Bold entries above indicate refund payout made to beneficiary of a member dying while in active status.

Withdrawals for a total of: \$271,962.89

Ratification of Service Retirements for the month of March

Retiree	RetireDt	Age	Years	Days	DeptName	Position
Brooks,Sandra M	2/5/2013	62	24	151	Parks	Admin Spec III
Brunkel,Aleta G	2/6/2013	65	32	285	Human Services	Counslr
Bullock, Ronald (Active Death)	12/17/2012 Death Date	59	32	205	Parks	Info Tech
Carter,Esther J	2/5/2013	60	14	254	Library	Library Assoc II
Clemente Jr,Cesar Y	2/27/2013	58	34	13	Parks	Truck Driver
Flemings, JoAnne M	2/5/2013	57	14	60	Vested	Vested
Freeman,Denise K	2/1/2013	58	18	302	Vested	Vested
Ganz,Jeff	2/9/2013	51	32	200	Vested	Vested
Hardgrove,David L	2/5/2013	60	31	262	City Light	Mat Suplr
Harris,Craig L	2/12/2013	62	7	256	Vested	Vested
Haven,Douglas M	2/12/2013	64	34	172	City Light	Line C CC
Hurford,Joyce A	2/15/2013	62	9	54	Vested	Vested
King,Sharon A	2/2/2013	56	27	275	SPU	Manager 2
Lodge,Diane L	2/2/2013	62	34	351	SPU	Solid Wst Fld Rep II
Morgan,Ross G	2/7/2013	66	28	235	City Light	Prot & Cntrl Elctn II
Sabado Jr,Daniel T	2/13/2013	67	34	122	DoIT	Info Tech sys Anlyst
Tong,Makiko I	2/5/2013	65	30	35	FAS	Info Tech Prof B
Vaughn,William S	2/2/2013	65	9	275	FAS	Strat Advr 2
Williams,Alvia N	2/13/2013	62	24	203	Civil Service	Paralegal
Woo,Dick	2/1/2013	58	8	205	Vested	Portability
Woo,James	2/12/2013	59	28	49	Personnel	Personnel Anlyst Sr, Comp
Yamamoto,Phillip J	2/2/2013	57	22	226	SPU	Accountant Principal

For the month of March 2013: 66 new Members entered the System, 25 terminations, 21 Members retired in the System, 17 Members removed (\$25,506.42), 2 B/C expirations, 2 D/E Option, 3 Option F reductions, 1 pop-up from E to straight, 5 over 60% benefit, and one 19-B active death.

Mr. Glen Lee arrived at 9:04am

Mr. Bob Harvey commented on the Seattle Times article regarding the State retirement plan examining pensions that were boosted due to spiking. Mr. Harvey asked what reporting is being done and tracked on "spiking" within the SCERS plan. Ms. Carter expressed that the avenues for members to spike their final average salary are monitored however there are methods where a member can strategically affect their final average salary.

Motion:	<p>Upon motion by Tim Burgess, seconded by Lou Walter, the Retirement Board approved the Administrative Consent Agenda.</p> <ul style="list-style-type: none"> •Minutes of the March 14, 2013, Board Meeting to include the correction of the columns in the ratification of service retirements section. •Ratification of Retirement Payroll, Office Payroll, Other Payments and Withdrawals •Ratification of Service Retirements for the month of March 2013
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Investment Committee Report

The Investment Committee met on March 28, 2013 at 12 noon at the Seattle City Employees' Retirement System Office, 720 Third Avenue, Suite 900 (Pacific Building). Committee members present: Lou Walter, Chair, Bob Harvey (via telephone), Glen Lee; David Stewart. Other Board members present: Jean Becker; Sherry Crawford.

Staff Present: Cecelia Carter, SCERS Executive Director; Tony Smith; Ben Kalman; Jeff Davis; Lisa Carns; Beverly Yapp. Others present: Carlton Seu, Seattle City Attorney's Office; Neil Rue, PCA; David Sancewich, PCA; Mike Moy, PCA; Andrew Bratt, PCA; Christy Fields, PCA; Austin Carmichael, PCA; John McCoy, Legislative Central Staff; George Emerson, FAS.

Mr. Tony Smith, SCERS Staff provided the Board with a brief overview of the items discussed at the Investment Committee on March 28, 2013:

Core Real Estate Finalists Interviews: The Investment Committee interviewed three managers for the Core Real Estate mandate at the Investment Committee on March 28, 2013. The finalists interviewed in alphabetical order were AEW Core Property Trust, Cornerstone Real Estate Advisors, LLC, and Heitman America Real Estate Trust. The finalists were chosen after an analysis of the RFP's was conducted by Pension Consulting Alliance and SCERS staff. PCA recommended the Investment Committee choose two of the three for the mandate allocation. In addition to the two selected, JP Morgan will continue as a core real estate manager. Each manager was asked the same seven questions by the Investment Committee and each were given 40 minutes for their presentation. After the presentations there was dialogue with each manager. The Investment Committee recommended to the Board for approval the selection of AEW Core Property Trust and Heitman America Real Estate Trust.

Councilmember Burgess asked what the goal is for the core real estate mandate. Mr. Smith responded that within the real estate asset class J.P. Morgan currently has a 70% concentration and the goal is to restructure the asset class and get J.P. Morgan down to 25%.

Workout Portfolio and Other Assets Valuation: Mike Moy from PCA presented an update regarding the Workout Portfolio and other legacy assets in the portfolio. In follow-up to their prior review at the January 31, 2013 Investment Committee Mr. Moy reported that the exact valuation of some of the assets is challenging. PCA recommended increasing the loss reserve to \$24,209,023. PCA also recommended writing off SchemaLogic. The research by PCA and Staff concluded the sale of SchemaLogic by the company management resulted in zero return to the equity stockholder. This dialogue further lead to discussion on SCERS investment in Epsilon Global Active Value Fund II. Ms. Carter updated the Board on recent developments from the fund and that legal counsel was reviewing this new information. Councilmember Burgess then asked for the date Epsilon was purchased. Ms. Carter, Executive Director responded stating the investment was purchased in two tranches 2003 and 2004.

Councilmember Burgess stated he would like to know what PCA thinks of the new developments; however at this time he would prefer following the recommendations outlined in PCA's memo dated March 28, 2013.

Also during this discussion on the workout portfolio, Ms. Carter updated the Board on a request by MKA offering investors the opportunity to "abandon" their interest in the fund. This is offered to investors for tax purposes. Since SCERS is a public pension trust, the tax implications realized by abandoning one's interest is a moot point. Therefore in consultation with legal counsel, SCERS staff recommends SCERS not abandon its interest in MKA at this time.

Investment Accounting Summary Report for February 2013: As of February 28, 2013, the Total Portfolio had a market value of \$2.012 billion. Staff reported that the restructuring of the Non-U.S. Equity Portfolio had been completed during the month and that the composition will now be in line with the MSCI ACWI Ex-US IMI Net Dividend Index. During the transition, Research Affiliates and PIMCO were funded for the Active Developed Markets mandate, BlackRock was retained for the Passive Developed Markets mandate, the DFA International Value Portfolio was liquidated, and the DFA International Small Company Portfolio was reduced. With the exception of the Private Equity, the Total Portfolio asset classes were within acceptable ranges from their target weights. During the month, SCERS received \$1.5 million in distributions from its Private Equity managers. As of the report date, the funded status of the plan stood at 66.05% on a marked-to-market basis.

Motion: Upon motion by Tim Burgess, seconded by Lou Walter, the Retirement Board approved the selection of AEW Core Property Trust and Heitman Real Estate Investment Firm for the Core Real Estate mandate as recommended by the Investment Committee.

Motion: Upon motion by Tim Burgess, seconded by Jean Becker, the Retirement Board accepted the Investment Committee consent agenda as submitted.

The Board requested follow-up from PCA regarding the Epsilon workout portfolio adjustment.

Executive Director Report:

Ms. Carter reported Retiree, Brenda Bauer sent a letter to the Board concerning her prior service credit. Ms. Bauer was present at the meeting and asked the Board if they had any questions regarding the letter and documents she provided. There were no questions from the Board. Councilmember Burgess stated the Board would review her letter of petition in Executive Session.

Ms. Carter announced the 2013 Active Seat (currently held by Ms. Jean Becker) Trustee election is open for nominations. The nomination period opened on April 11, 2013 at 8am and will close on April 18, 2013 at 5pm.

Mr. Jeff Davis, SCERS Staff provided the Board with the below Operations update:
The data for the City CAFR was sent to FAS.

The Milliman Actuarial reporting is in progress. The second round of data will be sent to Milliman April 11, 2013.
The CliftonLarsonAllen Financial 2012 Audit is in progress. The last of the financial information will be forwarded to CliftonLarsonAllen by April 12, 2013. The audit report will be presented to the Board earlier than last year.

Mr. Davis reported that the retirement estimate target turnaround has been 6-8 weeks. Staff has reduced the target to 4-6 weeks. The staff will re-evaluate reducing the turnaround target after working within the new Oracle environment. Staff has also eliminated the restriction of only allowing one retirement estimate per person per year but will evaluate and reserve the right to limit estimates for those who abuse it.

Mr. Davis reported management is looking to make use of Microsoft Sharepoint as a common location for staff to have access to current versions of templates, procedures, letters, and other helpful information. Also, reviewing Sharepoint as a place to log and track member inquiries and requests.

The initial review of buyback types is completed. Management will address any outstanding action items, update templates as needed, write-up procedures, and bring any issues requiring policy guidance back to the Board.

Mr. Davis reported that he is compiling the cash management data elements and will work on the proof of concept model next week.

The communication audit is underway. Staff has looked at all types of communications to members or potential members (letters, forms, statement, emails, website). The plan is to evaluate and revise communications based on usefulness, timeliness, accuracy and clarity. Mr. Davis met with and received a proposal from a communication consultant. Phase one will include document review, data gathering which will include a member survey, stakeholder and staff interviews and work flow evaluation. Presentation of findings to the department and the Board is targeted for June/July. The findings will inform the scope of what is implemented in Phase II.

Mr. Walter had questions regarding the communication audit surrounding the selection of the communication consultant. Mr. Davis responded that Mr. Walter is welcomed to be involved with the process.

Mr. Davis reported the new system RFP selection process has been modified with agreement from the responding consultants. There will be formal consultant presentations from the responding consultants scheduled for early May.

Ms. Claire Foster provided the Board with the below IT update:

The Port Retirement Information System to Oracle is making good progress. The proof of concept is complete and the development (design and coding) is underway. There is some analysis work to complete before finalizing the project schedule but based on current estimates, the target cutover is scheduled for June/July timeframe.

Ms. Foster reported that Mr. Bryant Bradbury with Financial and Administrative Services delivered his operations assessment on March 20th. The report spoke to best practices and included recommendations. Some of the recommendations have been implemented. The significant infrastructure recommendations will require additional planning.

Ms. Foster also reported that Crystal Roncek, Deferred Compensation Coordinator for City Personnel is assisting SCERS with the market place survey. The goal is to complete the survey in early June and present findings to the Board at the June 13th meeting.

Mr. Walter questioned staff about SCERS' overall filing system and asked if there was a back-up to records. Staff responded there is data back-up. Mr. Walter further questioned if there was a policy in place to protect the physical files. Ms. Carter responded there are no duplicate hard-copy files.

New Business

Governance Committee Report: Ms. Becker reported the Governance committee has met several times over the last three months in efforts to develop Policy Charters for the following:

1. Board

2. Board Chair
3. Board Secretary
4. Board Treasurer
5. Executive Director
6. Administrative Committee

Ms. Becker stated that the Charters presented to the Board today for final approval are:

1. Board
2. Board Chair
3. Executive Director
4. Board Secretary
5. Board Treasurer

Ms. Becker asked the Board if there were any questions or concerns about the Charters submitted. Ms. Becker and Mr. Monaco noted that the changes from the prior meeting were just to clarify minor expectations within the Charters.

Mr. Walter proposed language be included to cover training for Board members at a later date. Ms. Becker responded she would follow-up and will ensure language pertaining to Board training is included.

Ms. Becker requested the Board to accept and approve the Charters presented at the meeting (charters attached).

There was discussion about the Executive Director being the spokesperson for bills passed and legal notifications. The Executive Director is responsible for serving in this role and for notifying the Board immediately on these matters.

Ms. Becker reported the Governance Committee is working on the Investment Committee and the Administrative Committee charters. It was also noted the Secretary and Treasurer Charters duties were from the Seattle Municipal Code.

Ms. Becker stated that the Charters would be an ongoing process and requested the Board members to continue to provide feedback.

Councilmember Burgess thanked the Governance Committee for their work on developing the charters.

The Board questioned how the charters would be organized. Ms. Carter, SCERS Executive Director responded the charters would be included as part of the April 11, 2013 minutes, a policy book would be created, the charters would be posted on the Seattle City Employees' Retirement System website and emailed to each Board member.

Motion: Upon motion by Jean Becker, seconded by Bob Harvey, the Retirement Board accepted and approved the following Charters as recommended by the Governance Committee:

1. Board of Administration
2. Board Chair
3. Executive Director
4. Secretary
5. Treasurer

Councilmember Burgess announced at 10:01am the Board would go into executive session to discuss Retiree, Ms. Brenda Bauer's request and personnel matter until 11am. The public will be notified if the session ends early or is extended.

Mr. Carlton Seu announced at 11am that the Executive Session was extended to 11:20am.

Executive Session ended at 11:19am.
There were no motions.

Adjournment

Motion: Upon motion by Lou Walter, seconded by David Stewart, the Retirement Board voted to adjourn the meeting at 11:19a.m.

David L. Stewart, Secretary



TITLE: Board of Administration Charter

EFFECTIVE DATE: April 11, 2013

BOARD ADOPTION: April 11, 2013

INTRODUCTION

The Board is responsible for overseeing the management of the business and affairs of the Seattle City Employees' Retirement System (SCERS) in accordance with applicable laws.

The Board shall exercise all of the powers and perform all duties prescribed by law with respect to the investment of public trust and retirement funds, including but not limited to RCW 35.39.060 and SMC 4.36.130.

The Board may delegate any of its powers and duties as deemed necessary for efficient administration and when consistent with the Seattle Municipal Code, the Revised Code of Washington, and other applicable laws.

DUTIES AND RESPONSIBILITIES

Overall Policies and Procedures Regarding Board Member Conduct

1. The Board shall establish charters describing the roles of:
 - a. The Board;
 - b. The Chair (Seattle City Council, Finance and Budget Chair);
 - c. The Secretary (City Personnel Director);
 - d. The Treasurer (City Department of Finance Director);
 - e. Committees of the Board; and
 - f. The Executive Director.

2. The Board shall adopt such other policies necessary to guide the conduct of its affairs. All Board actions and policies will be in accordance with and reflect the requirements that members of the Board: (a) act prudently in managing the assets and operations of SCERS, including but not limited to ensuring due diligence in all investment and management decisions; (b) comply with their fiduciary responsibilities of loyalty to all participants and beneficiaries of SCERS; (c) comply with the City of Seattle Ethics Code and otherwise avoid conflicts of interest that would interfere with the performance of their duties as members of the Board; and (d) comply with all applicable provisions of the Municipal Code, the Revised Code of Washington, and other applicable laws.

3. A Board Member shall not: (a) have any interest, direct or indirect, in making of any investments from the Retirement System, or in the gains or profits accruing therefrom; (b) directly or indirectly, for himself or as an agent or partner of others, borrow any of its funds or deposits or in any manner use Retirement System funds other than to direct payment of proper Retirement System expenses; or (c) become an endorser or surety or become in any

4. manner an obligor for Retirement System funds. The Board shall seek to ensure that each of these restrictions is also followed by all employees of the Retirement System.
5. The Board shall take prompt and appropriate disciplinary and/or corrective action to address any Board Member's violation of the standards of conduct established by the Board or applicable law. Depending on the circumstances, disciplinary and/or corrective actions may range from a notice or reprimand to the Board Member involved to seeking the removal of such Board Member. Whenever necessary to seek correction of the conduct, the Board will seek the assistance of legal counsel and any relevant enforcement authorities.
6. The Board will review, consider, and make final contract award selections; approve key provisions, terms, and conditions of contracts; and approve the award of contracts for external money managers, investment consultants, actuaries, outside legal counsel, and other professional advisors. For any given contract award, modification, or extension, the Board may delegate signing authority to the Executive Director. Legal review by the City Attorney's office or outside counsel for compliance with applicable city, state, and federal requirements and Board policies is required for all such contracts. The Executive Director may approve no-cost time extensions for which the service provider is eligible under the original contract terms.
7. In emergency situations only, the Board Chair – or in the Board Chair's absence the longest-serving Board Member available – may provide authorization to the Executive Director to act on behalf of the Board, following consultation with and approval by the City Attorney's office and/or outside legal counsel. An emergency situation is one in which a significant risk of loss to the fund exists and the need for action is so severe and urgent that immediate action is required before a Board meeting can reasonably be convened to address the issue.

Strategic Policy and Planning

The Board is responsible for establishing the mission, vision and values of the Retirement System and conducting an annual strategic planning assessment to identify its strategic priorities for the near and long term. The strategic plan will be the foundation of budgets prepared by the Executive Director.

Investment Policies and Strategy

The Board is responsible to establish, periodically review, and amend the investment philosophy and policy for the overall Retirement System and the investment policies for each asset class held by SCERS. At a minimum, these policies shall include appropriate provisions to address asset allocation, proxy voting, performance goals, performance measurement, and portfolio rebalancing.

The Board will ensure that an asset / liability valuation study is conducted at least every 7 years.

The Board will regularly monitor the performance of SCERS' investments relative to comparable asset classes, comparable funds, and the Retirement System's investment policies.

The Board will regularly evaluate the funded status of SCERS over the immediate, intermediate, and long term periods, and consider strategies to improve that status.

Financial and Accounting Policy

The Board shall ensure that appropriate financial and accounting policies, external review processes, and internal controls are in place to safeguard the assets of SCERS.

The Board shall ensure that internal and external audits are conducted in respect of SCERS to assess that:

- a) SCERS's assets are safeguarded and controlled;
- b) SCERS' investment transactions are in accordance with applicable laws and the policies of the Board; and
- c) SCERS' financial, human, and physical resources are managed economically and efficiently and that SCERS' operations are carried out effectively.

An independent financial audit will be conducted annually.

Operations

The Board shall have the authority to evaluate and approve changes to the organizational structure of SCERS.

The Board shall approve the biennial operating budget and related work plans, performance measures, and targets.

The Board shall ensure that an effective process of enterprise risk management is in place and approve key risk management plans, including a disaster recovery plan.

An Internal Operations Audit will be conducted at least every 5 years.

Key Appointments

The Board shall have the authority to:

- a. Establish any committees that it considers necessary and appropriate pursuant to the Seattle Municipal Code, the Revised Code of Washington, and other applicable laws;
- b. Appoint, evaluate and remove committee members;
- c. Appoint, evaluate and remove the Executive Director;
- d. Appoint, evaluate annually, and remove members of the Investment Advisory Committee for the non-voting advisory positions as called for in SMC 4.36.140; and
- e. Appoint, evaluate and remove external money managers, investment consultants, actuaries, auditors, outside legal counsel, and other professional advisors to the retirement system.

Stakeholder Communications

The Executive Director shall serve as the spokesperson for SCERS, subject to the direction of the Board, except in circumstances where the Board decides otherwise.

The Board shall seek to ensure that appropriate communications are made to City employees and other stakeholders regarding SCERS and members' benefits under the Retirement System, including (a) timely, clear notices to members and prospective members regarding their benefits and prospective benefits under the Retirement System, (b) timely, clear notice of significant changes or events in the Retirement System, and (c) communications as needed to other interested parties. With regard to communications to members and prospective members of the Retirement System, the Board shall seek to ensure that key communications are made available in a variety of ways, including but not limited to website information; individual communications such as email and/or written correspondence; and any other appropriate communication methods.

Advice and Counsel

The Board and individual Members shall be available to provide advice and counsel to the Executive Director, as required.

Reporting and Monitoring

The Board shall ensure that the necessary reporting and monitoring practices are established to provide the Board with the information it requires to effectively oversee the operations of SCERS and meet all legal requirements.

The Board shall, among other things:

- a. Regularly monitor compliance with the investment policies, standards, and procedures established by the Board;
- b. Regularly review the investment performance of SCERS;
- c. Regularly review the performance of key operations, including but not limited to the timeliness of retirement benefit estimates, the accuracy of benefit payment calculations, and the quality of membership information services;
- d. Evaluate annually the performance of the Executive Director;
- e. Discuss annually the performance of the Board; and
- f. Ensure that monitoring mechanisms are in place to make certain that SCERS operates within applicable laws and regulations.

POLICY REVIEW

The Board shall review this policy at least once every three (3) years to ensure that it remains relevant and appropriate.



TITLE: Board Chair Charter

EFFECTIVE DATE: April 11, 2013

BOARD ADOPTION: April 11, 2013

INTRODUCTION

The position of Chair of the Board of Administration (Board) is promulgated by authority of section 4.36.130 of the Seattle Municipal Code.

4.36.130E "The Chair of the Finance and Budget Committee of the City Council shall be ex officio chair, the Personnel Director ex officio Secretary, and the Director of Finance ex officio Treasurer of the Board."

DUTIES AND RESPONSIBILITIES

The Chair will exercise the powers and will perform the duties and functions specified below, in addition to those specified in the Charter of responsibilities of the Board as a whole:

1. Recommend to the Board the members and chairs to serve on each Committee;
2. Preside at meetings of the Board, ensuring that such meetings are conducted in an efficient manner and in accordance with open public meeting laws and agreed-upon Rules of Order, including setting the dates and times of meetings; however, in the absence of the Board Chair, the longest serving Board Member will preside.
3. Ensure coordination of meetings, agendas, schedules, and presentations in consultation with the Executive Director;
4. Serve as spokesperson for SCERS in situations where the Board so decides, or designate another Board member to do so;
5. In the case of a Board vacancy under Seattle Municipal Code 4.36.130D, in consultation with the other Board members, interview prospective candidates to fill the vacancy, discuss with them the needs of the Board, time commitment and responsibilities, and make a recommendation to the Seattle City Council for their approval.
6. Carry out other functions and duties as prescribed by the Board.

CHARTER REVIEW

The Board shall review this policy at least once every three (3) years to ensure that it remains relevant and appropriate.



TITLE: Treasurer of the Board Charter

EFFECTIVE DATE: April 11, 2013

BOARD ADOPTION: April 11, 2013

INTRODUCTION

The position of Treasurer of the Board of Administration (Board) is promulgated by authority of section 4.36.130 of the Seattle Municipal Code.

4.36.130E "The Chair of the Finance and Budget Committee of the City Council shall be ex officio chair, the Personnel Director ex officio Secretary, and the Director of Finance ex officio Treasurer of the Board."

DUTIES AND RESPONSIBILITIES

In addition to those specified in the Charter of responsibilities of the Board as a whole, the Treasurer will have the following powers and duties:

1. Act as custodian of the Retirement System and with the approval of the Board of Administration: (a) cause securities of SCERS to be registered in the name of a nominee, provided that adequate records are maintained to identify the actual owner, (b) authorize that SCERS securities be held in the custody of the Federal Reserve system, a depository trust company, or a bank, as contemplated by RCW 35.39.070, and (c) that pending transmission to the Retirement System, Retirement System funds be held in a clearing account with the Federal Reserve system, a depository trust company, or a bank, as contemplated by RCW 35.39.070.
2. Direct the deposit of Retirement System funds in banks licensed and organized to do business under Washington state law.
3. Direct that payments from the Retirement System be made by check, or by warrants duly issued by the Director of Finance.

CHARTER REVIEW

The Board shall review this policy at least once every three (3) years to ensure that it remains relevant and appropriate.



TITLE: Secretary of the Board Charter

EFFECTIVE DATE: April 11, 2013

BOARD ADOPTION: April 11, 2013

INTRODUCTION

The position of Secretary of the Board of Administration (Board) is promulgated by authority of section 4.36.130 of the Seattle Municipal Code.

4.36.130E "The Chair of the Finance and Budget Committee of the City Council shall be ex officio chair, the Personnel Director ex officio Secretary, and the Director of Finance ex officio Treasurer of the Board."

DUTIES AND RESPONSIBILITIES

In addition to those specified in the Charter of responsibilities of the Board as a whole, the Secretary will have the power and responsibility to ensure that adequate practices and procedures are in place in order to:

1. Record and publish minutes of Board of Administration meetings;
2. Create and publish the Annual Report of the Retirement System; and
3. Maintain the official records of the Retirement System.

CHARTER REVIEW

The Board shall review this policy at least once every three (3) years to ensure that it remains relevant and appropriate.



TITLE: Executive Director Charter

EFFECTIVE DATE: April 11, 2013

BOARD ADOPTION: April 11, 2013

INTRODUCTION

The Executive Director is the senior executive of the Seattle City Employees' Retirement System. In addition to the duties and authorities referenced herein, when deemed necessary for efficient administration, the Board of Administration (Board) may delegate authority to the Executive Director consistent with the Board's policies and the Seattle Municipal Code.

DUTIES AND RESPONSIBILITIES

1. Operations

The Executive Director has all powers and authority normally vested in similar positions in other City departments to include, but not be limited to, the hiring and firing of staff, and the commitment of funds necessary to the efficient conduct of SCERS business. In carrying out these duties, the Executive Director must ensure compliance with Board policies and directives, and applicable federal and state laws and regulations.

The Executive Director shall be responsible for managing the day-to-day operations of SCERS, delegating to officers and senior staff as the Executive Director deems appropriate, provided that such delegation is consistent with the organizational structure and policies approved by the Board.

The Executive Director shall have the authority to make all necessary operational expenditures, consistent with operating budgets, policies, and internal controls established by the Board, the Seattle Municipal Code, and all other applicable laws.

The Executive Director shall develop and recommend to the Board:

- Appropriate business plans and performance metrics; and
- A biennial budget for SCERS consistent with the Board's strategic plan and City policy and practice.

The Executive Director shall approve the divisional business plans of senior staff, as appropriate.

2. Finance and Accounting

The Executive Director shall ensure the appropriate financial and internal controls are in place to protect the assets of the Retirement System.

The Executive Director shall:

- Maintain books of account for SCERS and prepare financial statements;
- Maintain records of the investments held by SCERS;
- Ensure that an independent financial audit is conducted annually;
- Ensure that an asset and liability valuation study is performed at least every 7 years; and
- Ensure that an operational audit is carried out at least every 5 years

3. Contracts

All contracts, both competitive and sole source, must be processed according to applicable City policy and must meet applicable filing and/or approval requirements established by the City Contracting department.

In emergency situations only, the Executive Director is authorized to act on behalf of the Board to modify, extend, terminate, or otherwise take action with respect to Board-approved contracts. Emergency situations are those in which a significant risk of loss to the fund exists and the need for action is so severe and urgent that immediate action is required before a Board meeting can reasonably be convened to address the issue. The Executive Director will consult with and obtain approval of the City Attorney's office and/or outside legal counsel, and obtain approval of the chair of the Board (or, in the absence of the chair of the Board, the most senior member of the Board who can be reached) in advance of any such action. The Executive Director will report on any such matters at the next Board meeting.

Contracts pertaining to the day-to-day operations of the Retirement System (e.g., leases, personal services contracts, interdepartmental agreements, memoranda of understanding, and procurement and maintenance agreements) shall be consistent with City practices and executed by the Executive Director. The Executive Director shall exercise his/her discretion regarding the need for legal and Board review of such contracts.

4. Investment Implementation

The Executive Director is authorized to implement investment transactions consistent with contracts, policies, and directives adopted by the Board and all applicable legal requirements. In the absence of an emergency situation as defined herein, the authority of the Executive Director to approve or execute investment transactions will be limited to specific powers granted by the Board with each contract or transaction. In addition, the Executive Director is authorized to monitor the actions by any external fund manager to ensure compliance with the terms and conditions of the contract between the manager and the Retirement System.

5. Real Estate and Partnerships

The Executive Director will have full authority to approve annual budgets and annual business plans related to real estate and partnerships provided the budgets and plans are consistent with the provisions of existing agreements and prudent business practices. Business Plan approval by the

Executive Director contemplates sales, financing, and capital recommendations made by SCERS' advisors, unless decisions involve capital amounts in excess of \$500,000, which require Board approval.

6. Legal Actions

General Matters

When the Retirement System or Board is named as a defendant in a legal action or finds it necessary to initiate legal action to protect the interest of its beneficiaries, directions to the City Attorney and/or outside legal counsel must be approved by the Board in advance of any official action. In emergency situations only, the Executive Director is authorized to act on behalf of the Board with the advice and approval of the City Attorney's office and/or outside legal counsel, subject to approval of the chair of the Board (or, in the absence of the chair of the Board, the most senior member of the Board who can be reached) in advance of any such action. Emergency situations are those in which a significant risk of loss to the fund exists and the need for action is so severe and urgent that immediate action is required before a Board meeting can reasonably be convened to address the issue. The Executive Director will report on any such matters at the next Board meeting.

Class Action Lawsuits

The Executive Director is authorized to join class action lawsuits on behalf of the Retirement System so that it may share in any distribution from the lawsuit, unless he/she determines that legal action by the Board, independent of a class action lawsuit, is advisable following consultation and approval of the City attorney's office and/or outside legal counsel.

7. Risk Management

The Executive Director shall ensure that an enterprise risk management system is developed and implemented to mitigate the organizational risks faced by SCERS. This shall include appropriate internal controls to manage day-to-day business risks as well as disaster recovery plans to enable restoration of business functions after an unforeseen event.

8. Human Resources

The Executive Director shall:

- Recruit, hire, and retain personnel necessary to effectively manage SCERS and develop the necessary training and development policies and programs, and
- Determine appropriate levels of compensation for SCERS staff within City policies.

9. Stakeholder Communications

The Executive Director will serve as the spokesperson for SCERS, subject to the direction of the Board, unless the Board decides otherwise.

The Executive Director shall recommend a communications policy to the Board for approval.

The Executive Director shall prepare and recommend for Board approval an annual report on the operations of SCERS.

The Executive Director shall, subject to the direction of the Board as to timing and subjects of such reports, offer at least annually to present a report on the status of the Retirement System to the City Council and to the Mayor.

10. Reporting and Monitoring

The Executive Director shall ensure that the Board is provided with relevant, appropriate and timely information to enable it to properly carry out its trustee, monitoring, and oversight responsibilities.

The Executive Director shall, on a regular and periodic basis, monitor and report on:

- New or emerging policy or operational issues;
- Performance of investment targets and funding ratios – at least monthly;
- Performance of key operations, including metrics for membership services, employee vacancies, retirement system trends – at least monthly; and
- Status of Strategic Plan initiatives including budget, schedule and completed milestones – at least monthly.

11. Leadership

The Executive Director shall provide executive leadership to SCERS in setting and achieving its mission and goals, and shall manage SCERS in accordance with the parameters and guidelines established by the Board. In doing so, the Executive Director shall solicit advice and counsel from the Board, as necessary and appropriate.

12. Policy Analysis

The Executive Director shall provide support to the Board in establishing the policies of the Board. This shall involve working with the Board to continually identify issues requiring Board policy, conducting the necessary analysis of such issues, and providing clear and well-supported policy recommendations for Board approval.

13. Investment Policies

The Executive Director shall develop, review, and recommend to the Board and/or appropriate Committees the investment philosophy and policies to guide the management of SCERS funds overall, and for each asset category.

Within the policy parameters approved by the Board, the Executive Director shall recommend investment options for each asset category in which SCERS invests.

POLICY REVIEW

The Board shall review this policy at least once every three (3) years to ensure it remains relevant and appropriate.



MINUTES

Board Members Present: Councilmember Tim Burgess; Robert Harvey; David Stewart; Glen Lee; Lou Walter; Sherry Crawford; Jean Becker

SCERS Staff Present: Cecelia M. Carter; Tony Smith; Ben Kalman; Jeff Davis; Claire Foster; Ken Nakatsu; Lisa Carns

Others Present: Mike Monaco, Song Mondress Law Firm; Carlton Seu, Seattle City Attorney's Office; Tom Kirn, FAS; George Emerson, FAS; Steve Viney, Retiree; John Masterjohn, Retiree; Brenda Bauer, Retiree; Jessica Wang, Budget Office; Zone Montoya, Personnel Department;

Councilmember Burgess, Board Chair called the meeting to order at 9am.

Public Comment: No public comment

Carlton Seu arrived at 9:01am

Administrative Consent Agenda

Minutes:

Provided in the Retirement Board packet was the minutes from the April 11, 2013 Retirement Board regular meeting.

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

Service	\$10,684,136.26
Beneficiary	\$900,497.12
Disability	\$74,781.64
Pension Payroll – PPE April 30, 2013	\$11,659,415.02
Office Payroll – PPE April 9 and 23, 2013	\$99,468.14
Vouchers Processed – April 30, 2013	\$1,571,664.08
*Expert and Consultant Services – \$29,107.60	
*Investment Management Fees – \$1,419,266.24	
*Interdepartmental Charges - \$97,776.75	
*Miscellaneous - \$25,513.49	

Immediate Withdrawals of Contributions for the month of April 2013:

Member	Department Name	Position
Barnes, Douglas K	Library	Publ Svc Tech
Berg, Kenneth E	DPD	Planner
Brandolini, Anthony J	SDOT	Maint Laborer
Brenneise, Harvey R	Library	Librarian
Bruce, Todd A	DoIT	Info Tech Prof A
Caballero, Bonnie S	SPU	Util Acct Rep
Cates, Coral H	HSD	Reg Nurse Consult
Chung, Chloe Wing-Sze	Library	Lib Assoc II
Cooksey, Michael J	SPU	Plan Dev Spec Sr
Cooper, Carmen L	Parks	Rec Attend
Counts, Dwayne A	Seattle Center	Laborer
Cronk, Timothy J	Seattle Center	Laborer
Gettmann, John M	Seattle Center	Laborer
Haws, Meshel L	Library	Lib Assoc I

Member Name	Department Name	Position
Hielscher, Carl B	Library	Page
Hipp, Mathew J	Parks	Lifeguard
Hubbard, Miles A	Parks	Laborer
Jones, Cheryl A	City Light	Lineworker
Kelly, Celia K	Parks	Lifeguard
Lizunova, Natalya Y	FAS	Fin Anlyst Sr
Mak, Robert L	Mayors Office	Exec 3
Martini Vonrichthofen, Christina	DoIT	Personnel Spec
McDonough, Jr, Mark J	SDOT	Tree Trimmer
McKinney, Andre W	HSD	Counselor
Menzel, Barbara J	City Light	Strat Advr 2
Muir, Guila C	Parks	Lifeguard
Parker, Mary M	Health	Admin Spec I
Pescatore, Joseph V	SPU	Drainage Coll Wkr
Redmond, Karen A	SPU	Util Acct Rep Trainee
Reilly, Andrew M	Fire	Info Tech Prof C
Rugg, Michael E	SPU	Drainage Coll Wkr
Salazar, Clara I	HSD	Grants and Contacts Spec Sr
Smith, Letitia Y	FAS	Sr Acct
Szpak, Judy C	TES	Victim Advocate
Taylor, Michael E	Seattle Center	Stage Tech
Thompson, Tracy L	Seattle Center	Stage Tech
Tuihalamaka, Sione S	Seattle Center	Laborer
VanEyck, Kenneth P	Muni Court	Info Tech Prof A
Vigil, Eileen V	Personnel	Admin Spec II
Wingate, Edward L	Parks	Rec Attend

Bold entries above indicate refund payout made to beneficiary of a member dying while in active status. **Withdrawals for a total of: \$431,890.66**

Ratification of Service Retirements for April:

Retiree	RetireDt	Age	Years	Days	DeptName	Position
Antonio,Efren U	3/2/2013	63	33	317	City Light	Elec Engr Assoc
Arnold,Georgiana	3/13/2013	67	13	64	Human Services	Manager I
Bachen,Bruce A	3/13/2013	61	14	73	SPU	Executive 2
Beyers,Mary K	3/2/2013	54	28	357	Parks	Maint Laborer
Biggs,Susan I	3/2/2013	64	28	276	City Light	Info Tech Spec
Brown,Marsha K	3/13/2013	62	10	127	City Light	Exec Asst
Budman,Alan	4/2/2013	56	19	241	Vested	Vested
Burch,Michael W	4/10/2013	66	29	19	Library	Gardener
Culver,Carla J	3/13/2013	65	26	257	SPU	Civil Engr Spec,Sr
Devereaux,Cynthia R	4/3/2013	53	25	86	DPD	Permit Spec II
Duryea,Licia	3/1/2013	67	7	265	Vested	Vested
Erickson,Neal J	3/2/2013	60	25	327	Seattle Center	Admin Staff Anlyst
Firth,Christine D	3/6/2013	62	33	233	Library	Librarian
Gallagher,Raymond E	3/13/2013	54	30	70	SDOT	Heavy Truck Driver
Goodman,Jack E	4/10/2013	71	27	258	SPU	Wtrwrks Maint Supv

Retiree	RetireDt	Age	Years	Days	DeptName	Position
Hahn,Cathy C	4/10/2013	60	11	132	SPU	Info Tech Prof A
Halgren,Mitchell V	3/13/2013	63	25	24	Fire	Auto Engr Sr
Harris,Rhonda Y	3/13/2013	60	37	186	Law	Victim Advocate
Hawthorne,Lisa	3/26/2013	52	25	238	FAS	Remittance Processing
Heath,Roger C	4/1/2013	60	1	14	Vested	Portability
Huss,Steven L	3/5/2013	57	13	132	Vested	Vested
Jackson,Samuel	4/4/2013	65	24	60	Library	Librn
Joyner,Robert	4/10/2013	69	12	20	SDOT	Civil Engr Supv
Justice,Eileen	4/9/2013	83	11	210	Parks	Rec Attendent
Kaya,Robert I	3/19/2013	65	13	307	Vested	Vested
Kirk,Margaret Y	3/30/2013	60	4	362	City Light	Elect Pwr Sys Engr, Prin
Lamsma,Frank C	3/13/2013	65	26	293	Seattle Center	Gardener
Little-Strong,Beverly	3/13/2013	59	31	300	City Light	Engry Mgmt Anlyst,Sr
Lundquist,Patrice M	3/1/2013	57	20	220	Vested	Vested
Lyons,Elizabeth A	3/27/2013	57	13	251	Vested	Vested
Marchand,Reginald P	3/2/2013	61	23	36	City Light	Meter Electn
Pien,Diana L	4/3/2013	65	17	110	Human Services	Plng & Dev Spec II
Pineda,Ma Teresa	3/1/2013	60	8	272	Vested	Vested
Pound,Gary A	3/13/2013	66	5	121	City Light	Info Tech
Rich, Sally (Beneficiary to Rodney Rich)	1/16/2013	74	18	341	FAS	Investment/Debt Director
Rudolfo,Robert M	3/27/2013	60	30	266	SPU	Truck Driver,Heavy
Santiago,Zenaida L	3/13/2013	58	24	319	FAS	Business Analyst
Schnell,Linda L	4/2/2013	59	12	229	Library	Dir Human Resources
Smith,Dave B	4/6/2013	62	33	252	City Light	Manager 3
Stevenson,Sunny K	4/9/2013	59	13	238	Vested	Vested
Toda,Connie L	3/27/2013	57	21	42	Police	Latent Print Examiner
Walton,Charles D	4/10/2013	58	20	105	City Light	Lnwkr
Weiss,Merle M	4/10/2013	67	8	192	Civil Rights	Civil Rights Anlyst
West,Dale A	2/6/2013	60	30	166	City Light	Gardener Sr
Whipple,Gwen L	4/2/2013	65	9	2	Human Services	Mgmt Sysys Anlyst
Woelfle,Juanita L	3/9/2013	63	23	289	Seattle Center	Manager 2
Wurzer,James C	4/10/2013	63	33	112	FAS	Contract Anlyst,Sr
Yee,Carolyn M	4/9/2013	64	30	90	City Light	Res & Eval Asst
Young,James A	3/30/2013	61	23	305	Vested	Vested

For the month of April 2013: 45 new Members entered the System, 30 terminations, 48 Members retired in the System, 17 Members removed (\$23,772.89), 2 D/E Option, 6 Option F, 4 over 60% benefit, and one 19-B active death.

Mr. Glen Lee arrived at 9:03am

Motion: Upon motion by Tim Burgess, seconded by David Stewart the Retirement Board of Administration approved the Administrative Consent Agenda.

- Minutes of the April 11, 2013, Board Meeting
- Ratification of Retirement Payroll, Office Payroll, Other Payments and Withdrawals
- Ratification of Service Retirements for the month of April 2013

Investment Committee Report

There was no Investment Committee meeting the month of April 2013.

Mr. Tony Smith, SCERS staff gave a report on the Investment Accounting Summary report for March 2013. Mr. Smith reported as of March 31, 2013 the Total Portfolio has a market value of \$2.022 billion. Mr. Smith further highlighted that the March 31, 2013 valuation is reflective of the write-down of SchemaLogic to zero and the increase to the loss reserve to \$24,209,023.00 as outlined in the PCA memorandum dated March 28, 2013. The year to date change in market value is 3.60%. As of the report date, the funded status of the plan stood at 66.07% on a marked-to-market basis.

Mr. Lou Walter questioned staff about rebalancing the portfolio. Staff responded the portfolio is within the tolerance band(s), except for Private Equity.

Mr. Smith informed the Board of the details surrounding a tender offer made by Sonics, Inc. As a reminder, shares in Sonics, Inc were acquired by SCERS as part of an in-kind payout from SCERS investment in Phoenix Fund (private equity). The company management is now offering to tender Class D shares of stock from stockholders. Their offer would net SCERS approximately \$50,000.

No action from the Board of Administration was required for the Investment Committee report.

Executive Director Report:

Ms. Carter reported the nominations for the Trustee Board Active Seat closed Thursday, April 18th at 5pm. There were two nominations which are listed in alphabetical order as follow: Jean Becker with the Seattle City Light Department and Zone Montoya with the Personnel Department. Mr. Jeff Davis certified the close of the nomination period. Ms. Carter certified to the Board both candidates are eligible to run for the Active Seat. The election ballots will be mailed on Friday, May 10, 2013. The election is open for voting Monday, May 13th at 6am (Pacific Time) and closes on Monday, June 3, 2013 at 5pm (Pacific Time). The certified results of the election will be presented at the June 13, 2013 Board meeting.

Ms. Carter reported that in response to the Seattle Times article on May 5, 2013 corrections and comments were submitted to the City's Public Information Officer to submit to the Seattle Times. There were two corrections of particular noted. They are (1) SCERS has outperformed Washington State Investment Board for the 3- year period ending December 31, 2012, and (2) SCERS Portfolio is only invested at 2% in private equity.

Mr. Jeff Davis, SCERS Staff provided the Board with the below Operations update:

CliftonLarsonAllen 2012 draft audit of financial statements report will be presented at the May 30, 2013 Investment Committee meeting.

The January 1, 2013 Valuation Report of SCERS, conducted by Milliman is in progress. Milliman received all of the data and is expected to present to the Investment Committee on May 30, 2013 as well.

The data for the City CAFR was sent to FAS and is complete.

Mr. Davis reminded the Board that at the April meeting he stated the retirement estimate request target turnaround has been 6-8 weeks and staff has reduced the target to 4-6 weeks. Mr. Davis also reported at the April meeting that staff eliminated the restriction of only allowing one retirement estimate per person per year but will evaluate and reserve the right to limit estimates for those who abuse it. After discussions following the April Board meeting, SCERS management changed the process to allow two estimates per person/per year. Past practice has only allowed members who are eligible to retire within three years to request an estimate. SCERS management has increased that number to five years prior to retirement. Those seeking estimates out longer than five years are encouraged to use the on-line calculator.

Mr. Davis reported that SCERS staff will submit a Budget Issue Paper for two term-limited positions to maintain current operations capabilities and to work on improvements to the architecture and functionality of the system in advance and in support of the system replacement. Staff will present a report on the Budget to the Board at the June 13, 2013 meeting.

Mr. Davis reported that the contract for the Communication Audit is complete. The goal is to present a report to the Board after completion of Phase one which is targeted for August/September. Phase one includes document review, data gathering

which will include a member survey, stakeholder and staff interviews and work flow evaluation. The findings will inform the scope of what is implemented in Phase II.

Mr. Davis reported that the consultant interviews/presentations were conducted on May 2 and 3, 2013. A consultant was selected from the process. Mr. Davis stated the plan is to present an option analysis to the Board during the September/October timeframe. Phases three and four of the project are contingent on the option selected.

Mr. Walter asked for clarification that the RFP doesn't commit SCERS to purchase a new system. Staff responded there is no commitment to purchase a system.

Mr. Walter asked questions confirming SCERS operations staff would be involved in the selection of any system database to ensure their processing needs are met.

Ms. Claire Foster provided the Board with the below IT update:

Ms. Foster reported the Port Retirement Information System to Oracle is going very well. Ms. Foster stated that at the April Board meeting she reported the target cutover was scheduled for June/July. However, based on completion of the scope analysis, the target cutover is now July, or possibly August if the need arises to load balance staff resources between user testing and the consulting engagement. The schedule is as follows: May – development; June-testing; July – staff functional testing. Ms. Foster confirmed the schedule is ahead of the migration to Windows 7. Mr. Lee asked if Staff was working with DoIT to delay the migration as a back-up plan. Ms. Foster responded that SCERS is migrating under FAS' schedule and that she is coordinating with the FAS WOI Project Manager.

Ms. Foster reported the market survey is underway. The findings will be presented to the Board at the June 13th meeting.

Ms. Foster reported that staff is working on the analysis enhancements recommended by Mr. Bryant Bradbury with Financial and Administrative Services. DoIT staff is currently working on providing extra security for the Investment team's systems.

New Business

Ms. Becker reported the Governance committee met on April 30, 2013 from 2-4pm at the Seattle City Employees' Retirement System Office, 720 Third Avenue, Suite 900. Present at the meeting were Jean Becker, Committee Chair; Bob Harvey; Sherry Crawford; Cecelia Carter, SCERS Executive Director; Carlton Seu, Seattle City Attorney's Office; Mike Monaco, Song Mondress Law Firm.

Ms. Becker reported the committee reviewed and worked through the details of the Investment Committee and Administrative Committee Charters. The committee is scheduled to meet in June to review the draft charters and the goal is to present them at the June Board meeting. Ms. Becker commented that the Governance Committee will recommend to the Board an Ordinance to modify language in the Seattle Municipal Code 4.36. Mr. Seu, City Attorney's Office reported the draft Ordinance is complete and requested a review in Executive Session.

Ms. Becker further reported that the Committee is creating a work plan for the Governance Committee which will include the Social Investment Guidelines the Board requested the committee to develop.

Mr. Walter expressed his concern regarding the plan portfolio and the established bandwidths instituted with the plan's target allocations. Mr. Smith responded the bandwidths are within plus or minus 2%. Ms. Carter clarified that when rebalancing, it is not necessarily best practice to rebalance entirely to the target so to permit further market fluctuation and mitigate on trading cost.

Councilmember Burgess announced at 9:30am the Board would go into executive session to discuss a disability application, prior service credit petition request, legislative review and a personnel matter until 10:15am. The public will be notified if the session ends early or is extended.

Mr. Carlton Seu announced at 10:15am that the Executive Session was extended to 10:30am.

Public session resumed at 10:22am.

Motion: Upon motion by Tim Burgess, seconded by Lou Walter the Retirement Board of Administration approved Mr. Steven Groshong's Disability Retirement Application with an effective date of April 1, 2012.

Motion: Motion: Upon motion by Tim Burgess, seconded by Bob Harvey, the Retirement Board of Administration denied the petition of Ms. Brenda Bauer for prior service credit during her CETA employment, and approved findings of facts and conclusions of law reflecting the basis for that determination to be issued to Ms. Bauer.

Motion: Upon motion by Lou Walter seconded by Jean Becker the Retirement Board of Administration approved the submission of legislative language to City Council for consideration modifying the Seattle Municipal Code Section 4.36.140.

Adjournment

Motion: Upon motion by Lou Walter, seconded by Glen Lee, the Retirement Board voted to adjourn the meeting at 10:25am.

David L. Stewart, Secretary



MINUTES

Board Members Present: Councilmember Tim Burgess, Board Chair; Robert Harvey; David Stewart; Glen Lee; Lou Walter via phone; Jean Becker via phone.

Board Members Absent: Sherry Crawford

SCERS Staff Present: Cecelia M. Carter; Tony Smith; Ben Kalman; Jeff Davis; Claire Foster; Lisa Carns

Others Present: Mike Monaco, Song Mondress Law Firm; Carlton Seu, Seattle City Attorney's Office; Ken Nakatsu

Councilmember Burgess, Board Chair called the meeting to order at 3:30pm.

Councilmember Burgess announced a special meeting was called for the Seattle City Employees' Retirement System Board of Administration. Proper notice was provided on the Seattle City Employees' Retirement website 48 hours in advance.

Councilmember Burgess stated the purpose of the special Board meeting was to accept the resignation of Ms. Cecelia M. Carter, Executive Director of the Seattle City Employees' Retirement System.

Motion: Upon motion by Tim Burgess, seconded by Bob Harvey the Retirement Board of Administration accepted the resignation of Ms. Cecelia M. Carter as the Executive Director of the Seattle City Employees' Retirement System effective June 30, 2013.
The motion passed and carried unanimously.

Mr. Walter stated he was reluctant to accept Ms. Carter's resignation. Mr. Walter further commented that Ms. Carter did great work as the Executive Director; she made staff improvements, and did a great job managing the portfolio during the economic disaster. Mr. Walter further commented he is grateful to know and work with her.

Ms. Becker and Councilmember Burgess also thanked Ms. Carter for her service.

Councilmember Burgess requested the Board vote to appoint Mr. Ken Nakatsu as Interim Executive Director to the Seattle City Employees' Retirement System.

Motion: Upon motion by Glen Lee, seconded by David Stewart the Retirement Board of Administration appointed Ken Nakatsu as the Interim Executive Director to the Seattle City Employees' Retirement System.
The motion passed and carried unanimously.

The Board of Administration was presented with a Board Resolution and Certificate of Incumbency for Ken Nakatsu, Jeff Davis and Anthony Smith to have authorization to act and endorse on behalf of the Seattle City Employees' Retirement System and the system's Board of Administration.

Motion: Upon motion by Tim Burgess seconded by Glen Lee the Retirement Board of Administration approved the Board Resolution and Certificate of Incumbency as presented effective June 20, 2013.
The motion passed and carried unanimously.

Adjournment

Motion: Upon motion by Lou Walter, seconded by Bob Harvey, the Retirement Board voted to adjourn the meeting at 3:40pm.

David L. Stewart, Secretary



MINUTES

Board Members Present: Councilmember Tim Burgess, Board Chair; Robert Harvey; David Stewart; Glen Lee; Lou Walter; Sherri Crawford; Jean Becker

SCERS Staff Present: Cecelia M. Carter; Tony Smith; Ben Kalman; Jeff Davis; Claire Foster; Ken Nakatsu; Lisa Carns

Others Present: Mike Monaco, Song Mondress Law Firm; Carlton Seu, Seattle City Attorney's Office; Mike Moy, Pension Consulting Alliance; Tom Kirn, FAS; George Emerson, FAS; John McCoy, Central Legislative Staff; Steve Viney, Retiree; John Masterjohn, Retiree; Judith Flemings, ARSCE; Retiree; Jessica Wang, Budget Office; Nick Collier, Milliman; Thomas Rey, CliftonLarsonAllen; Kenneth Yaeger, Retiree; Robert Perez, Esquire and Matthew Maynard, Esquire, Foster Pepper Law Firm.

Councilmember Burgess, Board Chair called the meeting to order at 9am.

Public Comment: Ms. Judith Flemings requested to delay comment until the Board discussed agenda item 4.c. under the Executive Director Report. The Board agreed.

Councilmember Burgess announced there would be two executive sessions at the meeting to discuss an investment matter and a personnel matter.

Administrative Consent Agenda

Minutes:

Provided in the Retirement Board packet was the minutes from the May 9, 2013 Retirement Board regular meeting.

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

Service	\$10,661,560.02
Beneficiary	\$890,708.81
Disability	\$ 94,704.25
Pension Payroll – PPE May 31, 2013	\$11,646,973.08
 Office Payroll – PPE May 17 and 31, 2013	 \$124,860.55
 Vouchers Processed – May 31, 2013	 \$ 303,611.87
*Expert and Consultant Services – \$109,634.30	
*Investment Management Fees – \$55,915.92	
*Interdepartmental Charges - \$111,972.75	
*Miscellaneous - \$26,088.90	

Immediate Withdrawals of Contributions for the month of May 2013:

Member	Department Name	Position
Barnes, Douglas K	Library	Publ Svc Tech
Berg, Kenneth E	DPD	Planner
Brandolini, Anthony J	SDOT	Maint Laborer
Brenneise, Harvey R	Library	Librarian
Bruce, Todd A	DoIT	Info Tech Prof A
Caballero, Bonnie S	SPU	Util Acct Rep
Cates, Coral H	HSD	Reg Nurse Consult
Chung, Chloe Wing-Sze	Library	Lib Assoc II
Cooksey, Michael J	SPU	Plan Dev Spec Sr
Cooper, Carmen L	Parks	Rec Attend
Counts, Dwayne A	Seattle Center	Laborer
Cronk, Timothy J	Seattle Center	Laborer

Member Name	Department Name	Position
Gettmann, John M	Seattle Center	Laborer
Haws, Meshel L	Library	Lib Assoc I
Call, Jedediah G	City Light	Ofc Mtc Aide
Dennison, Thomas N	City Light	Carpenter
Evans Joe Tomassini	Dolt	Info Tech Prob B
Harris Cobbinah, Treva L	SDOT	Acct Tech III
Hoover, Chandra M	Parks	Lifeguard
Jou, How Coung	City Light	Info Tech Prof B
Kenney, Richard M	Seattle Center	Fac Tech Supv
Lawry, Mary R	Parks	Painter
Luzanaris, Danny	SPU	Elect Tech
Maeso, Loree D	Library	Lib Assoc I
Mark David Hinkley	DPD	Bldg Plans Exam. Supv
Mascarenas, David M	SPU	Wtr Pipe Wkr
Ortega, Diomaris	Personnel	Benefits Asst
Phok, Malissa M	SDOT	Civil Eng Spec
Taylor, David D	City Light	Strat Advr I
Timmons, Rocale D	Parks	Info Tech Support
Tran, Hien Thi	Library	Library Assoc
Tullio, Matthew L	Parks	Carpenter
Zhang, Ya P	City Light	Acct

Bold entries above indicate refund payout made to beneficiary of a member dying while in active status. **Withdrawals for a total of: \$458,949.87**

Ratification of Service Retirements for May:

Retiree	RetireDt	Age	Years	Days	DeptName	Position
Ablang, Nenita G	4/24/2013	57	14	100	DPD	Acct Tech III-BU
Baer, Daniel L	4/24/2013	52	30	164	Office of Housing	Manager 2
Burke, Martha L	5/8/2013	64	22	219	SPU	Strat Advr 2
Dao, Emilie N	4/25/2013	57	15	304	Vested	Vested
Dilley Jr, Forrest	5/4/2013	61	17	198	SPU	Info Tech Prof B -BU
Ellinger Jr, Daniel J	5/8/2013	69	22	210	SPU	Civil Eng Spec Sr
Ely, Ramon A	5/8/2013	62	20	2	City Light	Manager 3
Fors, Robert A	5/8/2013	67	11	13	Municipal Courts	Prob Counslr II
Gallow, Lynda A	5/8/2013	64	28	45	City Light	Admin Spec II-BU
Haigh, David M	5/2/2013	59	23	16	Office of Housing	Fin Anlyst Supv
Hardie, Berle E	5/4/2013	63	29	25	City Light	Labor Relations Coord
Hill, Cherrese E	5/7/2013	56	27	336	City Light	Cust Svc Rep
Mickelson, Kimberly L	5/8/2013	55	25	347	DoIT	Strat Advr I
Ngy, Teng	4/18/2013	63	1	182	Vested	Portability
Nichols, Melinda G	5/1/2013	63	23	78.99	Vested	Vested
Olyano, Blaine	5/3/2013	61	29	199	City Light	Carpenter CC
Razon, Evangeline D	5/8/2013	56	31	125	City Light	Sr Customer Serv Rep
Richardson, Rhodell	5/2/2013	63	24	216	City Light	Elect Engr Spec Sr
Rogge, Craig E	5/8/2013	59	37	252	City Light	Elect Svc Rep Sr

Retiree	RetireDt	Age	Years	Days	DeptName	Position
Sepulveda,James W	4/24/2013	66	14	196	Seattle Center	Head Usher
Valdez,Bienvenido D	5/4/2013	68	23	93	City Light	Civil Engr Asst III
Wentz,Wayne M	4/25/2013	57	3	145	Vested	Portability
Yapp,Beverly	5/4/2013	65	22	0	Retirement	Strat Advsr 2 TL
Younge,Karen	5/2/2013	57	27	263	SPU	Civil Engr Spec

For the month of May 2013: 88 new Members entered the System, 31 terminations, 24 members retired in the System, 13 Members removed (\$17,866.60), 1 C Option, 1 D/E Option, 2 Option F, 1 over 60% benefit, and 1 Pop-up from Option D to Straight.

Ms. Carter reported there was nothing out of the ordinary to highlight on the Ratification of Retirement Payroll, Office Payroll, Other Payments and Withdrawals, or the Service Retirements.

Motion: Upon motion by Tim Burgess, seconded by Lou Walter the Retirement Board of Administration approved the Administrative Consent Agenda.

- Minutes of the May 9, 2013, Board Meeting
- Ratification of Retirement Payroll, Office Payroll, Other Payments and Withdrawals
- Ratification of Service Retirements for the month of May 2013

The motion carried unanimously.

Investment Committee Report

The Investment Committee met on May 30, 2013 at 12 noon at the Seattle City Employees' Retirement System, 720 Third Avenue, Suite 900 (Pacific Building).

Committee members present: Lou Walter, Chair, Bob Harvey, Glen Lee; David Stewart.

Other Board members present: Jean Becker (Via Phone); Sherry Crawford.

Investment Advisory Committee present: Joseph Boateng, Alan Hess, Dwight McRae, Paul Maffeo, and John Comerford.

Staff Present: Cecelia Carter, SCERS Executive Director; Tony Smith; Ben Kalman; Jeff Davis; Ken Nakatsu; Lisa Carns; Carlton Seu, Seattle City Attorney's Office.

Others present: Neil Rue, David Sancewich, Mike Moy, Andrew Bratt, and Christy Fields with Pension Consulting Alliance; John McCoy, Legislative Central Staff; George Emerson and Tom Kirn, FAS; Jennifer Senta and Nick Collier, Milliman; Jessica Wang, Budget Office.

Mr. Tony Smith, SCERS staff gave a report on the May 30, 2013 Investment Committee meeting. A recap of the meeting is outlined below.

Performance Report 1Q 2013

Mr. Smith reported the SCERS Total Portfolio returned 4.82% for the quarter ending 03/31/2013, beating the policy benchmark by 39 basis points, primarily due to security selection in the U.S. Equities and Private Equity asset classes. During the latest 1-year and 3-year periods, the Total Portfolio outperformed the policy benchmark by 19 and 28 basis points, respectively. Despite trailing over longer time periods relative to the comparable peer universe, nearer-term performance, particularly the 1 and 3 year time periods, reflect an improving trend in the Total Portfolio's quartile ranking.

Investment Accounting Summary Report – April 2013

Mr. Smith reported as of April 30, 2013, the Total Portfolio had a market value of \$2.05 billion. The Total Portfolio asset classes were within acceptable ranges from their target weights, with the exception of Private Equity. During the month, SCERS received \$500 thousand in distributions from its Private Equity managers. As of the report date, the funded status of the plan stood at 66.84% on a mark-to-market basis.

Mr. Smith reminded the Board that Attucks is on the Watchlist and that staff are continuing to evaluate the manager. Attucks runs a manager of manager all cap program for SCERS using WMBE emerging managers. Staff will keep the Board updated and make recommendations at a future meeting.

Real Estate Restructuring

Mr. Smith reported that in follow-up to the selection of AEW Capital Management and Heitman Capital Management to diversify SCERS' core real estate exposure, PCA provided the Investment Committee with a memo outlining the plan to restructure SCERS' real estate portfolio. As part of the restructure PCA recommended redeeming Washington Capital JMT Real

Estate Equity Fund and American Core Realty Fund, and a portion of the non-core segment of the JP Morgan Combine Real Estate account. The purpose of the restructure is to bring JP Morgan's concentration from around 72% to approximately 37%.

Mr. Smith also reported that AEW Capital Management will be funded by June 30, 2013 and Heitman Capital Management would be funded no later than the fourth quarter of 2013.

Private Equity – HarbourVest Dover Street VIII, L.P.

Mr. Smith reported that Mike Moy and Andrew Bratt with PCA presented the Investment Committee with a potential investment opportunity in Dover Street VIII, L.P., a secondary fund offering sponsored by HarbourVest Partners, LLC. Mr. Brett Gordan, Managing Director presented to the Investment Committee a background of HarbourVest, their track record, and Dover Street VIII. The highlights from HarbourVest's presentation included a track record of 21.7% gross IRR, deep experience in secondary direct and structured transactions, and an opportunity to join an established private equity firm and one of the largest dedicated secondary managers in the market. Following Mr. Gordon's presentation, Mr. Moy and Mr. Bratt provided a brief background on the investment selection process that PCA conducted. The Investment Committee acknowledged that PCA conducted the evaluation, selection and due diligence process without input from SCERS Staff and approved the investment in Dover Street VIII.

Following the Investment Committee report there will be further discussion regarding the investment opportunity in Executive Session.

Overlay Facility Recommendation

Mr. Smith reported that PCA reviewed with the Committee the benefits and best-practices approach for utilizing an overlay provider. The three key benefits outlined were the ability to perform more fluid and cost-effective rebalancing, the equitization of frictional cash, and access to tactically adjust the portfolio in a more nimble fashion than currently available should market conditions ever warrant such a shift. It was highlighted that the utilization of an overlay provider has the potential to add several million dollars of additional value to the SCERS Portfolio annually. The Investment Committee recommended SCERS Staff and PCA begin a request-for-proposal process to retain an implementation services manager.

Councilmember Burgess announced the Board would go into Executive Session to discuss an Investment matter at 9:12am and will reconvene at 9:30am. The public would be notified if executive session is extended.

Mr. Bob Harvey arrived during Executive Session.

At 9:30am Ms. Cecelia Carter and Mr. David Stewart announced executive session was extended to 9:50am.

The Board resumed to public session at 9:50am.

Motion: Upon motion by Tim Burgess, seconded by Lou Walter, the Retirement Board of Administration approved the redemption of Washington Capital Real Estate Equity Fund and American Core Realty Fund as recommended by the Investment Committee.
The motion carried unanimously.

Motion: Upon motion by Lou Walter, seconded by Glen Lee, the Retirement Board of Administration approved the commitment of \$7.5 million dollars to the HarbourVest Dover Street Fund VIII, L.P. as recommended by the Investment Committee and SCERS Investment Consultant and is subject to legal review.
The motion carried unanimously.

Motion: Upon motion by Lou Walter, seconded by Glen Lee, the Retirement Board of Administration accepted the Investment Consent Agenda.
The motion carried unanimously.

Ms. Becker noted for the record concerns regarding the presentation and compressed timeframe for making the Dover Street Private Equity decision. Ms. Becker requested the Investment Committee review and update the Board's Investment Policy and Procedures document to ensure going forward the process for approving Private Equity investments is defined clearly, allows time for the Board to exercise its due diligence and that both PCA and SCERS Staff arrive at a joint recommendation on Private Equity decisions.

Executive Director Report:

2013 Trustee Election

Ms. Carter reported the 2013 Trustee Election for the Regular Active Seat for July 1, 2013 – June 30, 2016 was certified by Votenet Solutions. Ms. Jean Becker won the election. 16% of the eligible participants voted.

Motion: Upon motion of Tim Burgess, seconded by Glen Lee, the Retirement Board of Administration ratified the certification of election results as provided by Votenet Solutions for the 2013 Board of Administration election for an active member seat (3 year term July 1, 2013 - June 30, 2016). Ms. Jean Becker abstained from vote. The motion carried.

Milliman Contract

Ms. Carter requested Board approval to amend the Milliman contract to include an additional experience study. The Experience Study would be presented spring of 2014 for the 2015-2016 biennial budget process.

Motion: Upon motion by Lou Walter, seconded by Glen Lee, the Retirement Board of Administration approved an amendment to Milliman's 2011-2014 Actuarial Services Contract to add an additional Experience Study covering 2010-2013. The motion carried unanimously.

ARSCE Letter of Request – Discussion Only

Ms. Carter reported ARSCE submitted a letter of request for the Board to review the pop-up provision with retirement options D and E. Ms. Carter outlined the pop-up applies to retirees pre- 1997 who chose Retirement Option D or E. Mr. John Masterjohn (President elect) with ARSCE read a statement to the Board on behalf of Merle Overland, President of ARSCE expressing the concern of the pop-up provision, and questioned the rationale for excluding pre-1997 retirees.

Ms. Carter recommended the Board request analysis of the provision from SCERS staff, SCERS actuary and legal to determine the impacts and costs associated with changing the provision. The results of the analysis will be presented to the Board at the August Board meeting.

Declaration of Credited Interest for 2014 – Discussion Only

Ms. Carter reported that after review of peer systems. SCERS Staff recommends the credited interest be set at 2.91% for 2014. Tacoma Retirement System is remaining at 4.3% and Spokane is seeking to lower theirs to 2.5%.

The Board will vote on credited interest for 2014 at the July 11th Board meeting.

SCERS Operations Update

Mr. Jeff Davis, SCERS Staff provided the Board with an update on SCERS' Operations projects:

SCERS 2014 Budget

Mr. Davis reported the Board was provided a Budget Summary overview document outlining SCERS 2014 Budget. The highlights presented are as follows:

- Budget Summary – 2012 under spent budget authority by \$1.9M, with \$1.3M in budget for investment managers.
- 2013 – Personnel Services - increases reflect large increases for healthcare (13%) and retirement (21% budget, 17% rate change).
- 2013 Other Professional Services – Reflects \$260k one-time IT consulting add
- 2013 Central Cost Allocations - \$375k (48%) for increases in cost allocations.
- 2013 Office Rent & Other – Reflects \$120k rent add.
- 2014 – Reflects 2014 rates for health care and retirement, one-time IT consultant budget ending, and standard inflation for all else.
- Central Cost Allocations – Adjustment was made late in the budget process last year that double-budgets for some central costs.
- Proposed a BIP to add two term-limited IT Analyst position. These positions are needed to both maintain current operations capabilities and to work on improvements to the architecture and functionality of the system in advance (and in support) of system replacement. One of these positions would address work currently performed by a consultant. The second position will utilize existing budget authority from a prior term-limited position.

The Board requested a more detailed report. Mr. Davis responded they would receive a more detailed budget report.

Mr. Lee expressed concerns regarding the recruiting of term-limited positions versus permanent. Councilmember Burgess recommended the budget process proceed as submitted and if revisions are needed concerning the positions that could be reviewed later in the process.

Staffing – Tools

Mr. Davis reported that SCERS Senior Accountant is conducting a capacity review of her staff and the functions they perform. The outcome of the review has identified some areas where manual data entry can be eliminated resulting in increased capacity and less opportunity for errors.

Buybacks

Mr. Davis reported a buyback calculation template has been created for temporary time.

Cash Management

Mr. Davis reported he will present to the Board at the July 11th meeting a proforma view of revenues and expenses. The goal is to use this as a tool to not only identify cash needs for the month but for the next few years. Further refinement of the model will focus on just-in-time cash management.

Communications Audit

Mr. Davis reported the consultant has been interviewing staff and stakeholders and reviewing current communications. The consultant is currently developing a survey for members. Phase one of the communication audit will be presented to the Board in August /September.

Technology – New System RFP

Mr. Davis reported there is a signed contract with Linea Solutions. The goal is to have Linnea report to the Board at the end of Phase Two of the project in September / October with an option analysis. Phase three and four of the project is contingent on the option selected.

SCERS IT Updates

Ms. Claire Foster, SCERS Staff provided the Board with an update on IT projects.

Port Retirement Information System to Oracle

Ms. Foster reported the project is on schedule to “go live” on the new system at the end of July. The Windows 7 migration dates for Retirement are September 3 and 5, 2013.

IT Consulting Contract for PAS System Replacement

Ms. Foster reported that Linea Solutions will be onsite the week of June 17, 2013 to develop the project charter and work plan for the engagement. The consultant will also be present at the July 13, 2013 Board meeting.

Market Survey

Ms. Foster reported Crystal Roncek, Deferred Compensation Coordinator provided SCERS with assistance conducting the survey. The survey activities are now complete. A report of the survey will be presented at the July 13, 2013 Board meeting.

New Business

2012 Audit of Financial Statements Report

Mr. Thomas Rey with CliftonLarsonAllen presented the 2012 Audit of Financial Statements to the Board. The Board was provided with the Audit of Financials Report and a Management Letter. Mr. Rey stated the audit was successful. There were no significant weaknesses or concerns to report. The report will include some best practice recommendations concerning the custodian bank and general ledger entries.

Motion: Upon motion of Tim Burgess, seconded by Lou Walter, the Board accepted the 2012 Year-End Audited Financial Statements as presented by SCERS Staff and CliftonLarsonAllen,LLP. The motion carried unanimously.

Milliman Actuarial Valuation Report for January 1, 2013

Mr. Nick Collier with Milliman presented the Board with the Valuation Report for January 1, 2013. Mr. Collier reported there were no surprises to report on. The highlight of the presentation included:

- Funding Ratio decreased from 68.3%(2012) to 63.5% (2013)
- Average annual salary of active members in 2013 is \$68,449. In 2012 the average salary was \$66,476
- Average monthly benefit in 2013 is \$2,002. In 2012 the average monthly benefit was \$1,922
- The actuarial value of assets returned 13.3% in 2012
- \$31 million gain is being deferred in the 2013 Actuarial Value of Assets. The 2008 loss is now fully recognized on a five year smoothed basis
- Market Value is \$1.95 billion as of January 1, 2013 which is up from \$1.75 billion at January 1, 2012
- The amortization period remains at 30 years
- Membership did not grow as anticipated

Motion: Upon motion of Tim Burgess, seconded by Lou Walter, the Board accepted the January 1, 2013 Actuarial Valuation Report as presented by Milliman. The motion carried unanimously.

Councilmember Burgess announced at 10:45 am the Board would go into executive session to discuss a personnel matter until 11:30am. The public would be notified if executive session is extended.

Public session resumed at 11:26am.

There was no action taken in Executive Session.

Adjournment

Motion: Upon motion by Lou Walter, seconded by Bob Harvey, the Retirement Board voted to adjourn the meeting at 11:26am.

David L. Stewart, Secretary



MINUTES

Board Members Present: Councilmember Tim Burgess, Board Chair; Robert Harvey; David Stewart; Glen Lee; Lou Walter; Sherri Crawford; Jean Becker

SCERS Staff Present: Ken Nakatsu; Tony Smith; Ben Kalman; Jeff Davis; Claire Foster; Lisa Carns

Others Present: Mike Monaco, Song Mondress Law Firm; Carlton Seu, Seattle City Attorney's Office; Nate Van Duzer, Legislative Department; Tom Kirn, FAS; George Emerson, FAS; John McCoy, Central Legislative Staff; Steve Viney, Retiree; John Masterjohn, ARSCE; Barbara Graham, ARSCE; Al Riu, ARSCE; Judith Flemings, ARSCE; Lisa Jacobs, PTE17; Nick Collier, Milliman; Jennifer Senta, Milliman, Akio Tagawa, Linea Solutions.

Councilmember Burgess, Board Chair called the meeting to order at 9am.

Public Comment: Mr. Masterjohn, President of ARSCE acknowledged Cecelia Carter's service as the Executive Director of the Seattle City Employees' Retirement System and welcomed Ken Nakatsu as the Interim Executive Director for SCERS. Mr. Masterjohn further requested the Board to begin an immediate nationwide search for a permanent Executive Director.

Administrative Consent Agenda

Minutes:

Provided in the Retirement Board packet was the minutes from the June 13, 2013 Retirement Board regular meeting.

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

Service	\$10,727,003.61
Beneficiary	\$ 894,885.85
Disability	\$ 76,215.28
Pension Payroll – PPE June 30, 2013	\$11,698,104.74
Office Payroll – PPE June 4 and 18, 2013	\$130,625.90
Vouchers Processed – June 30, 2013	\$428,175.43
*Expert and Consultant Services – \$222,277.00	
*Investment Management Fees – \$85,839.75	
*Interdepartmental Charges - \$22,281.93	
*Miscellaneous - \$97,776.75	

Immediate Withdrawals of Contributions for the month of June 2013:

Member Name	Department Name	Position
Brunk, Arlene M	Parks	Laborer
Bynum, Jeffery W	City Light	HVAC Tech
Dues, David R	SPU	Mgmt Sys Anlyst
Ezelle, Sherese D	HSD	Social Svcs Aide
Holliday, Iris (ACTIVE DEATH)	HSD	Admin Spec I
Kelly, Carlotta D	DoIT	Info Tech Prof C
Lassiter, Mary C	Parks	Lifeguard
Namura, David M	City Council	Legist Asst
Nash, Thomas A	City Light	Info Tech Prof A
Plell, Steven M (ACTIVE DEATH)	City Light	Lineworker
Riggins, Jimmy F	Seattle Center	Laborer
Schlamm, Karl A	Seattle Center	Parking Attend
Witham, Justin L	Parks	Laborer

Bold entries above indicate refund payout made to beneficiary of a member dying while in active status.

Ratification of Service Retirements for June:

Retiree	RetireDt	Age	Years	Days	DeptName	Position
Bachmann,Rosemary	5/14/2013	63	27	33	SDOT	Signal Electn Crew Chief
Ball,Kevin D	6/5/2013	63	7	257	Human Services	Human Svcs Prgm Supv Sr
Barton,Carolyn	6/5/2013	60	20	114	Fire	Admin Staff Asst
Chavez,Sheila G	6/5/2013	66	26	7	DPD	Accountant Sr
Colburn,Gary W	6/5/2013	54	28	362	City Light	Elect Pwr Sys Engr Prin
Crook,Brent L	5/14/2013	62	9	48	Vested	Vested
Cruz,Arlin L	6/5/2013	60	28	6	SDOT	Signal Electn V
Cunningham,Rosemary	5/11/2013	60	22	183	Human Services	Strat Advr 2
Dalton,Gloria	5/18/2013	57	19	60	Vested	Vested
Darboe,Shakur	6/5/2013	63	28	120	City Light	Admin Spec II
Dietemann,Allan J	6/5/2013	64	25	217	SPU	Strat Advr I
Ducey,Colleen M	6/5/2013	65	20	332	Parks	Admin Spec III
Erickson,Trisha A	6/5/2013	54	21	132	SPU	Manager 2
Ernsdorff,James M	6/1/2013	65	12	328	Vested	Vested
Glover,LaVerne	6/5/2013	63	30	83	City Light	Actg Tech II
Jacky,Lee D	6/5/2013	60	29	359	Parks	Civil Engr Spec Sr
Jones,David	6/5/2013	60	28	50	SDOT	Sr Asphalt Raker
Kegley,Melinda S	6/5/2013	61	18	37	Police	Police Comm Dispatch I
Kitchin,Glen J	5/14/2013	65	7	355	Vested	Vested
Krouse,Roberta L	6/5/2013	69	32	225	Police	Admin Spec I -BU
Leifer,Benjamin H	6/1/2013	60	20	11	Vested	Vested
Lundquist,Kari L	5/23/2013	52	28	54	City Light	Elctn Con
McCoy,Patrick D	6/4/2013	75	36	127	SPU	Wtr Lab Tech
McDonald,Sean J	6/5/2013	63	31	102	SPU	Strat Advr 3
Michael,Rod	6/4/2013	57	6	342	Human Services	Counslr
Papiez,Janice S	6/5/2013	65	0	182	Vested	Vested
Puloka,Seini F	6/5/2013	55	31	104	Seattle Center	Personnel Spec Sr
Rowland,Wayne C	5/11/2013	64	0	305	Vested	Vested
Schroeder,Carole M	6/5/2013	59	27	7	SPU	Civil Engr Spec Asst III
Simonson,Gene M	5/9/2013	66	8	284	Vested	Vested
Spencer,Martha J	6/5/2013	65	18	215	SPU	Civil Engr Suprv
Sun,Tzeyue	6/5/2013	60	30	154	FAS	Info Tech Prof B
Sweeney,Kathleen S	6/5/2013	59	23	323	SDOT	Maint Laborer Sr -Traffic
Tokiyeda,Olga	6/5/2013	65	22	209	FAS	Admin Spec II
Yamaguchi,Dennis T	6/5/2013	69	34	250	Fire	Fire Equip Tech

For the month of June 2013: 87 new Members entered the System, 18 terminations, 35 Members retired in the System, 11 Members removed (\$21,297.99), 1 D/E Option, 3 Option F reductions, 2 over 60% benefit.

Motion:

Upon motion by Tim Burgess, seconded by Bob Walter the Retirement Board of Administration approved the Administrative Consent Agenda.

- Minutes of the June 13, 2013, Board Meeting
- Ratification of Retirement Payroll, Office Payroll, Other Payments and Withdrawals
- Ratification of Service Retirements for the month of June 2013

The motion carried unanimously.

Investment Committee Report

The Investment Committee met on June 27, 2013 at 12 noon at the Seattle City Employees' Retirement System, 720 Third Avenue, Suite 900 (Pacific Building).

Committee members present: Lou Walter, Chair; David Stewart.

Committee members absent: Bob Harvey; Glen Lee

Other Board members present: Jean Becker; Sherri Crawford

Staff Present: Cecelia Carter, Ken Nakatsu; Tony Smith; Ben Kalman; Jeff Davis; Lisa Carns; Carlton Seu, Seattle City Attorney's Office.

Others present: Neil Rue, David Sancewich, Mike Moy, Andrew Bratt, and Austin Carmichael with Pension Consulting Alliance; John McCoy, Legislative Central Staff; George Emerson and Tom Kirn, FAS; Jennifer Senta and Nick Collier, Milliman; Jessica Wang, Budget Office

Mr. Tony Smith, SCERS staff reported on the June 27, 2013 Investment Committee meeting. A recap of the meeting is outlined below.

Seattle City Employees' Retirement System Private Equity Performance Report for 4Q 2012

Mr. Smith reported as of the report date, SCERS' Private Equity Portfolio had \$117.2 million in commitments across nine partnerships and five direct investments (four active and one inactive). The SCERS Private Equity Portfolio had a reported value of \$53.9 million. The reported value represented an approximate allocation of 2.7% of the Total Plan assets as of the report date, below SCERS' target allocation to private equity of 6%. It was noted that SCERS approved a \$7.5 million dollar commitment to Dover VIII, a HarbourVest secondary fund, which closed in June 2013. The 2013 Investment Plan targeted \$25-\$30 million of commitments, and PCA plans to bring subsequent investments to the Investment Committee for consideration as opportunities arise.

SCERS Real Estate Performance Report for 4Q 2013

Mr. Smith reported during the fourth quarter, the real estate portfolio increased in assets by approximately 2.1%. The increase was due to retained income and unrealized appreciation from the JP Morgan Tactical Allocation program and JP Morgan Strategic Property Fund. As of the report date, SCERS' Core Portfolio returned 2.72% for the 4th quarter, outperforming the benchmark, the NFI-ODCE, which returned 2.35.

As of the report date, SCERS had five separate real estate managers; JP Morgan is currently the largest manager in the portfolio with 71.2% of assets. With the selection of AEW and Heitman as two new core real estate managers, JP Morgan's concentration will gradually be reduced towards the 25% real estate portfolio manager concentration target.

Actuary Experience Study – PCA Input

Mr. Smith reported PCA gave a recap of the key findings from the February 20, 2013 Capital Markets Assumptions memo. Applying PCA's 2013 Capital Markets Assumptions to the SCERS policy portfolio, PCA estimates that SCERS policy expected long-term compound return to be close to 6.8% as compared to SCERS' assumed Investment Return of 7.75%. The lower return was based on PCA's updated capital markets assumptions over the next 10-year time period. Mr. Nick Collier from Milliman joined the conversation and noted that their estimate was between approximately 6.8% and 7.75% for SCERS' expected rate of return. Mr. Collier also noted that SCERS' next Investigation of Experience is slated for late 2013, at which time Milliman will present a more detailed analysis of the actuarial assumptions and any potential recommendations to SCERS.

Real Return Class Review

Mr. Smith reported that PCA presented a review of SCERS' real return asset class. The report included the rationale for, and proposed recommendations to the current program. The key features for including a real return asset class are equity risk diversification and inflation hedging. PCA reported that a well-designed program should produce relatively stable returns and principal protection regardless of the market environment. PCA recommends that SCERS look to re-allocate dollars within the portfolio to be in line with the interim targets prescribed in the Real Return Guidelines, in addition to restructuring its hedge fund exposure to incorporate other desirable market exposures and a more desirable risk/return profile.

Investment Accounting Summary Report for May 2013

As of May 31, 2013, the Total Portfolio had a market value of \$2.05 billion. With the exception of Private Equity, the Total Portfolio asset classes were within acceptable ranges from their target weights. As noted during PCA's review of SCERS' Private Equity Portfolio, SCERS' recently made a commitment to Dover Street VIII, a HarbourVest secondary, in efforts to move the program toward its long-term target. Staff also noted that within the U.S. Equity asset class, Attucks is being closely monitored with respect to performance in accordance with the process outlined in the Statement of Investment Policies and Procedures. During the month, SCERS received approximately \$1.57 million in distributions from its private equity managers and just over \$200 thousand from its private real estate managers. As of the report date, the funded status of the plan stood at 66.57% on a mark-to-market basis.

Motion: Upon motion by Tim Burgess, seconded by Lou Walter, the Retirement Board of Administration accepted the 4Q 2102 Private Equity Performance Report.
The motion carried unanimously.

Motion: Upon motion by Tim Burgess, seconded by Lou Walter, the Retirement Board of Administration accepted the 4Q 2012 Real Estate Performance Report.
The motion carried unanimously.

Motion: Upon motion by Tim Burgess, seconded by Lou Walter, the Retirement Board of Administration approved the Investment Consent Agenda.
The motion carried unanimously.

Mr. Nakatsu requested the Board go into executive session to discuss a contract and personnel matter.

Councilmember Burgess announced the board would go into executive session at 9:20am and will reconvene at 9:35am.

The Board resumed to public session at 9:35am.

There was no action taken in Executive Session.

Executive Director Report:

Declaration of Credit Interest for 2014

Mr. Nakatsu reported that at the June 13, 2013 Board meeting SCERS Executive Management staff recommended the 2014 declaration of credit interest be set at 2.91%. Mr. Nakatsu requested the Board make a motion to set the 2014 credit interest rate. Mr. Nakatsu further gave an explanation that the credit interest annual review was necessary due to the implementation of the policy enacted by the SCERS Board of Administration in October 2011.

Motion: Upon motion of Tim Burgess, seconded by Bob Harvey, the Retirement Board of Administration set the 2014 credit interest on all employee contributions received into the pension trust after December 31, 2011 at 2.91%.
The Motion carried with 6 yes votes. Lou Walter voted no.

Introduction of Draft Work Plan

Mr. Nakatsu reviewed the draft work plan that was provided to the Board. Mr. Nakatsu stated the work plan captured the ongoing critical items the Board has outlined for SCERS staff.

The work plan items that Mr. Nakatsu highlighted are:

1. Asset Allocation Study
2. Asset Overlay Service
3. Investment Policy and Procedures revisions/updates
4. Investment Advisory Committee. Mr. Nakatsu further recommended the SCERS Investment Advisory Committee standing meeting scheduled for August be canceled due to the discussions of reconstituting the committee
5. Management Contracts
6. Enhance SCERS Customer Service
7. Experience Study - scheduled for May 2014 completion. Actuary Study scheduled for July 2014.
8. City Audit and CliftonLarsonAllen audit. Mr. Nakatsu recommended that SCERS Management proceed with the recommendations.
9. Annual Report for 2012

10. Investment Consultant Services RFP. Mr. Nakatsu requested approval to start the RFP process for an Investment Consultant
11. Security Custodial Service - consider a RFP
12. Executive Director Recruitment Process

Councilmember Burgess thanked Mr. Nakatsu for the draft work plan report.

Councilmember Burgess further stated to proceed with canceling the SCERS Investment Advisory Committee meeting and to start the RFP process for an Investment Consultant.

Mr. Walter commented that the SCERS Investment Advisory Committee serves as advisors to the Investment Committee and request the role of advisors not change. Mr. Walter agreed that the Board may want to consider a RFP process for a Security Custodian contract at a later date.

Ms. Becker commented she did not see a Strategic Plan outlined on the draft work plan. She requested a Strategic Plan be added and that a strategic discussion may be necessary. She further recommended the following be added to the work plan: Performance Metrics and a Social Investment Policy.

Councilmember Burgess asked the Board if there were any further questions and/or comments regarding the Work Plan. There were none.

Mr. Nakatsu requested the Board members review the work plan and email any recommendations. The Work Plan will be provided to the Board in final form by the August 2013 Board meeting.

SCERS Operations Update

Mr. Jeff Davis, SCERS Staff provided the Board with an update on SCERS' Operations projects:

SCERS Operations

SCERS 2014 Budget Summary

Mr. Davis reviewed the City Budget process timeline and SCERS 2014 budget summary.

The budget timeline is:

- May 2013: City Departments submit Budget Issue Papers (BIPS) to City Budget Office. SCERS submitted BIPS for IT Analysts.
- July 2013: City Departments submit budgets (changes from Endorsed budgets) to City Budget Office. SCERS submittal included the I.T. Analyst positions and addressed the cost allocation budget error.
- September 2013: Mayor presents 2014 Proposed Budget to City Council
- November 2013: City Council adopts 2014 budget

SCERS 2014 budget summary includes:

- SCERS budget covers the administration of the fund not the investments or the annual pension payments.
- The 2014 Endorsed Budget includes the salary and benefit expenses for 18 permanent positions.
- The largest expense in the operating budget is the consultant and investment management services.
- The 2014 Budget proposal SCERS included two term-limited IT Professional B positions. The justification for the positions allows improvements in data structure and system functionality in advance of the pension administration system.

The items not included in the budget are:

- Future pension administration system, and the data conversion and clean-up that would be required as part of the pension system project.
- Future staffing changes in 2013 will be budget neutral.

Cash Flow Capacity Analysis Project

Mr. Davis presented the Draft Cash Flow chart. The chart reflected the cash take-in and take-out for each month, revenues, expenses, ending cash balance and operating deficit without transfer.

IT Updates

Ms. Foster reported the Port Retirement Information System to Oracle project is on schedule to “go live” on the new system July 30, 2013. The system was turned over to the functional team on July 12th for User Acceptance Test. They will be using a structured testing process to test the system and reports from the business perspective. After we cut over to the new system, we will continue to process contributions in both systems through August as part of our system validation.

The Windows 7 migration is on track. The deployment dates are scheduled for early September 2013.

The IT consulting services engagement has begun. Mr. Akio Tagawa, President of Linea Solutions was on site June 18 – 20, 2013 to begin gathering information about our processes and systems.

Ms. Foster introduced Mr. Tagawa to the Board and indicated he was at the meeting to provide his perspective on industry trends, share early observations about SCERS environment, and answer any questions from the Board.

Mr. Tagawa provided the Board with an overview of Linea Solutions, outlined their pension fund experience, and reviewed the industry trends.

Mr. Tagawa outlined Phase I and Phase II of the project:

- Phase I: Planning Phase
- Phase II: Needs and Gap Analysis (business & technical requirements and feasibility report and options analysis).

Linea Solutions will report results of Phase I and II at the October 10th Board meeting.

The project plan also includes a Phase III and IV but those phases are conditional based on the Board’s Phase I and II decisions.

Mr. Tagawa outlined Linea Solutions initial assessment of the operational issues and their preliminary observation is that there may be systems in the industry flexible enough to meet SCERS needs.

There were questions and comments from the Board members.

New Business

City of Seattle and SCERS Policy for Amortization

Mr. John McCoy with Legislative Central Staff presented an overview of a proposed resolution amending Resolution 31334 clarifying the City’s approach toward amortizing the unfunded liability of the Seattle City Employees Retirement System. The proposed revisions are:

- Include sufficient appropriation for the City to increase its contribution to the system from 11.01% to 14.21% of regular (non-overtime) payroll into SCERS. This will increase the combined contribution from 21.04% to 24.34%.
- Beginning January 1, 2013 close and fix the amortization period effective January 1, 2013. This proposal will generate a contribution rate sufficient to retire the system’s unfunded liability over the period January 2013 – 2042. The proposed Resolution also provides for subsequent review since closed amortizations can generate excessive contribution rate volatility in the second half period, City Council may consider re-opening the amortization period after 15 years.

Mr. McCoy stated that City Council would like the analysis from the actuary in March 2014.

Mr. Nick Collier with Milliman commented on the proposed Resolution and stated he was generally supportive. He further commented that this was a good start to amortizing the systems’ unfunded liabilities.

Mr. Collier stated the experience study would be reported on in April/May 2014 timeframe.

The Board recognized the unfunded liabilities needed to be addressed.

Mr. Collier commented he recommended waiting until after the 2014 Experience Study to reach a decision on closing the amortization period as there could potentially be a number of choices to discuss at that time.

Councilmember Burgess stated this was not a SCERS Board of Administration action item.

Governance Committee Report

Ms. Becker reported the Governance Committee met on June 18th. Present at the meeting were Ms. Becker, Committee Chair, Bob Harvey, Committee Member, Sherri Crawford, Committee Member, Ken Nakatsu, Jeff Davis, and Cecelia Carter with SCERS Office, Jeff Slayton, Seattle City Attorney's Office, Mike Monaco, Song Mondress Law Firm.

The Committee discussed a strategic work plan, the geopolitical policy, and the revision of SMC 4.36.140 related to establishment of committee structure.

The Governance Committee and staff agreed the immediate issues to work on are (1) complete charters; (2) policy on social investing; and (3) operational matters.

The next Governance Committee meeting is scheduled for July 31, 2013 at 2pm.

There were no questions or comments from the Board.

Councilmember Burgess asked the Board if there were any other items to be presented. There were none.

Adjournment

Motion: Upon motion by Tim Burgess, seconded by Bob Harvey, the Retirement Board voted to adjourn the meeting at 11:20am.

David L. Stewart, Secretary



MINUTES

Board Members Present: Councilmember Tim Burgess, Board Chair; Robert Harvey; David Stewart; Glen Lee; Lou Walter; Sherri Crawford; Jean Becker

SCERS Staff Present: Ken Nakatsu; Tony Smith; Ben Kalman; Jeff Davis; Claire Foster; Lisa Carns

Others Present: Mike Monaco, Song Mondress Law Firm; Carlton Seu, Seattle City Attorney's Office; Tom Kirn, FAS; John Masterjohn, ARSCE; Judith Flemings, ARSCE; Marshall Fahlstrom; Steve Viney, Retiree; Robert Branigin; Ken Yaeger; John Masterjohn, ARSCE; Patti Kieval, PTE17; Jennifer Senta, Milliman

Councilmember Burgess, Board Chair called the meeting to order at 9am.

SCERS Staff was recognized for the successful conversion to the new Retirement Information System.

Public Comment:

Ms. Flemings, with ARSCE requested to speak when the Board discussed agenda item number five (Pop-Up Provision Analysis).

Mr. Masterjohn, President of ARSCE thanked the Board and staff for doing the pop-up provision analysis.

Administrative Consent Agenda

Minutes:

Provided in the Retirement Board packet was the minutes from the July 11, 2013 Retirement Board regular meeting.

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

Service	\$10,798,204.82
Beneficiary	\$ 895,949.58
Disability	\$ 74,824.52
Pension Payroll – PPE July 31, 2013	\$11,768,978.92
Office Payroll – PPE July 16 and 30, 2013	\$165,773.18
Vouchers Processed – July 31, 2013	\$614,406.74
*Expert and Consultant Services – \$103,960.00	
*Investment Management Fees – \$389,523.85	
*Interdepartmental Charges - \$97,776.75	
*Miscellaneous - \$23,146.14	

Immediate Withdrawals of Contributions for the month of July 2013:

Member Name	Department Name	Position
Anthony, Ashaki N	City Light	Mgmt Sys Anlyst Sr
Bozick, Vincent M	DPD	Permit Spec II
Cervantez, Manuel L	City Light	Lnwker
Crisp, Troy B	DoIT	Data Tech
Dodson, Michael A	Police	Parking Enf Ofcr
Glennon, Elizabeth	HSD	Counselor
Goodwin-Stanley, Hester	Library	Lib Assoc I
Gopher, Raymond J	Retirement	Retirement Spec
Hartman, Suzanne	City Light	Exec II
Jagod, Wilbert L	Parks	Aquarium Guide
Ortiz, Siobhan M	Police	Comm Disp I
Rhoden, Arthur J	Parks	Work Trng
Smith, Dannette R	HSD	Exec 3

Member Name	Department Name	Position
Tatko, Lucyna Ewa	SDOT	Accountant Sr
Willison, Jill S	SPU	Info Tech Prof C

Bold entries above indicate refund payout made to beneficiary of a member dying while in active status.

Withdrawals for a total of: \$249,360.81

Ratification of Service Retirements for July:

Retiree	RetireDt	Age	Years	Days	DeptName	Position
Anderson,John C	7/3/2013	58	31	25	Police	Warehouser,Chief
Ballesteros,Richard S	6/23/2013	59	37	75	Vested	Vested
Conner,Linda E	7/3/2013	65	26	180	Municipal Courts	Admin Spec II
Cook,Dennis A	7/3/2013	57	32	334	Parks	Manager 1
Couples,Joseph J	7/2/2013	52	27	62	SDOT	Civil Engr Sr
Crane,Garry M	7/3/2013	72	30	94	City Light	Economist Prin
Cunningham,John H	7/2/2013	67	12	187	City Light	Lnwkr
Darling,Lisa A	6/11/2013	61	33	351	City Light	Meter Reader
DeLeon,Diana	7/3/2013	50	30	0	DoIT	Info Tech Sys Anlyst
Douglas,Tim A	7/3/2013	62	39	277	FAS	Licenses & Standard Inspector
Emerson,Frank A	7/3/2013	65	38	95	Personnel	Strat Advr I
Fenker,Christine L	7/1/2013	57	3	290	Vested	Vested
Garrett,Robin B	6/20/2013	52	23	33	Vested	Vested
Gruber,Henry T	6/9/2013	71	9	38	Municipal Courts	Muni Court Marshal
Halley,Robert M	6/28/2013	66	8	26	Vested	Vested
Heitman,Janice L	6/21/2013	58	30	60	SPU	Truck Drvr Heavy
Henderson,Janet N	6/22/2013	62	8	287	Vested	Vested
Johnson,Patricia J	6/28/2013	66	18	28	Vested	Vested
Kemper,Brian K	7/3/2013	55	32	235	SDOT	Manager 3
Kenyon,K Suzanne	7/3/2013	61	8	46	Human Services	Counslr
Lowe,Sharon P	6/29/2013	66	35	217	FAS	Info Tech Prof B -BU
McLean,Dean S	6/12/2013	66	32	232	City Light	Civil Engr Supv
Moore,Judith A	7/3/2013	64	30	46	SPU	Civil Engr Spec Sr
Morita,Eugenia	7/3/2013	57	29	78	City Light	Enrgy Mgmt Anlyst Supv
Mulryan,James P	7/3/2013	63	13	217	Parks	Grounds Maint Lead Wkr
Muskelly,Cheryl P	7/3/2013	53	20	234	SPU	Util Acct Rep I
Nason,Ronald J	6/18/2013	62	10	125	Vested	Vested
Pedersen,Susan S	7/3/2013	55	26	238	Finance	Accountant
Peterson,John L	6/24/2013	63	12	316	Vested	Vested
Peterson,Lawrence M	7/3/2013	65	32	245	City Light	Info Tech Prof B
Probst,Thomas E	6/25/2013	64	12	356	Vested	Vested
Robinson,Pauline	7/3/2013	62	22	101	SPU	Util Acct Rep I
Sillivan,Diane J	7/3/2013	63	8	5	Law	Admin Spec I
Titus,Christine E	6/30/2013	62	6	327	Vested	Vested

For the month of July 2013: 40 new Members entered the System, 45 terminations, 34 Members retired in the System, 16 Members removed (\$19,962.33), 5 D/E Option, 5 Option F reductions, 6 over 60% benefit.

Mr. Nakatsu reported there was nothing out of the ordinary to highlight on the Ratification of Retirement Payroll, Office Payroll, Other Payments and Withdrawals, or the Service Retirements.

Motion: Upon motion by Tim Burgess, seconded by David Stewart the Retirement Board of Administration approved the Administrative Consent Agenda.

- Minutes of the July 11, 2013, Board Meeting
- Ratification of Retirement Payroll, Office Payroll, Other Payments and Withdrawals
- Ratification of Service Retirements for the month of July 2013

The motion carried unanimously.

Investment Committee Report

The Investment Committee met on July 25, 2013 at 12 noon at the Seattle City Employees' Retirement System, 720 Third Avenue, Suite 900 (Pacific Building).

Committee members present: Bob Harvey, Glen Lee; David Stewart.

Committee members absent: Lou Walter

Other Board members present: Jean Becker; Sherri Crawford

Staff Present: Ken Nakatsu; Tony Smith; Ben Kalman; Jeff Davis; Lisa Carns

Others present: Neil Rue, David Sancewich, Andrew Bratt, and Ryan Lobdell with Pension Consulting Alliance; John McCoy, Legislative Central Staff; George Emerson, FAS; and Deanna Hobson, Pugh Capital

Mr. Tony Smith, SCERS staff reported on the July 25, 2013 Investment Committee meeting. A recap of the meeting is outlined below.

Investment Accounting Summary Report – June 2013

Mr. Smith reported for the month of June the Total Portfolio asset classes were within acceptable ranges from their target weights, except for Private Equity. During the month SCERS received approximately \$230 thousand dollars in distributions from its Private Equity managers. As of the report date, the funded status of the plan stood at 64.88% on a mark-to-market basis.

Attucks Watch Status

Mr. Smith summarized Attuck's performance during the time they have been on watch status. It has not improved sufficiently. PCA recommended SCERS defund Attucks and shift the assets into a passively managed domestic equity strategy.

Asset Allocation Project

Mr. Smith reported that PCA presented an overview of the Asset Allocation project. PCA outlined the timeline of the project, the various steps that would be involved, and the desired outcome of the study. The presentation covered a high level overview of what asset allocation is, the importance of a strategic asset allocation, and how it correlates to the overall fund goal to provide assets that can help meet retirement benefit obligations. PCA also touched upon several important concepts, including the assumptions that have to be made when optimizing a portfolio, as well as the constraints that need to be incorporated into the model to ensure realistic portfolios are created. At the next Investment Committee meeting (August 29th) PCA will request the Investment Committee approve a number of key inputs and constraints that need to be incorporated into the modeling so that a set of portfolio options can be created for the Committee to analyze.

The timeline for the Asset Allocation project is:

August 2013 – Approval of Asset Allocation Modeling Parameters

September 2013 – Review new policy options

October 2013 – Formal recommendations and selection of new policy portfolio

November 2013 – Summary of Asset Allocation Project and Implementation Process

Motion: Upon motion by Tim Burgess, seconded by Lou Walter, the Retirement Board of Administration approved the defunding of Attucks as recommended by the Investment Committee.

The motion carried unanimously.

Executive Director Report:

Mr. Nakatsu reported that at the City Council Governance, Finance and Performance Committee on August 7, 2013 three pieces of legislation passed that affect SCERS.

1. Resolution 31475 – The Credit Interest for 2014 was approved at 2.91%
2. Ordinance 124254 –An amendment was approved clarifying the delegation and contracting authority of the Retirement System Board of Administration; and amending Section 4.36.140 of the Seattle Municipal Code.

3. Resolution 31474 –An amendment of Resolution 31334 was approved clarifying the City’s approach toward amortizing the unfunded liability of SCERS; and requesting the SCERS Board of Administration and its actuary deliver to the City Council in 2014 an analysis of other potential assumption and policy changes designed to further strengthen the Retirement System.

Mr. Nakatsu commented that the migration to the new Retirement System was successful. The new system has improved stability and security.

Mr. Nakatsu thanked the City Auditors for their services.

Mr. Nakatsu presented the Board with a work plan. The work plan includes the requests from the Board and Staff and will serve as an organizational guide of the ongoing projects. The Board agreed with the work plan presented.

Mr. Nakatsu requested the Board’s authorization to allow SCERS Staff to adjust the records to close the loss reserve account and make corresponding adjustments to investment valuations. Legal commented there were no concerns with closing the loss reserve.

Motion: Upon motion by Tim Burgess, seconded by Lou Walter, the Retirement Board of Administration authorizes SCERS Staff to adjust the loss reserve to zero and make corresponding adjustments to investment valuations.
The motion carried unanimously.

SCERS Operations Update

There were no operation updates to report on.

IT Updates

Ms. Foster reported the new Retirement System (RIS II) went into production July 30th. The new system will improve reporting, security and streamline business processes.

Ms. Foster acknowledged the development and functional team members: David Locke, Jane Kortz, Roger Faustino, Jacqui Evanchik, Dennis Traut, Jeannine Fortier, Lindsay Reid, Shek Tang, and Deontrae Sherrard.

Ms. Foster reported the Windows 7 migration is on schedule for early September.

New Business

Pop-Up Analysis

Ms. Jennifer Senta from Milliman gave a report on the estimated cost of providing pop-up benefits to the pre-1997 Option D and E Retirees as requested from the Board of Administration. If the benefit increase were granted the Unfunded Actuarial Accrued Liability cost would be \$4.2 million and there would be an increase in the actuarial required contribution rate of 0.04% of payroll as of January 1, 2013. In addition, granting the benefit to pre-1997 retirees would be inequitable to post- 1997 retirees that have paid for the benefit through actuarially reduced pensions.

Ms. Senta further explained how Milliman got to the estimated costs. There was dialogue from the Board and audience.

The Board of Administration stated they are not in support of changing the code at this time.

City’s Audit Report

David Jones, City Auditor; Cindy Drake, Assistant City Auditor; and Jane Dunkel, Assistant City Auditor reported their findings of the Performance Audit of Seattle City Employees’ Retirement System Benefit Calculations. The Audit was conducted at the request of the Board and the objectives were to (1) determine the accuracy of benefit calculations; (2) assess whether there are sufficient controls and oversight over calculations; and (3) the efficiency of the calculation process.

The overview of the results included the errors identified were attributed to a lack of adequate controls and support. Most errors had very little impact on benefits.

The report included nine recommendations in the following four key areas:

1. Guidance and Oversight
2. Data Limitations
3. Calculation Worksheets
4. Documentation

The audit report also included that SCERS improve the management system of the benefit calculation function as a whole.

Staff reported that they have begun implementing the auditor's recommendations.

Mr. Jones commented that they will follow-up with staff in a year to assess the process and will report back to the Board.

Governance Committee Report

Ms. Becker reported the Governance Committee met on July 31st. Present at the meeting were Ms. Becker, Committee Chair; Bob Harvey, Committee Member; Ken Nakatsu; Jeff Davis; Tony Smith; and Lisa Carns with SCERS Staff; and Mike Monaco, Song Mondress Law Firm.

The Committee is in the process of developing the Environmental, Social, and Governance Policy and the Investment and Administrative Committee Charters. Mr. Monaco will provide final drafts for the committee's review at the next Governance Committee meeting.

The goal is to present the Policy and both Charters to the Board for approval at the September meeting.

The next Governance Committee meeting is scheduled for August 22, 2013 at 2pm.

There were no questions or comments from the Board.

Councilmember Burgess asked the Board if there were any other items to be presented.

There were none.

Adjournment

Motion: Upon motion by Tim Burgess, seconded by Lou Walter, the Retirement Board voted to adjourn the meeting at 10:15am.

David L. Stewart, Secretary



MINUTES

Board Members Present: Councilmember Tim Burgess, Board Chair; Robert Harvey; David Stewart; Glen Lee; Lou Walter (phone); Jean Becker

Board Members Absent: Sherri Crawford

SCERS Staff Present: Ken Nakatsu; Jeff Davis; Tony Smith; Jill Johnson; Claire Foster; Lisa Carns

Others Present: Mike Monaco, Song Mondress Law Firm; Gary Smith, Seattle City Attorney's Office; Justin Natali, Personnel Department; Tom Kirn, FAS; John Masterjohn, ARSCE; Charles Primm, PTE17; George Emerson, FAS; John McCoy, Legislative Central Staff; Nate Van Duzer, City Council Office; Cynthia Scheiderer; Valerie Heidi Mudra; Jeff Skillman

Councilmember Burgess, Board Chair called the meeting to order at 9am.

Public Comment:

Mr. Masterjohn, President of ARSCE thanked the Board and staff for doing the pop-up provision analysis and further requested the Board revisit the pop-up provision when the system is 75 to 80% funded instead of 90 to 100%.

Mr. Ken Nakatsu, Interim Executive Director introduced and welcomed Jill Johnson to the SCERS staff as the Temporary Investment Strategic Advisor.

Administrative Consent Agenda

Minutes:

Provided in the Retirement Board packet was the minutes from the August 8, 2013 Retirement Board regular meeting.

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

Service	\$10,876,516.15
Beneficiary	\$ 894,765.86
Disability	\$ <u>73,071.11</u>
Pension Payroll – PPE August 31, 2013	\$ 11,844,353.12
Office Payroll – PPE August 9 and 23, 2013	\$100,380.73
Vouchers Processed – August 31, 2013	\$1,422,529.69
*Expert and Consultant Services – \$134,749.50	
*Investment Management Fees – \$1,168,174.66	
*Interdepartmental Charges - \$97,776.75	
*Miscellaneous - \$21,828.78	

Immediate Withdrawals of Contributions for the month of August 2013:

Member Name	Department Name	Position
Bassch, Kimberly A	Law	Paralegal
Figueroa, Michael W	Parks	Rec Prgm Coord
Graham, Laurence A	Parks	Lifeguard
Harrison, Edith J	Parks	Rec Attendent
Jacobson, Michael D	City Light	Pwr Marketer
Jezek, Tammy C	Library	Public Svc Tech
Johnson, Cheryl K	SDOT	Truck Drvr Heavy
Lam, Larry E	SPU	Drainage & Waste Coll Wkr
Ledbetter, Michael R	City Budget	Strat Advr 3
Lerch, Caitlin S	Police	Data Tech
Livigitone, Fetaimoeloa F	City Light	Admin Support Spec

Member Name	Department Name	Position
Ortiz, Ricardo	Seattle Center	Laborer
Rapier, Gabriel J	Library	Library Assoc II
Sale, Nellie	Police	Comm Dispatch II
Tarantino, Edward J	SDOT	Tree Trimmer
Thomas, Blasé D	FAS	Auto Mechanic
Tran, Kim	City Light	Strat Advr 3
Van Alstine, G. Michael	FAS	Bldg Oper Engr
Vats, Sita	Seattle Center	Usher
Vatsa, Ajay K	Seattle Center	Usher
Vatsa, Pamela Yvonne	SPU	Personnel Spec
Whitman, Donald D	Library	Lead Page
Yranela, Betty L	SPU	Info Tech Prof B

Bold entries above indicate refund payout made to beneficiary of a member dying while in active status.

Withdrawals for a total of: \$744,819.16

Retirement of Service Retirements for July:

Retiree	RetireDt	Age	Years	Days	DeptName	Position
Allman,Rita	8/14/2013	58	12	359	SPU	Admin Staff Asst
Baca,Veronica L	8/14/2013	55	24	280	SPU	Strat Advsr 2
Barnes,Curtis	8/14/2013	69	21	339	Parks Dept	Constr&Repair CC
Carter,Ralph J	8/3/2013	58	21	85	Parks Dept	Maint Laborer
Chapin,David M	8/14/2013	63	12	124	SPU	Envrnmntl Anlyst Sr
Cutshall,Mary J	8/8/2013	65	12	327	Human Svcs	Counslr
DiGiorgio,Lisa F	7/26/2013	55	28	355	Health Dept	Program Manager
Feist,Jack	8/2/2013	61	35	266	City Light	Line CCC
Finney,Glenna R	8/13/2013	50	25	125	City Light	Strat Advr 2
Grotle,Del E	7/10/2013	66	6	251	City Light	Elctn-Con
Irigon,Felicita F	8/8/2013	64	19	79	Human Svcs	Counslr
Jackson,Denice V	8/14/2013	64	5	28	City Light	Personnel Spec Asst
Leach,Ellen L	8/2/2013	65	18	231	Parks Dept	Vested
Lee-Williams,Stephanie M	8/14/2013	55	34	66	City Light	Cblspl CC
Lennon,Wayne W	8/14/2013	70	24	229	FAS	Complaint Investigator
Leung,Waitran L	7/6/2013	58	32	163	SPU	Manager 2
McDaniel,Sharon F	7/13/2013	69	13	146	Human Svcs	Counslr
Morse,Donna C	8/14/2013	65	9	222	City Light	Utility Hearing Ofcr
Murray,Dan M	7/10/2013	65	17	272	City Light	Meter Elctn
Ooka,Cheryl M	8/3/2013	55	28	166	SDOT	Manager 3
Radtke,Gerald D	8/2/2013	65	38	70	City Light	Elctn-Con
Reis,Elizabeth A	8/6/2013	61	29	5	Health Dept	Health Educat Consul II
Roche,John T	7/17/2013	65	19	304	Parks Dept	Strat Advsr 2
Rodriguez,Juan	8/13/2013	52	24	260	City Light	Truck Drvr, Heavy
Rosenthal,Linda M	8/6/2013	64	32	335	Library	Librn
Samuels,Mary E	8/14/2013	60	28	58	FAS	Info Tech Prof B -BU
Semro,Marilynn L	8/2/2013	64	14	22	City Light	Strat Advsr 2
Sommers,Wendy S	8/2/2013	60	30	2	Police	Payroll Supv

Retiree	RetireDt	Age	Years	Days	DeptName	Position
Sundby,Douglas E	8/2/2013	62	6	335	DPD	Elevator Inspector Sr
Tello,Francisco M	8/2/2013	64	31	321	Police	Crime Prev Coord
Trias,Marilou B	7/31/2013	54	30	3	City Light	Enrgy Mgmt Anlyst, Sr
Wehr,Virginia G	8/14/2013	63	22	128	SPU	Admin Spec III -BU
West,Joanne E	8/9/2013	62	30	1	DPD	Land Use Plnr II
Woestwin,Carl H	7/20/2013	68	23	296	SPU	Plng&Dev Spec, Sr
Wymore,Nancy	8/14/2013	63	32	274	SPU	Truck Drvr, Heavy

For the month of August 2013: 78 new Members entered the System, 34 terminations, 37 Members retired in the System, 19 Members removed (\$20,322.69), 5 D/E Option, 5 Option F reductions, 4 over 60% benefit.

Mr. Nakatsu reported the vouchers processed are higher than normal due to quarterly fees.

Motion: Upon motion by Tim Burgess, seconded by David Stewart the Retirement Board of Administration approved the Administrative Consent Agenda.

- Minutes of the August 8, 2013, Board Meeting
- Ratification of Retirement Payroll, Office Payroll, Other Payments and Withdrawals
- Ratification of Service Retirements for the month of August 2013

The motion carried unanimously.

Investment Committee Report

The Investment Committee met on August 29, 2013 at 12 noon at the Seattle City Employees' Retirement System, 720 Third Avenue, Suite 900 (Pacific Building).

Committee members present: Lou Walter, Chair; Bob Harvey, Glen Lee; David Stewart.

Other Board members present: Jean Becker; Sherri Crawford

Staff Present: Ken Nakatsu; Tony Smith; Jeff Davis; Ben Kalman; Jill Johnson; Lisa Carns

Others present: Neil Rue, Andrew Bratt, Mike Moy, and Ryan Lobdell with Pension Consulting Alliance; John McCoy, Legislative Central Staff; Steve Viney, Retiree; Dwight McRae, Investment Advisory Committee

Mr. Tony Smith, SCERS staff gave a report on the August 29, 2013 Investment Committee meeting. A recap of the meeting is outlined below.

Investment Accounting Summary Report – July 2013

Mr. Smith reported for the month of July the Total Portfolio asset classes were within acceptable ranges from their target weights, except for an underweight to Private Equity and a slight overweight to US equity. The Total Portfolio market value was at \$2.1 billion. During the month of July, SCERS received approximately \$114,000 in distributions from its Private Equity managers. As of July 31, 2013 the funded status of the plan stood at 66.62% on a mark-to-market basis.

Performance Report – 2Q 2013

Mr. Smith reported that PCA provided the Investment Committee with an overview of SCERS' Performance Report for 2Q 2013. The overview included SCERS Total Portfolio had an aggregate value of \$2.012 billion as of June 30, 2013. This represents a \$35.3 million decrease in value over the last quarter. Over the last one year period the Portfolio outperformed the policy benchmark by 72 basis points, excluding the workout portfolio. PCA reviewed the Asset Allocation targets that were implemented January 2011. As of June 30, 2013, the Total Portfolio was within range for all asset classes except for Private Equity. The Total Portfolio trailed the policy benchmark by 1.17% for the quarter.

Asset Allocation Project

Mr. Smith reported that PCA presented part two of the Asset Allocation project. PCA reviewed the capital markets planning assumptions for each asset class and the proposed modeling constraints. PCA requested the Investment Committee's approval of the assumptions. The Investment Committee approved the constraints.

The next steps for the Asset Allocation project are:

September 2013 – Review new policy options

October 2013 – Formal recommendations and selection of new policy portfolio

November 2013 – Summary of Asset Allocation Project and Implementation Process

Private Equity Discussion

Mr. Smith reported that PCA reviewed the private equity asset class, the private equity subsector allocations and long term ranges, the J-curve, the manager selection process, the performance benchmarking surrounding private equity, an overview of fund of funds and an update on the workout portfolio. PCA presented three approaches to access this market (1) fund of funds; (2) a separate account; and (3) direct advisor recommendations. The private equity manager selection and due diligence process was also discussed at the Investment Committee.

There were comments from the Board pertaining to the private equity target increase from 6% to 10%; due diligence concerns and the manager selection process.

Motion: Upon motion by Tim Burgess, seconded by Glen Lee, the Retirement Board of Administration accepted the 2nd Quarter 2013 Performance Report as recommended by the Investment Committee.
The motion carried unanimously.

Councilmember Burgess requested that agenda item 6(b) Strategic Planning Session be moved before the Governance Committee report. There were no objections from the Board.

Strategic Planning Session Pre-Work Discussion

Mr. Justin Natali from City Personnel spoke to the Board regarding the upcoming Strategic Planning session scheduled in December. Mr. Natali provided a brief recap from the planning session held in February 2013. Mr. Natali will present the Board with the pre-work needed for the December Strategic Planning session at the November Board meeting.

Governance Committee Report

The Governance Committee met on August 22, 2013 at 2pm at the Seattle City Employees' Retirement System, 720 Third Avenue, Suite 900 (Pacific Building).

Committee members present: Jean Becker, Chair; Bob Harvey; Sherri Crawford

Staff Present: Ken Nakatsu; Jeff Davis; Lisa Carns

Others present: Carlton Seu, City of Seattle Law Department; Mike Monaco, Song Mondress Law Firm

Ms. Becker reported the Governance Committee recommended and requested the Board of Administration to adopt the Administrative Committee and Investment Committee Charters, and the Environmental, Social and Governance Policy presented to them. Ms. Becker provided the Board with an overview on how the Governance Committee established the charters and policy being presented.

Ms. Becker reported the Administrative Committee's next project is to develop the Investment Advisory Committee charter. The roles and responsibilities and the effectiveness and utilization of the Investment Advisory Committee will be discussed at the next Administrative Committee meeting on October 8th at 10am. The Committee's goal is to present the Board with the Investment Advisory Committee Charter at the December 12th meeting. Ms. Becker invited the Investment Advisory Committee members and the Board members to attend the meeting on October 8th.

Motion: Upon motion by Jean Becker, seconded by Bob Harvey the Retirement Board of Administration adopted the below listed policy and charters as recommended by the Governance Committee:

- Environmental, Social and Governance Policy
- Administrative Committee Charter
- Investment Committee Charter

The motion carried unanimously

Executive Director Report:

Mr. Nakatsu reported that the Work Plan is on schedule. SCERS is currently seeking additional staff support; the annual report is in production; and the Asset Overlay RFP will be issued within the next month.

SCERS Operations Update

Mr. Davis reported that Cynthia Scheiderer with Scheiderer Partners will present the Communication Audit Report following Ms. Foster's IT update.

IT Updates

Ms. Foster, SCERS staff reported the following:

- The RIS II cutover stabilization period is complete.
- The Windows 7, Office 2010, Internet Explorer 9 Upgrade migration is complete.
- Linea Solutions completed their operational analysis of our major processes and based on their findings will be recommending a set of initiatives in addition to a Pension Administration System. Linea Solutions will present more detailed information about the initiatives at the October Board meeting.

SCERS staff has begun working on two initiatives: (1) a project with FAS CRM team to use the City's Customer Service Request system (internal use only); and (2) prep work for audit of the current RIS II system to review data and procedures that is used to maintain the data.

Councilmember Burgess thanked Ms. Foster for the good work.

New Business

Communication Audit Report

Ms. Cynthia Scheiderer with Scheiderer Partners reported to the Board the communication audit objectives, the methodology of the audit, the findings and recommendations.

Phase I of the SCERS communication review is complete. Phase II will overlap with the IT and Case Management (CRM) projects.

Councilmember Burgess asked the Board if there were any other items to be presented.

Mr. Walter gave the Board a brief overview of the NCPERS Program for Advanced Trustee Studies training he attended in August 2013. Mr. Walter recommended the Board members consider attending the training in the future.

It was announced at 10:15am the Board would go into executive session to discuss an investment matter until 11am.

The Board came out of executive session at 10:30am.

Motion: Upon motion of Tim Burgess, seconded by Bob Harvey, the Retirement Board of Administration approved to engage the services of Applyby to address Epsilon II's compliance with British Virgin Island's legal requirements and maintenance of the fund as a closed ended vehicle in the British Virgin Islands.
The motion carried unanimously

The meeting adjourned at 10:31am

David L. Stewart, Secretary



MINUTES

Board Members Present: Robert Harvey, Acting Chair; David Stewart; Glen Lee; Jean Becker; Sherri Crawford

Board Members Absent: Councilmember Tim Burgess; Lou Walter

SCERS Staff Present: Ken Nakatsu; Jeff Davis; Tony Smith; Jill Johnson; Claire Foster; Lisa Carns

Others Present: Mike Monaco, Song Mondress Law Firm; Carlton Seu, Seattle City Attorney's Office; Tom Kirn, FAS; John Masterjohn, ARSCE; George Emerson, FAS; Ken Yaeger, Retiree; Vien Nguyen, SCERS member; Akio Tagawa, Linea Solutions

Bob Harvey, Acting Chair called the meeting to order at 9am.

Public Comment:

No public comment.

Administrative Consent Agenda

Minutes:

Provided in the Retirement Board packet was the minutes from the September 12, 2013 Retirement Board regular meeting.

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

Service	\$ 10,916,031.03
Beneficiary	\$ 891,569.60
Disability	\$ 73,307.23
Pension Payroll – PPE September 30, 2013	\$ 11,880,907.86
Office Payroll – PPE September 6 and 20, 2013	\$97,786.65
Vouchers Processed – September 30, 2013	\$741,647.13
*Expert and Consultant Services – \$183,518.14	
*Investment Management Fees – \$422,876.22	
*Interdepartmental Charges - \$97,776.75	
*Miscellaneous - \$37,476.02	

Immediate Withdrawals of Contributions for the month of September 2013:

Member Name	Department Name	Position
Asp, Kyle E	Parks	Lifeguard Sr
Bell, Jamee M	City Light	Warehouser
Dudley, Beth S	SPU	Util Acct Rep I
Fatongiatau, Jr., Sione	SDOT	Mtc Laborer
Guilbeau Jr, Francis X	Parks	Utility Laborer
Jagannathan, Muthukumar	DoIT	Info Tech Prof B
Leggett, Lesley Ann	SPU	Water Qual Analyst
Marr, Royal D	TES - Personnel	Carpenter
Metz, Katie E	Parks	Aquarium Biologist I
Ngugi, Edwin	SDOT	Bridge Mtc Mech Help
Pratt, Janice M	City Budget Office	Admin Spec II
Simmons, Tonisha R	City Light	Personnel Spec Asst
Thorton, Jerrice A	TES - Personnel	Laborer
Torgimson, Jeff	City Light	Cable Splitter

Member Name	Department Name	Position
Van Wormer, Katrina	HSD	Counselor
Wang, Anne Shou-Ling	Library	Library Assoc II

Bold entries above indicate refund payout made to beneficiary of a member dying while in active status.

Withdrawals for a total of: \$375,979.28

Ratification of Service Retirements for September:

Retiree	RetireDt	Age	Years	Days	DeptName	Position
Allen Jr., William G	9/10/2013	62	9	6	Personnel	Vested
Anderson, David L	9/11/2013	61	15	92	City Light	Capital Projects Coord Sr
Beach III, Elmer J	9/10/2013	61	35	263	SDOT	Constr&Maint Equip Op
Beckwith, Robert L	8/30/2013	58	15	178	City Light	Vested
Betts, James A	8/31/2013	63	32	122	HSD	Grants & Conts Spec Sr
Glenn, Jane M	8/21/2013	52	28	131	PublicUtil	Warehouser, Sr -BU
Lebens, Karen A	9/3/2013	69	14	88	City Light	Hydro Elect Op II
Lindsey, David R	9/3/2013	67	5	350.77	PublicUtil	Util Acct Rep I
Louie, Steven K	9/11/2013	57	24	23	NeighbDept	Neighb District Coord
McClintock, Steve T	9/11/2013	60	29	26	City Light	Warehousr, Chief
Oiye, Julie Ann	9/4/2013	60	13	333	Library	Librarian
Paul, Pamela P	9/1/2013	58	1	344	LegCtyCncl	Vested
Potter, Denise D	8/16/2013	65	35	162	Parks Dept	Manager 3
Reinhardt, Martha E	9/6/2013	71	15	353	City Light	Exec Asst
Robb, Nancy J	9/11/2013	66	28	130	City Light	Manager 2
Scherer, Jo A	8/15/2013	60	27	342	FAS	Carpenter
Smith, Georg T	9/5/2013	58	27	5	InfoTech	Comm Shop Super
Teufel, Katherine	9/11/2013	65	38	262	Library	Librarian
Umagat, Edith	9/11/2013	60	34	278	FAS	Admin Staff Anlyst
Wong, Sue Y	9/10/2013	54	31	160	Police	Admin Staff Asst
Zukaitis, Stephen J	9/4/2013	59	26	199	PublicUtil	Wtr Meter Repairer Sr
						Total Added to Monthly Pension Payroll
	Average	61	23	183		Average Pension Amount
	Median	60	27	162		Median Pension Amount

For the month of September 2013: 75 new Members entered the System, 33 terminations, 21 Members retired in the System 12 Members removed (\$17,270.15), 2 D/E Option, 5 Option F reductions, 1 Option E pop-up, 3 over 60% benefit

Motion: Upon motion by David Stewart, seconded by Jean Becker the Retirement Board of Administration approved the Administrative Consent Agenda.

- Minutes of the September 12, 2013, Board Meeting
- Ratification of Retirement Payroll, Office Payroll, Other Payments and Withdrawals
- Ratification of Service Retirements for the month of September 2013

The motion carried unanimously.

Investment Committee Report

The Investment Committee met on September 26, 2013 at 12 noon at the Seattle City Employees' Retirement System, 720 Third Avenue, Suite 900 (Pacific Building)

Committee members present: Glen Lee, Acting Chair; David Stewart; : Jean Becker; Sherri Crawford; Bob Harvey(phone); Lou Walter(joined by phone at 1:17pm)

Staff Present: Ken Nakatsu; Jeff Davis; Tony Smith; Jill Johnson; Lisa Carns.

Others present: Neil Rue; David Sancewich; Andrew Bratt; Mike Moy; and Ryan Lobdell from PCA; John McCoy, Legislative Central Staff; George Emerson, FAS; Kellie Craine, FAS

Mr. Tony Smith, SCERS staff provided the Board of Administration with a recap of the September 26, 2013 Investment Committee meeting:

Investment Accounting Summary Report – August 2013

Mr. Smith reported for the month of August the Total Portfolio had a market value of \$2.0 billion. The Total Portfolio asset classes were within acceptable ranges from their target weights, with the exception of an underweight to Private Equity. During the month of August, SCERS received approximately \$1.1 million in distributions from its Private Equity managers.

Attucks was terminated in August after being on the watch list for three quarters. The reason for the termination was for underperformance relative to stated policy ranges.

\$1.9 million was taken from Blackrock Russell 1000 to pay benefits.

The plan's funded ratio for August was at 65.30%.

Asset Allocation Project

Mr. Smith reported that PCA reviewed the characteristics of the model used in the asset allocation study which included (1) simulation-based; (2) incorporating liability/cost projections from Milliman; and (3) a five year step-in for the illiquid asset classes (private equity and real estate). The spectrum of outcomes was reviewed in terms of each portfolio's asset allocations and corresponding risk/return trade-offs. PCA presented the Investment Committee with seven potential policy portfolios. PCA reported they made two adjustments to the portfolios provided which were: (1) eliminate home bias in public equity and (2) reduce modeled increase to Covered Calls. These portfolios had the same expected return as the current portfolio but with a lower measure of risk. The Investment Committee requested that PCA run the model for an increase in expected return, while matching the portfolio's current risk level. PCA will present the requested information at the October 31st Investment Committee meeting.

The next steps for the Asset Allocation project are:

October 2013 – Formal recommendations and selection of new policy portfolio

November 2013 – Summary of Asset Allocation Project and Implementation Process

Administrative Committee Report

The Administrative Committee met on October 8, 2013 at 10am at the Seattle City Employees' Retirement System Office, 720 Third Avenue, Suite 900 (Pacific Building)

Committee members present: Jean Becker, Chair; Bob Harvey; Sherri Crawford

Other Board Members present: Glen Lee

Staff Present: Ken Nakatsu; Jeff Davis; Tony Smith; Lisa Carns

Others present: Mike Monaco, Song Mondress Law Firm; Paul Maffeo; John Comerford; Dwight McRae, SCERS Investment Advisory Committee Members

Ms. Becker reported that several of the Investment Advisory Committee members attended the Administrative Committee meeting. The Investment Advisory Committee provided their suggestions on how the Investment Advisory Committee should be structured, and the most effective and efficient way to utilize their expertise. Ms. Becker stated the Administrative Committee's goal is to draft an Investment Advisory Committee Charter and present to the Board of Administration for adoption at the December 12th Board meeting. The next Administrative Committee meeting is scheduled for November 12th at 10am.

Executive Director Report:

Work Plan Update

Mr. Nakatsu reported on the work plan updates. Mr. Nakatsu also highlighted the items that were completed ahead of schedule.

Investment Consultant RFP

Mr. Nakatsu stated that staff is currently working on the Investment Consultant RFP and requested the Board of Administration authorize SCERS staff to issue an Investment Consultant RFP.

Mr. Lee stated that he, David Stewart and Ken Nakatsu serve on the Deferred Compensation Board and recommended SCERS obtain Arnerich Massena as a consultant to assist with the Investment Consultant RFP process.

There was further discussion on the services, costs, and confirmation that Arnerich Massena understood they could not participate in the RFP process as a potential consultant.

The Board of Administration agreed that Arnerich Massena could provide valuable services.

Motion: Upon motion by Bob Harvey, seconded by David Stewart, the Retirement Board of Administration authorized SCERS Staff to issue an Investment Consultant RFP and also engage Arnerich Massena services to advise on RFP process and assist with selection process.
The motion carried unanimously.

Resolution and Incumbency Certificate – Revised

Mr. Nakatsu requested the Board of Administration approve a revised Resolution and Incumbency Certificate. Currently the Executive Director signature is required to conduct business transactions. SCERS staff proposed the Executive Director or the Chief Finance/Operations Officer and one of the following: Executive Director, Chief Finance/Operations Officer (depending on which required signature is obtained), or one of the Investment Staff members be authorized to sign such transactions.

Motion: Upon motion by David Stewart, seconded by Jean Becker, the Retirement Board of Administration approved the revised Board Resolution and Certificate of Incumbency as recommended by SCERS staff effective October 10, 2013.
The motion carried unanimously.

Mr. Davis requested that agenda item (6.a) Appointment of Administrative Committee members be moved before the SCERS Operations update and that agenda item (6.b) Linea Solutions Presentation follow.

There were no objections from the Board of Administration

Administrative Committee – Appointment of Administrative Committee Members

Mr. Nakatsu reported that at the September Board meeting the Administrative Committee Charter was adopted. However, the three committee members were not appointed to serve on the committee at that time. Mr. Nakatsu requested the Board of Administration appoint the Administrative Committee members.

Motion: Upon motion by David Stewart, seconded by Glen Lee, the Retirement Board of Administration appointed Jean Becker, Bob Harvey and Sherri Crawford to serve as the Administrative Committee.

Linea Solutions Presentation

Mr. Davis welcomed Mr. Akio Tagawa from Linea Solutions.

Mr. Tagawa presented the Board of Administration with an overview of what Linea Solutions initial analysis consisted of; peer comparisons; the gaps found and initiatives to address the gaps; options analysis; a recap of the Auditor recommendations; an estimated cost for both lower and higher end pension administrations systems; and the risks associated with not taking action.

Mr. Tagawa requested questions/comments from the Board of Administration.

The Board of Administration asked questions and expressed concerns on how a new Pension Administration System would affect the budget; business analysis needs; a new system ongoing maintenance needs (upgrades, integration with other city systems, etc); life span of a new system; and implementation timeframe.

Mr. Tagawa responses to the Board of Administration questions/comments included:

Currently systems have approximately two minor upgrades a years

Currently, system life spans are 15-18 years

The implementation timeframe is approximately three years out

The Board further requested a broader analysis on the expense ratio, the investment versus operational costs, and a comparison of what the organization will look like and how it compares to peers.

Staff will prepare a business case analysis as the Board of Administration requested and present at the November 14th Board meeting. SCERS staff will also ask for a motion at the next Board of Administration meeting requesting the Board provide direction on how SCERS staff should proceed with the next phase of the project.

Mr. Harvey, Acting Chair stated the Board of Administration would go into executive session to discuss a legal matter and Mr. Vien Nguyen's Disability Retirement application.

Disability Retirement Application

Mr. Vien Nguyen requested to speak to the Board of Administration before they entered into Executive Session.

Mr. Nguyen outlined his reasons for submitting a Disability Retirement application.

The Board of Administration thanked Mr. Nguyen for presenting his case.

The Board of Administration requested Ms. Foster, SCERS staff to return to the meeting after the Executive Session to present her IT update.

The Board of Administration entered into Executive Session at 10:30am for 45 minutes.

Executive session ended and the meeting resumed to public session at 11:15am.

Motion: Upon motion of Glen Lee, seconded by David Stewart, the Retirement Board of Administration denied Mr. Vien Nguyen's Disability Retirement application and directed SCERS staff to advise Mr. Nguyen of his appeal rights.
The motion carried unanimously

IT Update

Ms. Foster, SCERS staff reported that the development of the Customer Service Management tool and the work on the data audit initiatives are moving forward.

Ms. Foster presented the current step by step manual estimate process to the Board of Administration.

Motion: Upon motion of Jean Becker, seconded by Glen Lee, the Retirement Board of Administration adjourned the meeting at 11:27am.
The motion carried unanimously

David L. Stewart, Secretary



MINUTES

Board Members Present: Councilmember Tim Burgess, Chair; Robert Harvey; David Stewart; Glen Lee; Lou Walter; Jean Becker; Sherri Crawford

SCERS Staff Present: Ken Nakatsu; Jeff Davis; Tony Smith; Jill Johnson; Claire Foster; Tim Morrison; Lisa Carns

Others Present: Mike Monaco, Song Mondress Law Firm; Carlton Seu, Seattle City Attorney's Office; Tom Kirn, FAS; John Masterjohn, ARSCE; George Emerson, FAS; Ken Yaeger, Retiree; Justin Natali, City Personnel; Christopher Jewell, Member; Kate Garrow; Charles Primm, Local 17; Jeffrey Curnutt; Vincent Galindo

Councilmember Burgess, Board Chair called the meeting to order at 9am.

Public Comment:

No public comment.

Administrative Consent Agenda

Minutes:

Provided in the Retirement Board packet was the minutes from the October 13, 2013 Retirement Board regular meeting.

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

Service	\$ 10,967,006.01
Beneficiary	\$ 887,613.57
Disability	\$ 73,159.24
Pension Payroll – PPE October 31, 2013	\$ 11,927,778.82
 Office Payroll – PPE October 8 and 22, 2013	 \$104,750.35
 Vouchers Processed – October 31, 2013	 \$831,243.39
*Expert and Consultant Services – \$54,869.50	
*Investment Management Fees – \$652,269.53	
*Interdepartmental Charges - \$97,776.75	
*Miscellaneous - \$26,327.61	

Immediate Withdrawals of Contributions for the month of October 2013:

Member Name	Department Name	Position
Abadilla, Amy C	Library	Lib Assoc IV
Brumfield, Brain F	City Light	Exec 2
Cyr, Kevin D	City Light	Strat Advr 3
De Guzman, Fausto P	HSD	Strat Advr I
Entzion, Robert W	FAS	Janitor
Gill, Tamara L	Arts	Arts Prgm Spec
Grant, Heidi E	HSD	Counselor
Haberly, Margaret M	Police	School Cross Guard
Kalman, Benjamin P	Retirement	Strat Advr 2
Landon, Madonna M	FAS	Personnel Spec Asst
Maas, Alexsis N	Library	Security Officer
Mannery, David T	SPU	Acct Exec
McCoy, Catherine R	DPD	Land Use Planner II
Merryman, Joshua M	Library	Lib Assoc I

Member Name	Department Name	Position
Paige, Ryan M	SDOT	Heavy Truck Drvr
Piquette, Cristie L	City Light	Admin Spec Asst
Thompson, Carol B	City Light	Exec 2
Williams, Donnell J	SPU	Maint Laborer

Bold entries above indicate refund payout made to beneficiary of a member dying while in active status.

Withdrawals for a total of: \$725,587.15

Ratification of Service Retirements for October:

Retiree	RetireDt	Age	Years	Days	DeptName	Position
Briggs,Cherlyn L	10/9/2013	65	13	347	DPD	Admin Spec II
Calvert,David M	10/7/2013	64	12	207	Parks Dept	Vested
Church,Christopher J	10/1/2013	58	19	350	SPU	Vested
Conrad,Lindy L	10/8/2013	62	14	135	City Light	Pwr Marketer
Coryell,Carol L	10/2/2013	67	22	160	SDOT	Civil Engr, Assoc
Edgecombe,Melinda J	9/11/2013	62	24	66	FAS	Warehouser,Sr -BU
Everitt,Paul R	10/2/2013	65	30	11	FAS	Licenses & Standards Inspector
Ezenwoye,Sebastian	10/9/2013	65	29	47	SPU	Civil Engr, Assoc
Finlayson,Gary W	10/5/2013	66	27	157	SDOT	Civil Engr, Assoc
Hall,Donna L	10/9/2013	63	27	73	City Light	Elctn Con OI
Hayasaka,David K	9/30/2013	55	5	107	VarDept	Vested
James,Maxcine E	10/9/2013	66	25	20	City Light	Actg Tech II
Jennings,Linda L	10/9/2013	69	9	95	Police	Admin Spec II
Jensen,David A	10/5/2013	62	8	252	Parks Dept	Vested
LeMier,Richard E	10/9/2013	65	40	7	Parks Dept	Maint Laborer
Lewis,Linda L	10/3/2013	64	28	249	Law Dept	Victim Advocate
Nagan,Mary L	10/2/2013	66	5	155	Parks Dept	Cashier
Nishimoto,Vickie A	10/9/2013	62	34	143	City Light	Cust Svc Rep
Norton,Andrew J	10/4/2013	70	41	340	KC Metro	Chief Ops Training
Olausen,Signe L	10/3/2013	66	6	3	Human Svcs	Manager 2 Info Tech
Riley,Shirley J	10/9/2013	62	17	318	Library	Library Assoc I
Rolla,Trudy	9/14/2013	63	30	233	KC Health	EH Specialist Sr
Seay-Davis,Elaine L	10/9/2013	63	18	164	SPU	Util Acct Rep II
Sizov,Cheryl	10/2/2013	57	18	362	DPD	Vested
Stinsman,Kathy E	10/2/2013	66	16	334	Sea Center	TFM - Janitor SC

For the month of October 2013: 91 new Members entered the System, 40 terminations, 25 Members retired in the System, 15 Members removed (\$18,512.52), 2 D/E Option, 1 Option F reductions, 2 Option E pop-up, 4 over 60% benefit

Mr. Nakatsu stated there wasn't anything out of the ordinary to report on the retired payroll, office payroll, and other payments and withdrawals.

Motion: Upon motion by Lou Walter, seconded by Jean Becker the Retirement Board of Administration approved the Administrative Consent Agenda.

- Minutes of the October 10, 2013, Board Meeting
- Ratification of Retirement Payroll, Office Payroll, Other Payments and Withdrawals
- Ratification of Service Retirements for the month of October 2013

The motion carried unanimously.

Investment Committee Report

The Investment Committee met on October 31, 2013 at 12 noon at the Seattle City Employees' Retirement System, 720 Third Avenue, Suite 900 (Pacific Building)

Committee members present: Lou Walter, Chair; Glen Lee; David Stewart; Bob Harvey; Jean Becker; Sherri Crawford
Staff Present: Ken Nakatsu; Jeff Davis; Tony Smith; Jill Johnson; Tim Morrison; Lisa Carns

Others present: Neil Rue and Ryan Lobdell from PCA; John McCoy, Legislative Central Staff; George Emerson, FAS

Mr. Tony Smith, SCERS staff provided the Board of Administration with a recap of the October 31, 2013 Investment Committee meeting:

Investment Accounting Summary Report – September 2013

Mr. Smith reported for the month of September the Total Portfolio had a market value of \$2.1 billion.

During the month SCERS withdrew \$3,500,000 from the Blackrock Russell 1000 account to fund monthly benefits payments.

The funding ratio for the month of September was 67.31%.

Asset Allocation Project Continuation

Mr. Smith reported that PCA presented the results of the additional research requested at the September 26th Investment Committee meeting. The research included: (1) explore the highest return possible with SCERS current risk tolerance; and (2) explore the lowest risk possible with SCERS current return target. PCA presented two portfolios as outcomes of this analysis. Mr. Nakatsu presented a recommendation from SCERS staff which included applying market implementation considerations. The Investment Committee, PCA and SCERS staff discussed the options and agreed to recommend to the Board of Administration the below Portfolio allocations and that the Covered Calls name change to Low Volatility:

- US Equity 25%
 - i. Traditional Equity 15%
 - ii. Low-Volatility Equity 10%
- Non-US Equity 26%
- Fixed Income 20%
- Real Return 9%
- Private Equity 7%
- Real Estate 13%

Motion:

Upon motion by Lou Walter, seconded by Bob Harvey the Retirement Board of Administration approved the modified Portfolio outlined below and that the Covered Calls asset class name change to Low Volatility.

- US Equity 25%
 - i. Traditional Equity 15%
 - ii. Low-Volatility Equity 10%
- Non-US Equity 26%
- Fixed Income 20%
- Real Return 9%
- Private Equity 7%
- Real Estate 13%

The motion carried unanimously.

Mr. Smith reported the next step for the Asset Allocation project is the implementation phase.

Administrative Committee Report

The Administrative Committee met on November 12, 2013 at 10am at the Seattle City Employees' Retirement System Office, 720 Third Avenue, Suite 900 (Pacific Building)

Committee members present: Jean Becker, Chair; Bob Harvey; Sherri Crawford

Staff Present: Ken Nakatsu; Jeff Davis; Tim Morrison; Lisa Carns

Others present: Mike Monaco, Song Mondress Law Firm

Ms. Becker reported that the Administrative Committee met on November 12th and developed the draft Investment Advisory Committee Charter. The Charter will be presented to the Board of Administration on December 12th for approval.

New Business:

Strategic Planning Session (Justin Natalie)

Mr. Natalie provided the Board of Administration with hand-outs outlining the outcomes from the February 2013 Strategic Planning Session and pre-work for the upcoming December 6th Strategic Planning session.

Mr. Natalie requested the Board of Administration complete the pre-work prior to the Strategic Planning Session in December.

Mr. Natalie stated the goal is to have a rough draft of the SCERS Strategic Goals by the end of the planning session.

Executive Director Report:

Mr. Nakatsu reported that the Overlay Manager finalists will be interviewed at the Investment Committee meeting on November 21, 2013. The criteria will be provided to the Investment Committee in advance of the meeting to assist with the interviews and selection process.

The SCERS Investment Consultant RFP will be issued the afternoon of November 14th. The RFP will close January 10, 2014.

Mr. Nakatsu recognized and thanked Mr. George Emerson for his work on the Investment Consultant RFP.

SCERS Operations Projects (Jeff Davis and Tim Morrison)

Mr. Davis reported that Linea Solutions presented their findings and recommendations to the Board of Administration at the October 2013 Board meeting. At that time The Board requested SCERS staff provide a business case for a Pension Administration System.

Mr. Tim Morrison presented the SCERS business case to the Board of Administration. The presentation included a detailed outline of the issues with the current pension operations system, description of options including pros and cons, and cost associated with each.

SCERS Staff recommended the Board of Administration approve SCERS staff to proceed with an RFP for the purchase of an enterprise pension administration system.

There were questions and concerns from the Board of Administration regarding costs, timeline, flexibility of a new system, and technology.

Mr. Morrison stated the RFP process is estimated to start in 2014 with a goal to implement core functionality of a new pension administration system in 2017.

Motion:

Upon motion of Tim Burgess, seconded by David Stewart, the Retirement Board of Administration authorized SCERS Staff to enter into contracts as needed to execute the system and process initiatives identified as pre-requisites for or complementary to a Pension Administration System. The Board of Administration also authorized the preparation and issuance of a Request for Propose (RFP) for a Pension Administration System.
The motion carried unanimously

Councilmember Burgess asked if there was any other business to discuss before entering into Executive Session.

Mr. Lou Walter recommended the Board members attend the NCPERS International Foundation of Employee Benefit Plans Conference. Mr. Walter stated there were sessions about emerging managers and recommendations that pension systems have legal firms monitor the Portfolio beyond the custodian. Mr. Walter requested that the Investment Committee discuss these items at a later meeting.

The Board of Administration entered into Executive Session at 10:15am for 45 minutes to discuss a legal matter and disability retirement applications.

It was announced at 11am that the Executive Session would be extended for an additional 15 minutes.

Executive session ended and the meeting resumed to public session at 11:08am.

Seattle Municipal Code Revision – IRS Filing

Motion: Upon motion of Tim Burgess, seconded by Lou Walter, the Retirement Board of Administration approved the proposed amendments to SMC 4.36 to incorporate requirements of the United States Internal Revenue Code and other technical clean-up to SMC 4.36.
The motion carried unanimously

Disability Retirement Application – Mr. Gary Doran

Motion: Upon motion of Tim Burgess, seconded by Lou Walter, the Retirement Board of Administration denied Mr. Gary Doran’s Disability Retirement application and directed SCERS staff to advise Mr. Doran of his appeal rights.
The motion carried unanimously

Disability Retirement Application – Mr. Christopher Jewell

Motion: Upon motion of Tim Burgess, seconded by Lou Walter, the Retirement Board of Administration approved Mr. Christopher Jewell’s Disability Retirement application.
The motion carried unanimously

Appeal Disability Retirement Application – Mr. Vien Nguyen

Motion: Upon motion of Tim Burgess, seconded by Lou Walter, the Retirement Board of Administration denied Mr. Vien Nguyen’s Appeal to his Disability Retirement application.
The motion carried unanimously

Adjournment

Motion: Upon motion of Tim Burgess, seconded by Bob Harvey, the Retirement Board of Administration adjourned the meeting at 11:10am.
The motion carried unanimously

David L. Stewart, Secretary



MINUTES

Board Members Present: Councilmember Tim Burgess, Chair; Robert Harvey; David Stewart; Glen Lee; Lou Walter; Jean Becker; Sherri Crawford

SCERS Staff Present: Ken Nakatsu; Tony Smith; Claire Foster; Tim Morrison; Lisa Carns

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

Mr. Lou Walter called the meeting to order at 9am.

Public Comment:

No public comment.

Administrative Consent Agenda

Minutes:

Provided in the Retirement Board packet was the minutes from the November 14, 2013 Retirement Board regular meeting.

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

Service	\$ 11,143,836.52
Beneficiary	\$ 936,182.60
Disability	\$ 74,567.26
Pension Payroll – PPE November 30, 2013	\$ 12,154,586.38
Office Payroll – PPE November 5 and 19, 2013	\$112,488.37
Vouchers Processed – November 30, 2013	\$847,948.40
*Expert and Consultant Services – \$145,853.00	
*Investment Management Fees – \$564,913.63	
*Interdepartmental Charges - \$98,794.29	
*Miscellaneous - \$38,387.48	

Immediate Withdrawals of Contributions for the month of November 2013:

Member Name	Department Name	Position	Amount
Boland, Jeremy J	City Light	Elect Spvr Rep Sr	\$3,688.07
Carlson, Sara Jean	Parks	Cashier	\$1,652.43
Carvajal, Maria I	Parks	Lifeguard Sr	\$14,887.55
Conaway, Katherine E	SPU	Mtc Laborer	\$50,997.75
Ellis, Justin L	Library	Lib Assoc I	\$2,673.68
Fleege, Cecilia C	Seattle Center	Admin Spec I	\$23,395.72
Guin, Kacey K	Neighborhoods	Strat Advr 2	\$41,740.18
Guy, Brian L	SDOT	Bridge Op	\$86,054.80
Harlan, River Glen	FAS	Equip Svcr	\$2,393.08
Ismail, Hayat	City Light	Accountant	\$12,885.01
Lake, Zachary C	SPU	Drain & Wstwtr Coll Wkr	\$2,482.02
Larson, Kristin A	City Light	Strat Advr 2	\$4,696.83
Lopez, Robert	Library	Janitor	\$4,170.09
Luong, Bich Thuy	City Light	Accountant Prin	\$23,764.49
Portnoy, Linda S	Muni Court	Magistrate Pro	\$66.73

Member Name	Department Name	Position	Amount
Schneider, Rae A	Library	Lib Assoc I	\$938.82
Seavey, David Lee	FAS	Exec 2	\$17,455.83
Tumba, Stephanie M	HSD	Counselor	\$11,644.73
Wernli, David B	City Light	Manager 3	\$18,486.72

Bold entries above indicate refund payout made to beneficiary of a member dying while in active status.

Withdrawals for a total of: \$326,715.31

Ratification of Service Retirements for November:

Retiree	RetireDt	Age	Years	Days	DeptName	Position	PenAmt	Options	GrossPayout
Belcher,Glenda L	10/12/2013	57	20	2	Police	Accountant Sr	2,514.66	S	
Bell,Deborah E	11/6/2013	60	17	231	City Light	Actg Tech III -BU	1,440.96	A	
Claeys,Katherine M	11/6/2013	54	28	306	SDOT	Strat Advsr 3	\$ 5,734.43	C-20	
Connolly,Theresa L	10/17/2013	59	14	176	Library	Vested	\$ 1,335.38	C-5	
Dreyer,Nicholas D	10/23/2013	57	23	2	City Light	Engry Res&Eval Anlyst	\$ 3,132.49	S	
Kader,Ghazy M	10/17/2013	76	26	351	City Light	Actg Tech II	\$ 2,341.16	E	
Keen,Harrison D	11/6/2013	69	24	227	City Light	Lnwkr	\$ 3,360.93	E	
Mattson,Robert	11/2/2013	64	41	289	NeighbDept	Neighb District Coord	\$ 6,013.37	D/F	
Rodriguez,M. Teresa	11/6/2013	60	23	13	FAS	Strat Advr 2, P&FM	\$ 3,978.98	S	
Ryan,Jane G	11/2/2013	65	13	68	Muni Court	Admin Spec I	\$ 1,004.93	E	
Shaw,Mary E	11/1/2013	57	15	338	Human Svcs	Vested	\$ 1,769.56	A	
Spillers,Roberta P	11/2/2013	65	9	3	Parks Dept	Maint Laborer	\$ 712.90	S	
Stoner Jr.,Ronald K	10/31/2013	53	23	160	FAS	Vested	\$ 1,766.32	A/G-50	\$98,218.85
Tiura,Patricia A	10/14/2013	57	11	290	Human Svcs	Vested	\$ 1,338.66	A/G-50	\$72,019.80
Tracy,Yvonne L	11/2/2013	63	29	267	InfoTech	Data Network Services	\$ 3,778.38	D/G-50	\$164,136.39
Weber,Patricia S	10/31/2013	65	13	95	EXEC DEPTS	Vested	\$ 1,053.96	E/G-100	\$158,265.78
						Total Added to Monthly Pension Payroll	\$41,277.07	Total G Payout	\$492,640.82
	Average	61	21	176		Average Pension Amount	\$2,579.82		
	Median	60	21	202		Median Pension Amount	\$2,055.36		

For the month of November 2013: 52 new Members entered the System, 38 terminations, 16 Members retired in the System, 12 Members removed (\$18,628.24), 5 D/E Option, 4 Option F reductions, and 1 over 60% benefit.

Mr. Nakatsu stated the retiree payroll is a little higher this month.

Ms. Becker requested staff begin presenting the Dashboards to the Board on a quarterly basis.

Motion: Upon motion by Lou Walter, seconded by Jean Becker the Retirement Board of Administration approved the Administrative Consent Agenda.

- Minutes of the November 14, 2013, Board Meeting
- Ratification of Retirement Payroll, Office Payroll, Other Payments and Withdrawals
- Ratification of Service Retirements for the month of November 2013

The motion carried unanimously.

Investment Committee Report

The Investment Committee met on November 21, 2013 at 12 noon at the Seattle City Employees' Retirement System, 720 Third Avenue, Suite 900 (Pacific Building)

Committee members present: Lou Walter, Chair; David Stewart; Bob Harvey; Jean Becker; Sherri Crawford

Staff Present: Ken Nakatsu; Jeff Davis; Tony Smith; Jill Johnson; Tim Morrison; Lisa Carns

Others present: Neil Rue, Ryan Lobdell, Andrew Bratt, Ahman Dirks, and Austin Carmichael from PCA; John McCoy, Legislative Central Staff; George Emerson, FAS

Investment Accounting Summary Report – October 2013

Mr. Tony Smith, SCERS staff reported on the Investment Accounting Summary for October 2013. The total portfolio had a market value of \$2.1 billion. The change in market value for October was 2.9% and 11.5% year-to-date. The funding ratio was at 68.94%. It was noted that this was the highest the funding ratio had been since 2008.

Mr. Walter thanked the Investment staff for their work.

Councilmember Burgess arrived at 9:10am.

Mr. Tony Smith, SCERS staff provided the Board of Administration with a recap of the November 21, 2013 Investment Committee meeting:

SCERS Performance Report Q3 2013

Mr. Smith reported that PCA presented the Q3 2013 SCERS Performance Report to the Investment Committee. An overview of the presentation included the SCERS Total Portfolio had an aggregate value of \$2.104 billion as of September 30, 2013 which represents an \$91.4 million increase in value over the last quarter. SCERS beat the median public plan by 0.8% for the quarter, 0.9% for one year and down 0.1% for the past three years.

SCERS Private Equity Performance Report Q2 2013

Mr. Smith reported that PCA presented the Q2 2013 Private Equity Performance Report. An overview of the presentation included SCERS' Private Equity remains underweight relative to its policy benchmark. As of June 30, 2013, SCERS' Private Equity Portfolio had \$124.1 million in commitments across ten partnerships and four direct investments. The SCERS' Private Equity Performance had a reported value of \$50.4 million as of June 30, 2013. The net internal rate of return (IRR) was 4.6% for the quarter.

SCERS Real Estate Performance Report Q2 2013

Mr. Smith reported that PCA presented the Q2 2013 Real Estate Performance Report. An overview of the presentation included SCERS Real Estate Portfolio had a net asset value of \$215.4 million. Mr. Smith reminded the Board of Administration that the Real Estate Asset Class is undergoing some restructuring and that as the new managers AEW and Heitman begin making capital calls, the overweight to JP Morgan will be reduced. A capital call from AEW is due in January and Heitman is due 2Q 2014.

Overlay Service Finalists Interviews

Mr. Smith reported the Investment Committee interviewed the two Overlay Service finalists which were (1) Clifton Group and (2) Russell Investments. Both managers made compelling presentations. The Investment Committee discussed the merits of each one and recommended the Board of Administration select Russell Investments contingent on SCERS Staff negotiating on a contract and fees. Mr. Smith reported that the base fee was reduced from \$150,000 to \$135,000 and SCERS staff is continuing to work on other contract terms.

Motion: Upon motion by Lou Walter, seconded by Bob Harvey the Retirement Board of Administration accepted the Q3 2013 Seattle City Employees' Retirement System Performance Report. The motion carried unanimously.

Motion: Upon motion by Lou Walter, seconded by Bob Harvey the Retirement Board of Administration accepted the Q2 2013 Seattle City Employees' Retirement System Private Equity Performance Report. The motion carried unanimously.

Motion: Upon motion by Lou Walter, seconded by Bob Harvey the Retirement Board of Administration accepted the Q2 2013 Seattle City Employees' Retirement System Real Estate Performance Report. The motion carried unanimously.

Motion: Upon motion by Lou Walter, seconded by Bob Harvey the Retirement Board of Administration approved the selection of Russell Investments to provide Overlay Services to the Seattle City Employees' Retirement System contingent on SCERS Staff negotiating and agreeing on a contract and the fees with Russell
The motion carried unanimously.

Administrative Committee

Ms. Becker, Administrative Committee Chair reported that the committee developed for the Board of Administration consideration and approval an Investment Advisory Committee Charter.

Mr. Nakatsu stated that the charter reflects and follows the rules within the Washington State Law and the Seattle Municipal Code. Mr. Nakatsu highlighted the following within the charter: the Investment Advisory Committee must have at least three members, there will be three formal meetings each year (1) April/May; and (2) September/October timeframe to review the performance reports; and (3) December/January timeframe to produce the Annual Report, and that the appointed members would serve two year terms.

Mr. Nakatsu stated that the current Investment Advisory Committee members would be notified about the reconstituted committee.

Mr. Seu, City Attorney recommended a language change under the "Structure" section, 3rd paragraph within the first sentence to include the following: *"A newly-appointed member of the Investment Advisory Committee shall serve a initial term of two years from the date of his/her appointment."*

Ms. Becker asked the Board to consider and approve the proposed Investment Advisory Committee Charter and appoint Mr. Joseph Boateng as Committee Chairperson, Mr. Alan Hess, and Mr. Dwight McRae.

Motion: Upon motion by Lou Walter, seconded by Jean Becker the Retirement Board of Administration approved the Investment Advisory Committee Charter which included reconstituting the Investment Advisory Committee.
The motion carried unanimously.

Motion: Upon motion by Tim Burgess, seconded by Bob Harvey the Retirement Board of Administration appointed Mr. Joseph Boateng as the Investment Advisory Committee Chairperson, Mr. Alan Hess, and Mr. Dwight McRae to the reconstituted Investment Advisory Committee effective immediately for a two year term.
The motion carried unanimously.

Executive Director Report

Work Plan Update

Mr. Nakatsu highlighted the updated changes on the work plan. The updates included the following:

The Executive Director search will be postponed due to submitting a reclassification, recruiting, and hiring of a Chief Investment Officer.

Due to the postponement of the Executive Director search, the current Interim Executive Director assignment will be extended to July 31, 2015.

Investment Consultant Services RFP was issued on November 14, 2013. Mr. Nakatsu recognized and thanked Mr. George Emerson for his work on the RFP. There was a pre-proposal conference call on November 21st. The RFP deadline is January 10, 2014. Mr. George Emerson and Mr. John McCoy have agreed to assist with reviewing the proposals received.

At the Strategic Planning Session on December 6th there was a consensus for SCERS to pursue the "discretionary separate account" method for private equity and the Investment Consultant contract will be revised accordingly.

No Board action was necessary on the work plan.

SCERS Operations – Project Initiative Update (Claire Foster)

Ms. Foster reported on the following:

Staff is preparing for the year-end activities in the new Oracle environment and preparing data for Milliman reports.

The CRM project is moving forward. The goal is to implement in 1Q 2014.

The policy review initiative has begun. Mr. Tim Morrison is leading the project.

Staff is working on how to approach the data audit. Staff continues to work on operational improvements to better secure and audit our data.

New Business:

Chief Investment Officer (Ken Nakatsu)

Mr. Nakatsu reported that at the Strategic Planning Session on December 6th the Board discussed and came to a consensus to hire a Chief Investment Officer. Mr. Nakatsu requested the Board make a motion authorizing SCERS staff to proceed with the reclassification, recruitment and hiring of a Chief Investment Officer.

Ms. Becker requested Mr. Nakatsu explain the business need for a Chief Investment Officer.

Mr. Nakatsu responded that the current investment staff are very capable and proficient in their jobs. After an assessment of the SCERS business needs SCERS management staff recommended adding a Chief Investment Officer to the team with an individual that has extensive and broad investment background and the ability to present investment information to the Board.

Motion: Upon motion by Lou Walter, seconded by Bob Harvey the Retirement Board of Administration authorized SCERS Management Staff to proceed with creating a Chief Investment Officer position, and to recruit and hire a Chief Investment Officer.
The motion carried unanimously.

Mission, Vision, Values

Mr. Nakatsu reported that the Board developed the Mission, Vision and Values at the Strategic Planning and also began discussions to establish goals and strategies. The Mission, Vision and Values statements were agreed upon and it is requested that the Board approve those today. Mr. Natalie along with SCERS staff are going to sort out the goals and strategies and bring those back to the Board for approval.

Mr. Nakatsu thanked Mr. Natalie for facilitating the meeting and for his good work.

Councilmember Burgess noted the key words within the mission statement are promise and earn, and the vision statement are trusted, financially strong, and exceptional customer service.

Councilmember Burgess also noted the importance of public service and that the pension is an earned benefit.

Mr. Walter further commented the importance of the Board's fiduciary responsibilities.

Motion: Upon motion by Tim Burgess, seconded by Bob Harvey, the Retirement Board of Administration approved the following Mission, Vision and Values Statements for the Seattle City Employees' Retirement System:

Mission: To fulfill the promise to deliver the retirement benefits our members have earned.

Vision: SCERS is a trusted financially strong institution whose members receive their retirement benefits through exceptional customer service.

Values: Excellence, Stewardship, Integrity, Responsibility and Service
The motion carried unanimously.

Councilmember Burgess asked if there was any other business to discuss before entering into Executive Session. There was no further business.

The Board of Administration entered into Executive Session at 9:46am for 30 minutes to discuss an investment matter and a disability retirement application appeal.

Executive session ended and the meeting resumed to public session at 10am.

PCA Investment Contract

Motion: Upon motion by Lou Walter, seconded by Glen Lee, the Retirement Board of Administration authorized the Executive Director to revise the contract with PCA to reflect SCERS' needs for investing in private markets.
The motion carried unanimously

Appeal - Disability Retirement Application – Mr. Gary Doran

Motion: Upon motion of Tim Burgess, seconded by Bob Harvey, the Retirement Board of Administration denied Mr. Gary Doran's Appeal for Disability Retirement.
The motion carried unanimously

Adjournment

The meeting adjourned at 10:02am.

David L. Stewart, Secretary