



Seattle City Employees' Retirement System

Board of Administration Meeting
Pacific Building, 720 3rd Avenue, Suite 900, Seattle, WA
(206) 386-1293

Minutes, Thursday, April 13, 2017

Board Members Present: Tim Burgess (Chair), Lou Walter, Jean Becker, Robert Harvey, Jr, Glen Lee, Sherri Crawford, Susan Coskey

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

Others Present: Carlton Seu (City Attorney's Office), Mike Monaco (MMPR PLLC), John Masterjohn (ARSCE), Linda Cannon, Joanna Schoettler, Barbara Phinney, Vivian Sharples, Alec Connon, Barb Drake, John Vitto, Alex Lenferna, Charles Contazedor, Becca Deutsch, Calista Pollack

NOTE: The meeting was videotaped by Seattle Channel and 350 Seattle

Call to Order

Tim Burgess, Board Chair, called the meeting to order at 9:02 am

Public Comment:

The Board of Administration received public comment from members of the Association of Retired Seattle City Employees (ARSCE), 350 Seattle, City of Seattle employees and retirees.

Testimonies were read on behalf of Barb Drake, Vivian Sharple, Andrea Faste, Margo Pauley, and Rachel Heaton who were unable to attend the meeting.

Joanna Schoettler, Alec Connon, John Vitto, Alex Lenferna, Rebecca Deutsch, Calista Pollack, and Charles Contazedor requested the Board of Administration to divest from fossil fuels; increase investments in renewables from 3% to 5%; and to recruit outside expertise to look at every option from no action to divestiture.

John Masterjohn and Linda Cannon expressed concern on why divestment was being discussed again and requested the Board of Administration to heed the expertise of their staff and outside consultants who have recommended against divestiture.

Mr. Burgess clarified that the SCERS Board of Administration does not administer the City's deferred compensation plan since some commenters requested that the Board provide fossil fuel free options for deferred compensation plan participants.

In consideration of the comments the Board had received from various community members and city employees related to fossil fuel investments, and in light of Mayor Ed Murray's suggestion to the Board, as the Board exercises their fiduciary obligations as Board members to SCERS' members, Mr. Burgess offered the following motion:

Mr. Walter seconded the motion to allow for discussion.

There was discussion on the Board's fiduciary duty. Based on the discussion, Susan Coskey stated that she will offer a second motion, separate from the one that is on the floor.

Mr. Burgess called for a vote on the current motion which passed unanimously (7-0).

Motion: Upon motion by Tim Burgess, seconded by Lou Walter, the Board of Administration (Board) requested that the Investment Advisory Committee (IAC) review the recommendation the Board has received over the past couple of years from NEPC and Seattle City Employees' Retirement System (SCERS) staff on divesting from fossil fuel investments, determine whether they agree or disagree with this recommendation, or whether they need more information or additional experts, and evaluate the potential risks and rewards of (1) maintaining SCERS investments in fossil fuel stocks, or (2) divesting all or a portion of these holdings.

In conducting this assessment, the IAC should consider the thoroughness of the recommendation the Board has received and what additional information or analysis they believe should be presented to the Board of Administration. The IAC should consider environmental factors only to the extent that they have a direct relationship to the economic value of the plan's investments, the reasonableness of the market valuation of fossil fuel securities, and the totality of the circumstances involved with this matter. The IAC should report back to the Board of Administration no later than the July 13, 2017 Board of Administration meeting.

The Board further requests that staff produce a review of the positive action strategy that the Board adopted in February 2015 related to climate change, which includes corporate engagement, integrating climate change risk into the investment process and considering sustainability investments. This review should include the rationale, accomplishments, and future plans for the strategy. Staff should report back to the Board of Administration no later than the July 13, 2017 Board of Administration meeting. The motion passed unanimously (7-0).

Ms. Coskey offered a second motion for legal counsel to explore "leave no stone unturned" legal analysis of boundaries of the Board's fiduciary duty and the limitations on their ability to act on the issues that have been brought to their attention. Mr. Burgess seconded the motion and clarified that legal counsel will be Mike Monaco and the City Attorney's office.

Robert Harvey expressed concern about the potential cost of the analysis to which Mr. Burgess responded. The second motion passed unanimously (7-0).

Motion: Upon motion by Susan Coskey, seconded by Tim Burgess, the Board of Administration (Board) requested that SCERS legal counsel provide a "leave no stone unturned" legal analysis of the boundaries of the Board of Administration's fiduciary duty and the limitations of the Board's ability to act on the issues that have been brought to the Board's attention. The motion passed unanimously (7-0).

Administrative Consent Agenda

Provided in the Retirement Board packet were the minutes from the March 9, 2017 Retirement Board regular meeting.

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

Service	\$13,590,373.38
Beneficiary	967,235.79
Disability	<u>73,546.89</u>
Pension Payroll – PPE March 2017	\$14,631,156.06

Office Payroll – PPE March 7 and 21, 2017 \$ 240,978.08

Vouchers Processed –March 2017

- Expert and Consultant Services \$ 78,616.23
- Investment Management Fees* \$
- Interdepartmental Charges \$ 213,145.68
- Miscellaneous \$ 11,355.09

*Quarter ended March 31, 2017. Accounting anticipates expenses for April 2017 Board Meeting

Immediate Withdrawals for the Month of March 2017:

NAME	RET No	DEPT NAME	JOB TITLE
Ayala,Jose A	45388	PARKS	Maint Laborer
Buu,Hugh V	52651	SCL	Elecl Engr Assoc
Camacho,Daniel W	52998	PARKS	Seattle Conserv Corps Supv
Castillo,Merlinda O	47340	CITY LIGHT	Program Intake Rep
Doerr,Abigail M	53609	LEGISLATIVE	Legislative Asst.
Dolane,Linda K	51710	SEA CTR	Janitor
Gautschi,Robert L	50128	LIBRARY	Security Officer
Gunter,Selby A	52071	LIBRARY	Page - Shelving Ops
Hernandez,Rosa Linda	53019	LAW	Paralegal Asst II
Hogue,Christine M	55038	SDHR	Strat Advisor 2
Jacobs Jr.,David Logan	51360	SPU	Manager 3
Kelleigh,Beatrice L	50426	LAD/OPR	Executive 1
LaPlante,Rochelle	48705	HUMAN SERVICES	Counselor
Luken,Terri R	53404	MUNICIPAL COURT	Magistrate
Martindale-Shaw,Christopher M	54117	CITY LIGHT	Economist
Mays - Schroeder,Melissa S	50441	PARKS	Cashier
McAlerney,Kevin B	50528	SEA CTR	Janitor
Merrill,James M	40424	SEA CTR	Admission Employee
Mizell Jr,Laurence C	54189	OFFICE OF ETHICS & ELECTIONS	Public Relation Spec
Monni,Sergio	47184	PARKS	Lifeguard Sr
Packwood,James O	52725	LIBRARY	Digital & Web Product Manager
Pedigo,Taryn E	53184	FIRE	Mgmt Sys Analyst Sr
Podosek,Michael J	54361	FAS	Info Tech Prof
Russell,Antonio P	54052	FAS	Janitor

Shetty,Sudha	42204	HUMAN SERVICES	Planning and Dev Spec 1
Stewart,Maria T	47096	SEA CTR	Parking Attendant
Taylor,Patricia D	51081	LIBRARY	Page - Shelving Ops
Turner,Monica L	48847	MUNICIPAL COURT	Admin Spec 1
Villavaso-Madden,Donyeta M	51670	SDHR	Strat Advisor 1
Wang,Jun	52248	SPU	Civil Engineer Spec Assoc.
Williams,Mikhael M	53507	OFFICE OF ECONOMIC DEVELOPMENT	Com dev Spec Sr

c. Ratification of Service Retirements

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

Retiree	RetireDt	Age	YrsSvc	Yrs	Days	DeptName	Position
Aoki, Kay M.	2/6/2017	64	32.66	32	240.9	Library	Asst Mgr-Library
Baucom,Vicki L	2/7/2017	62	11.17	11	62.05	DFD	Code Compliance Anlyst
Blood,Bruce L	2/2/2017	66	30.5	30	182.5	Dept of Inform	Info Technol Prof A,Exempt
Borowski,Ronald H	2/22/2017	68	30.3	30	109.5	SDOT	Transp Plnr,Sr
Burroughs, Diana Lee	2/2/2017	62	8.23	8	83.95	SDOT	Transportation Construction Perm
Carlisle,Dennis	2/22/2017	57	31.43	31	156.95	Library	Librn
Carlson, Carolyn M.	2/22/2017	65	3.71	3	259.15	Vested Member	Plng&Dev Spec II
Cayton,Diana L	2/8/2017	60	30.5	30	182.5	SPU	Info Technol Prof B-BU
Chao, Younchoy F	1/25/2017	65	27.48	27	175.2	Parks	Maint Laborer
Dow, Lloyd Forest	3/8/2017	67	19.29	19	105.85	Planning	Permit Spec II
Eades,Earl K	2/3/2017	64	38.07	38	25.55	SCL	Cblspl CC-Net Area
Evans,Vicki G	2/22/2017	60	23.18	23	65.7	Dept of Inform	Manager3,Info Technol
Freeman,Allen R	2/3/2017	63	34.62	34	226.3	FAS	Shop Opns Supv
Guddat,Jeffery E	2/17/2017	62	6.56	6	204.4	Vested Member	Fin Mgr,Sr
Jonas, Lisa J.	2/22/2017	61	28.73	28	266.45	DOIT	Admin Spec I
Kearns,Erlinda F	2/22/2017	73	33.3	33	109.5	FAS	Remittance Proc Tech,Sr
Kleeberg,Charles Frederick	2/2/2017	67	8.22	8	80.3	SPU	Executive2
Kremkau,James C	2/2/2017	60	14.3	14	109.5	SPD	Photographer,Sr
Lee,Valerie	2/4/2017	70	9.38	9	138.7	SDOT	Civil Engr Supv
McDougall,Constance J	2/8/2017	66	12.96	12	350.4	SCL	Public Relations Spec,Sr
McGillin,William G	2/7/2017	66	19.3	19	109.5	LAW	City Attorney,Asst
Nakauye, George	2/4/2017	67	12.7	12	255.5	Seattle Municipal Co	Court Marshall
Navarro,Danilo L	2/8/2017	66	35.87	35	317.55	Dept of Inform	Info Technol Prof A,Exempt
Paschke,Philip E	2/15/2017	63	22.85	22	310.25	SPU	Plng&Dev Spec,Sr
Paston,Aaron L	2/22/2017	57	11.5	11	182.5	SPD	Parking Enf Ofcr
Rekhi,Parminder K	2/3/2017	62	30.13	30	47.45	PLANNING	Permit Spec I

<i>Rogers,Linda L</i>	<i>2/8/2017</i>	<i>68</i>	<i>30.38</i>	<i>30</i>	<i>138.7</i>	<i>SPU</i>	<i>Personnel Spec,Sr</i>
Spates,Preston D	2/3/2017	52	31.96	31	350.4	PARKS	Plumber
Steffen, Astrid Hunter	1/31/2017	63	11.82	11	299.3	SDOT	Workers' Comp Analyst
<i>Turner, Kim R</i>	<i>2/12/2017</i>	<i>73</i>	<i>54.99</i>	<i>54</i>	<i>361.35</i>	<i>Library</i>	<i>Library Tech I</i>
<i>Tyft,Lars O</i>	<i>2/17/2017</i>	<i>62</i>	<i>5.31</i>	<i>5</i>	<i>113.15</i>	<i>Vested Member</i>	<i>Comms Elctn II</i>
<i>Upton-Shields,Lana</i>	<i>2/2/2017</i>	<i>68</i>	<i>41.66</i>	<i>41</i>	<i>240.9</i>	<i>FAS</i>	<i>Accountant</i>
von Hagen,Russell B	2/22/2017	63	5.31	5	113.15	Vested Member	Meter Elctn
White Jr,Donald S	2/3/2017	65	19.22	19	80.3	Planning	Manager2,Engrng&Plans Rev

For the month of March 2017: 31 new Members entered the System, 45 terminations, 34 Members retired in the System, 17 Members removed (\$25,688.98), 2 D/E Option, 0 F Option, and 7 over 60% benefit.

Bold/italized entries (if any) above indicate 2x match.

Motion: Upon motion by Tim Burgess, seconded by Lou Walter, the Board of Administration accepted and approved the Administrative Consent Agenda. The motion passed unanimously (7-0).

2016 SCERS's Accomplishments

Jeff Davis presented SCERS's accomplishments for 2016.

Member Services staff retired over 300 members, calculated 1,175 retirement estimates, developed and populated a searchable knowledge base tool. Staff also received over six (6) weeks of training on customer service, analytical skills, and how to use the updated tools. Requests for service timelines was reduced to four weeks.

Accounting Services implemented a monthly reconciliation with investments and during medical plan open enrollment assisted over 300 retirees.

The Information Technology (IT) group began the Pension Administration System (PAS) starting 2016 working with consultant, ViTech, for the first three months to confirm system requirements and high level design. The year concluded with the roll out of the Electronic Content Management (ECM) system. 800,000 documents were scanned into a searchable database. IT also worked on changes to the current system and the City's payroll system to implement the new SCERS 2.

Investment staff made quarterly ESG updates, created a due diligence questionnaire for potential managers, engaged in joint efforts regarding the governance practices of investment managers and encouraged climate change disclosure of publicly owned companies. SCERS placed BlackRock on watch status due to concerns with their proxy voting actions. SCERS's investment consultant, NEPC, did a comprehensive fee analysis.

Board members thanked SCERS's staff for their good work and commitment for all the projects undertaken in the last four years. The Board expressed confidence in the staff. On a fundamental level, retirees get their check every month and on time. The City's human resources department do not hear from staff that they have concerns about the retirement department.

Mr. Davis was asked to come back to the Board if resources were needed in the future.

Administrative Committee Report – March 30, 2017

Mr. Davis reported on the March 30, 2017 Administrative Committee meeting.

The committee reviewed the 2016 SCERS's accomplishments and their plans for 2017 which include providing health care information to retirees, the Executive Director performance review process, and the revised communication plan that will be implemented during 2017. Strategic planning will occur in early 2018. The Administrative Committee also reviewed SCERS's 2016 accomplishments.

Investment Committee Report – March 30, 2017

Jason Malinowski reported on the March 30, 2017 Investment Committee meeting.

The meeting focused on the ESG proposal submitted by 350 Seattle that requested SCERS divest from investments in fossil fuel companies. Staff found the proposal to be duplicative and recommended that it not be forwarded to SCERS's investment consultant for further review since similar proposals had been reviewed multiple times since 2013.

A staff analysis on the topic of divestment was provided to the Investment Committee. Staff found that divestment would materially increase expected risk and decrease expected net-of-fee return for SCERS's investment portfolio. Staff recommended that SCERS continue to maintain its fossil fuel holdings.

Executive Director Report

Mr. Davis reported that the Trustee Election period was open as of 8:00 a.m. April 13, 2017. It closes on April 27, 2017. The trustee position open is for the retiree member which is currently filled by Lou Walter. Instructions on how to apply are on SCERS's website.

The dashboard and workplan were discussed. The go live date for the Pension Administration System will be pushed from July 2018 to November 2018. Looking for a new banking partner may have an impact on the schedule. The added cost was built as a contingency in the original budget.

Mr. Burgess brought up the City's auditor report on utility conversion programs. According to the report, SCERS has been managing the conversion better than other city counterparts. Mr. Davis reported that SCERS's external quality assurance contractor has also given the favorable comparisons to other city projects.

Adjourn Meeting

The meeting was adjourned at 9:57 a.m.

Susan Coskey, Board Secretary