



Seattle City Employees' Retirement System

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

Minutes, Thursday, August 12, 2021

The Board of Administration meeting was held virtually.

Board Members Present: Robert Harvey, Jr. (Chair), Judith Blinder, Sherri Crawford, Glen Lee, Kimberly Loving

SCERS Staff Present: Jeff Davis, Paige Alderete, Jason Malinowski, Leola Ross, George Emerson, Mengfei Cao, Nina Melencio, Mark Schimizzze

Others Present: Gavin Parr (MMPL), Gary Smith (City Attorney's Office), Nick Collier (Milliman), Julie Smith (Milliman), Mike Nagan (ARSCE), John Masterjohn (ARSCE), Tom Mikesell, Tim Morrison

Call to Order

Robert Harvey, Jr., called meeting to order at 10:01 am.

Jeff Davis introduced Kimberly Loving as a new trustee. Ms. Loving replaces Bobby Humes. She will abstain from voting at today's meeting since it is her first meeting.

Public Comment

There was no public comment.

Administrative Consent Agenda

Provided in the Retirement Board Packet were the minutes from the July 8, 2021 Retirement board regular meeting, ratification of Retired Payroll, Office Payroll, and other payments and withdrawals.

The following items represent normal expenses:	
Pension Payroll	\$20,409,144.77
Office Payroll	349,842.46*
Admin & Investment Expenses	548,843.61
Total Expenses – July 2021	\$21,307,830.84

**includes estimated benefit costs*

Retirements, Withdrawals, Other Payouts – July 2021			
	Count	Monthly Pension	Lump Sum Distribution
Retirements	29	\$91,842.80	\$1,688,845.30
Withdrawals	12	n/a	\$582,692.47

Motion: Upon motion by Sherri Crawford, seconded by Judith Blinder, the Board of Administration accepted and approved the Administrative Consent Agenda. The motion passed 4-0-1 with Kimberly Loving abstaining.

2022 Actuarial Contribution Rate (ARC) - Milliman

At the July 8, 2021 Board of Administration meeting, the board requested to discuss the Actuarial Contribution Rate recommendation at the August Board meeting.

Nick Collier and Julie Smith of Milliman presented information about the 2022 Actuarial Contribution Rate. Milliman determined the 2022 Actuarially Required Contribution (ARC) to be 15.33%. Milliman suggested that the board consider recommending that the current 16.10% employer contribution rate be adopted by the City Council for the 2022 year. If the City were to continue contributing at least 16.10%, the fund would be 100% funded by 2035 rather than 2042.

Pros of maintaining the higher rate include:

- Accelerated funding
- Reduced likelihood of future increases
- Improved contribution rate stability
- Elimination of short-term “negative amortization”

Cons of maintaining the higher rate include:

- Higher employer contribution rate in the short term
- Asset gains currently being deferred could help offset future increases

Mr. Harvey reminded the Board that their primary concern is the retirement system and that any decision made should be in the best interest of the system.

There was discussion on the impact of the funding ratio when the fund is 100% funded. At that time, there would be no remaining unfunded liability and contributions would just be made to cover normal costs to maintain the plan. The employee rate would not change since it is fixed in the statute.

There was discussion on maintaining the current contribution rate of 16.1%. Although members of the board understand that there are concerns with the City’s general fund and finding funding resources for infrastructure, poverty, crime, etc., some expressed that it should not come out of the City’s retirement system. There has been a decrease in active members, an increase in pay and a decrease in return expectations. The benefits paid out are increasing and retirees are living longer. All these scenarios would increase the fund’s liabilities.

Mr. Lee led a discussion on why voting for exceeding the ARC is not desirable. He indicated that the City has done a great job by funding the Milliman recommended ARC.

Mr. Davis stated that for SCERS, the 15.33% ARC is acceptable, although the 16.1% rate is more of an advantage for the City. The Experience Study is in 2022 and the contribution rate will likely increase because of a lower return assumption. Currently, the City is accustomed to paying the 16.1% ARC. If it is reduced to 15.33%, it will go up after the Experience Study is completed. Changing it back and forth would create budgeting

problems for departments and problems for the City. SCERS does not want to make the decision to funding the retirement system harder for City Council. Although, setting the ARC at 15.33% is also acceptable.

Motion: The January 1, 2021 Actuarial Valuation Report as presented by Milliman determined the 2022 Actuarially Required Contribution (ARC) to be 15.33%. Upon motion by Robert Harvey, Jr., seconded by Sherri Crawford, the Board of Administration recommended the City of Seattle set the rate of 16.1% as the employer contribution for 2022. The motion passed 3-1-1 with Glen Lee voting Nay and Kimberly Loving abstaining.

SCERS 2020 Annual Report

Mark Schimizza presented the 2020 Annual Report to Members which provides a summary of SCERS's financial health, investment performance, and key accomplishments for the last calendar year.

Benefits paid to retirees was \$214 million in 2020 compared to \$203 million in 2019.

By the end of 2020, SCERS was managing over \$3.4 billion in investments, a \$311.8 million increase from 2019. Funding status is steadily increasing. The current funding status is at 71.6%, up from 68.9% in 2019. Over the last five years, SCERS's investments have performed similar to the benchmark that reflects the target strategic allocation. SCERS plans on being full funded by 2042.

The Annual Report will be added to SCERS's website and distributed in PDF format at the monthly new employee orientation. SCERS is currently rolling out access to the Member Self-Service (MSS) Portal which should be fully implemented in the next few months. The Annual Report will be added to each member's MSS home page.

Upon motion by Sherri Crawford, seconded by Judith Blinder, the Board of Administration accepted the 2020 Annual Report for Members as presented by Seattle City Employees' Retirement System Staff. The motion passed 4-0-1 with Kimberly Loving abstaining.

Credit Interest

Mr. Davis presented on Credit Interest. The new credited interest rate for contributions after December 31, 2011 is calculated by taking the average daily rate of the thirty-year treasury bond. The credit interest rate is 1.77%, down from 2.04%. The Board reviews and adjusts the interest rates annually, based on market conditions.

Motion: Upon motion by Judith Blinder, seconded by Sherri Crawford, the Board of Administration set the 2022 credit interest on all employee contribution into the pension after December 31, 2011 at 1.77%. The motion passed 4-0-1 with Kimberly Loving abstaining.

Investment Committee Report – July 29, 2021

Jason Malinowski reported on the July 29, 2021 Investment Committee meeting.

There were two educational presentations. The first focused on how SCERS integrates climate risk into the investment process. The second presentation focused on the multi-year research project to evaluate globalizing the core real estate allocation.

Administrative Committee Report – July 29, 2021

At the July 29, 2021 Administrative Committee meeting, the committee reviewed the outcome of the board's self-evaluation and discussed future agenda items.

Executive Director Update

The November 2021 Board meeting falls on Veteran's Day holiday. The recommendation is to reschedule the meeting to Wednesday, November 10, 2021.

Motion: Upon motion by Sherri Crawford, seconded by Judith Blinder, the Board of Administration approved rescheduling the November 11, 2021 Regular Board of Administration meeting as a special meeting of the Board of Administration to be held on November 10, 2021. The motion passed 4-0-1 with Kimberly Loving abstaining.

Adjourn Meeting

Motion: Upon motion by Sherri Crawford, seconded by Judith Blinder, the Board of Administration voted to adjourn the meeting at 11:00 a.m. The motion passed 4-0-1 with Kimberly Loving abstaining.