

REPORT OF INDEPENDENT AUDITORS

To the Board of Administration
Seattle City Employees' Retirement System
Seattle, Washington

We have audited the accompanying statements of plan net assets of the Seattle City Employees' Retirement System (the "System"), a pension trust fund of the City of Seattle, as of December 31, 2010 and 2009, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of the System as of December 31, 2010 and 2009, and the changes in plan net assets for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and the Schedule of Funding Progress and Schedule of Employer Contributions, which are presented as Required Supplementary Information, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the System's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of administrative and investment expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. This additional information is the responsibility of the System's management. The schedules of administrative and investment expenses have been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory, actuarial, and statistical sections included in the Annual Report are presented for purposes of additional analysis and are not a required part of the basic financial statements of the System. Such additional information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Moss Adams LLP

Seattle, Washington
May 6, 2011

**SEATTLE CITY EMPLOYEES' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

This section presents management's discussion and analysis of the Seattle City Employees' Retirement System's (SCERS or the System) financial performance during the year ended December 31, 2010. Please read it in conjunction with the accompanying financial statements and the related notes.

The City of Seattle is responsible for establishing and maintaining an internal control structure designed to ensure the protection of assets from loss, theft, or misuse, and to ensure the accounting information generated is adequate to prepare financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, though not absolute, assurance of achieving these objectives.

As a department of the City of Seattle, the Seattle City Employees' Retirement System is subject to this internal control structure. In addition, section 4.36.140.D of the Seattle Municipal Code requires the Board of Administration to annually transmit a report of the financial condition of the System to the City Council.

This report is prepared in accordance with the principles of governmental accounting and reporting promulgated by the Governmental Accounting Standards Board (GASB). Investments are stated at fair value, and revenues include the recognition of unrealized gains and losses. The accrual basis of accounting is used to record assets, liabilities, revenues and expenses. Revenue recognition occurs when earned without regard to the date of collection. Expense recognition occurs when the corresponding liabilities are incurred, regardless of payment date. The basis of contributions to the System follows the principles of level cost financing, with current service financed on a current basis. Milliman Consultants and Actuaries, the consulting actuary, evaluates the funding status of the System.

This report contains the following information:

- 1. Basic Financial Statements** including:
 - a. Statements of Plan Assets
 - b. Statements of Changes in Plan Net Assets
 - c. Notes to the Financial Statements

- 2. Required Supplementary Information** including:
 - a. Schedule of Funding Progress
 - b. Schedule of Employer Contributions

- 3. Additional Information** including:
 - a. Schedule of Administrative Expenses
 - b. Schedule of Investment Expenses

The basic financial statements are described as follows:

- The Statement of Plan Net Assets shows the account balances at year-end and includes the net assets available for future benefit payments. The liabilities for future benefit payments are not included in this statement; however, they are shown in the Schedule of Funding Progress that is included in the Required Supplementary Information.

- The Statement of Changes in Plan Net Assets shows the sources and uses of funds during the year and illustrates the change in net assets from the previous year.

**SEATTLE CITY EMPLOYEES' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEARS ENDED DECEMBER 31, 2010 AND 2009**

- The Notes to the Financial Statements are an integral part of the financial statements and include additional detailed information and schedules to provide a better understanding of the financial statements.

The required supplementary information provides historical trends that help to reflect the ongoing plan perspective and the long-term nature of the defined benefit plan.

- The Schedule of Funding Progress contains actuarial information about the status of the plan.
- The Schedule of Employer Contributions contains historical trend information regarding the value of the total annual contributions the employer must pay and the actual contributions by employers in meeting this requirement.

Financial Highlights

- SCERS assets that are held in trust for the payment of future benefits do not exceed the estimate of actuarially accrued liabilities as of December 31, 2010.
- Net assets increased by \$167 million (10.2%) during 2010. The primary drivers of this increase were the portfolio's allocation to U.S. and non-U.S. equity, which returned 21.4% and 12.8% for the year, respectively.
- Revenue for 2010 was \$299 million which includes member and employer contributions of \$90.6 million and revenue from investment activity totaling \$209 million.
- Expenses (deductions from net assets) for 2010 increased by \$11.4 million (9.4%) from 2009. This can be primarily attributed to a \$5.5 million increase in retiree benefits and a \$5.0 million increase in contribution refunds compared to 2009.

Plan Net Assets

The table below provides a summary of assets and current liabilities for the years ended December 31:

	2010	2009	2008
Cash, short-term investments and receivables	\$ 21,115,635	\$ 34,520,842	\$ 31,851,993
Investments at fair value	1,806,418,126	1,624,966,184	1,461,014,814
Securities lending collateral	33,896,148	36,491,886	69,838,616
Equipment	-	2,273	2,618
Total assets	<u>1,861,429,909</u>	<u>1,695,981,185</u>	<u>1,562,708,041</u>
Securities lending payable	37,295,301	40,437,944	75,393,782
Other payables	11,380,120	10,245,892	9,887,781
Total liabilities	<u>48,675,421</u>	<u>50,683,836</u>	<u>85,281,563</u>
Total net assets	<u>\$ 1,812,754,488</u>	<u>\$ 1,645,297,349</u>	<u>\$ 1,477,426,478</u>

**SEATTLE CITY EMPLOYEES' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEARS ENDED DECEMBER 31, 2010 AND 2009**

Changes in Plan Net Assets

The table below provides a summary of the changes in plan net assets and reflects the activities of the fund for the years ended December 31:

	2010	2009	2008
Additions			
Employer contributions	\$ 45,224,787	\$ 46,650,169	\$ 45,961,040
Member contributions	45,364,624	46,613,886	45,986,139
Net investment and other	208,528,529	194,905,072	(618,956,502)
Total additions (deductions)	<u>299,117,940</u>	<u>288,169,127</u>	<u>(527,009,323)</u>
Deductions			
Retiree benefits	113,650,795	108,138,820	102,703,230
Refunds of contributions	14,715,000	9,742,692	10,223,415
Administrative expenses	3,295,006	2,416,745	2,035,665
Total deductions	<u>131,660,801</u>	<u>120,298,257</u>	<u>114,962,310</u>
Net increase (decrease)	<u>\$ 167,457,139</u>	<u>\$ 167,870,870</u>	<u>\$ (641,971,633)</u>

Revenues - Additions to Net Plan Assets

- In 2010, member contributions decreased by \$1.2 million (2.7%) compared to 2009. In 2009, member contributions increased by \$0.6 million (1.4%) compared to 2008.
- Employer contributions decreased by \$1.4 million (3.0%) compared to 2009. In 2009, employer contributions increased by \$.7 million (1.5%) compared to 2008.
- Net investment change and other income was a gain of \$209 million in 2010 compared to a gain of \$195 million in 2009.

Expenses - Deductions from Net Plan Assets

- Retiree benefits increased in 2010 by \$5.5 million (5.1%) compared to 2009, primarily due to the increased number of members making application for retirement in 2010, as well as the mandatory COLA (Cost of Living Adjustment) increase implemented in 2009. Retiree benefits increased in 2009 by \$5.4 million (5.3%) compared to 2008.
- Refunds of contributions increased in 2010 by \$5 million (51%) compared to amounts paid in 2009. City workforce reductions in 2010 contributed to an increase in contribution refunds. Refunds of contributions decreased in 2009 by \$.5 million (4.7%) compared to 2008.

**SEATTLE CITY EMPLOYEES' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEARS ENDED DECEMBER 31, 2010 AND 2009**

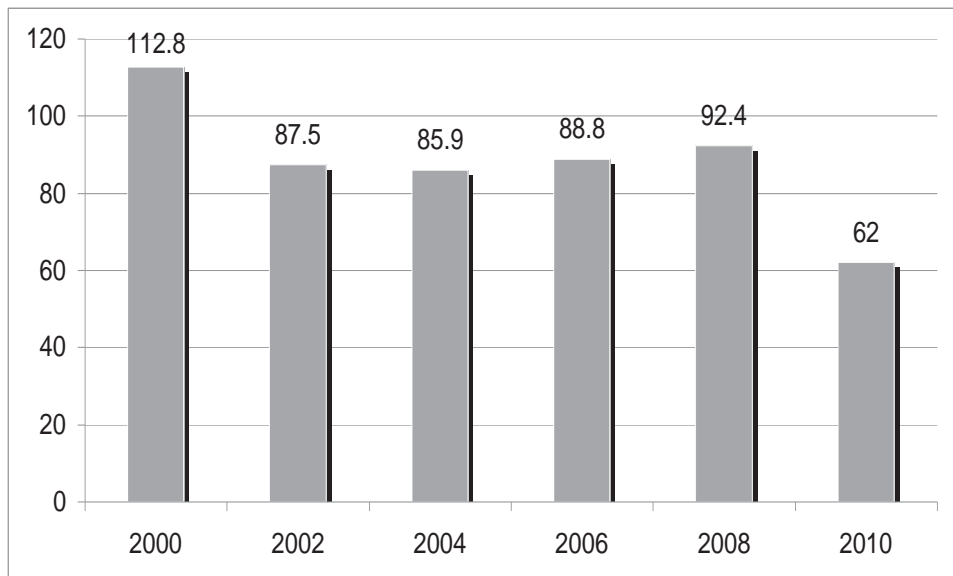
Changes in Plan Membership

The table below reflects the active membership and retiree changes for the years ended December 31:

	2010	2009	Change
Retirees and beneficiaries receiving benefit	5,428	5,304	2.3%
Current and terminated employees entitled to, but not yet receiving benefits			
Current employee members	8,599	9,071	(5.2%)
Vested employee members	1,998	2,006	(0.4%)
Total	10,597	11,077	(4.3%)

Funding Status

**Schedule of Funding Progress
Funding Ratio
As of January 1st Valuation Date**



Funds are accumulated from employer and employee contributions, and investment earnings, and are used to pay present and future benefit obligations and administrative expenses. The better the level of funding, the larger the ratio of assets accumulated and investment income potential. We continue to make a constant effort to achieve a fully funded status, thereby assuring the participants of a financially sound retirement system. Most active members contribute 8.03% of their salaries to the retirement fund and the City contributes 8.03%.

**SEATTLE CITY EMPLOYEES' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEARS ENDED DECEMBER 31, 2010 AND 2009**

Investment Activities

One-year returns on asset classes and comparative benchmarks are presented in the table below for the years ended December 31:

	<u>2010</u>	<u>2009</u>
Total Portfolio	13.2%	10.8%
Domestic Equities	21.4%	29.3%
Benchmark: Russell 3000 Index	16.9%	28.3%
International Equities	12.8%	36.1%
Benchmark: MSCE EAFE Index	8.2%	32.5%
Fixed Income	7.4%	19.5%
Benchmark: Barclays Capital Aggregate	7.2%	8.6%
Real Estate	0.1%	(31.3%)
Benchmark: Russell NCREIF Property Index	5.8%	(16.8%)
Alternative Investments	6.8%	14.2%
Benchmark: Treasury Bills + 5%	3.3%	3.2%
Mezzanine Debt	10.8%	(39.8%)
Benchmark: 9% Assumption	9.0%	9.0%
Cash	2.7%	2.9%
Benchmark: 91-Day T-bills	0.1%	0.2%

The investments of the System are governed primarily by the prudent person rule. The prudent person rule, as set forth by the Revised Code of Washington, establishes a standard for all fiduciaries, which includes anyone who has authority with respect to the fund.

The recoup of the financial markets in the U.S. and abroad impacted the System's investments and resulted in an increase in plan asset value in 2010 and 2009, compared to the loss experienced in plan asset values in 2008. The System invests retirement funds for the long-term, anticipating both good and poor performing financial markets. The overall investment portfolio is positioned in a diversified manner to minimize investment risk.

Contacting the Seattle City Employees' Retirement System

If you have questions about this report or need additional information, please contact us by telephone at: 206.386.1293 or by e-mail at: City.Retirement@Seattle.gov or you may mail your questions to:

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

SEATTLE CITY EMPLOYEES' RETIREMENT SYSTEM
STATEMENTS OF PLAN NET ASSETS
DECEMBER 31, 2010 AND 2009

	2010	2009
Assets:		
Cash and equity in pooled investments	\$ 12,882,916	\$ 18,347,438
Short-term investment funds	3,183,239	11,026,863
Securities lending collateral held	33,896,148	36,491,886
Total cash and short-term investments	49,962,303	65,866,187
Receivables:		
Members	1,864,510	1,989,617
Employer	1,438,899	1,332,367
Interest and dividends	1,746,071	1,824,557
Total receivables	5,049,480	5,146,541
Investments, at fair value:		
U.S. Government obligations	198,587,785	178,650,109
Corporate bonds	81,250,709	108,951,282
Domestic stocks	757,207,813	631,591,667
International stocks	368,335,407	305,943,218
Real estate	186,161,603	183,024,765
Alternative/venture capital	165,780,515	159,010,143
Mezzanine debt	49,094,294	57,795,000
Total investments	1,806,418,126	1,624,966,184
Equipment and fixtures, at cost, net of accumulated depreciation of \$201,830 in 2009	-	2,273
Total assets	1,861,429,909	1,695,981,185
Liabilities:		
Pensions payable and other	11,380,120	10,245,892
Securities lending obligation	37,295,301	40,437,944
Total liabilities	48,675,421	50,683,836
Net assets held in trust for pension benefits	\$ 1,812,754,488	\$ 1,645,297,349

SEATTLE CITY EMPLOYEES' RETIREMENT SYSTEM
STATEMENTS OF CHANGES IN PLAN NET ASSETS
YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
ADDITIONS:		
Contributions:		
Employer	\$ 45,224,787	\$ 46,650,169
Member	45,364,624	46,613,886
Total contributions	90,589,411	93,264,055
Investment activities:		
Investment income:		
Net change in fair value of investments	197,390,947	183,523,735
Interest	8,542,125	13,405,079
Dividends	7,063,945	1,127,943
Net investment income	212,997,017	198,056,757
Investment activity expenses:		
Investment management fees	(4,050,116)	(3,015,468)
Performance consultant fees	(370,810)	(256,170)
Investment custodial fees	(111,851)	(95,376)
Total investment activity expenses	(4,532,777)	(3,367,014)
Net income from investment activities	208,464,240	194,689,743
Securities lending activities:		
Securities lending income	85,693	361,238
Securities lending expenses:		
Borrower rebates	-	(75,156)
Management fees	(21,404)	(70,753)
Total securities lending expenses	(21,404)	(145,909)
Net income from securities lending activities	64,289	215,329
Total additions	299,117,940	288,169,127
DEDUCTIONS:		
Benefits	113,650,795	108,138,820
Refunds of contributions	14,715,000	9,742,691
Administrative expenses	3,295,006	2,416,745
Total deductions	131,660,801	120,298,256
NET CHANGE	167,457,139	167,870,871
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS		
Beginning of year	1,645,297,349	1,477,426,478
End of year	\$ 1,812,754,488	\$ 1,645,297,349

See accompanying notes.

SEATTLE CITY EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

Note 1 - Plan Description

The Seattle City Employees' Retirement System (the System) is a single-employer defined benefit public employee retirement plan, covering employees of the City of Seattle and administered in accordance with Chapter 4.36 of the Seattle Municipal Code. The System is a pension trust fund of the City of Seattle.

The System is administered by the Retirement System Board of Administration (the Board). The Board consists of seven members including the Chair of the Finance Committee of the Seattle City Council, the City of Seattle Finance Director, the City of Seattle Personnel Director, two active and one retired members of the System who are elected by other system members, and one outside board member who is appointed by the other six board members. Elected and appointed board members serve for three year terms.

All employees of the City of Seattle are eligible for membership in the system with the exception of uniformed police and fire personnel who are covered under a retirement system administered by the State of Washington. Employees of METRO and the King County Health Department who established membership in the System when these organizations were City of Seattle departments were allowed to continue their System membership. There are currently 5428 retirees and beneficiaries receiving benefits, and 8599 active members of the System. There are 1998 terminated employees entitled to future benefits.

The System provides retirement, death, and disability benefits. Retirement benefits vest after five years of credited service, while death and disability benefits vest after ten years of service. Retirement benefits are calculated as 2% multiplied by years of creditable service, multiplied by average salary, based on the highest 24 consecutive months. The benefit is actuarially reduced for early retirement.

Note 2 - Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting - The financial statements were prepared using the accrual basis of accounting.

Cash and Equity in Pooled Investments - The System classifies cash and equity in pooled investments as cash on deposit in financial institutions and cash on deposit in the City of Seattle's internal cash management pool. The System also recognizes certain short-term highly liquid securities with an original maturity of three months or less as cash equivalents.

Method Used to Value Investments - U.S. equities, non-U.S. equities, U.S. fixed income, non-U.S. fixed income, and short-term investments are reported at fair market value, which is based on the quoted market price. Private equity and real estate equities are reported at fair value which has been determined by independent appraisers and, to a limited extent, in-house appraisers. Investment income consists of realized and unrealized appreciation (depreciation) in the fair value of investments, interest income earned, less investment expense, plus income from securities lending activities, less deduction for security lending expenses. Securities and securities transactions are reflected in the financial statements on a trade-date basis. Investments are made in accordance with the Prudent Person Rule as defined by the State of Washington RCW 35.39.060.

SEATTLE CITY EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

Note 2 - Summary of Significant Accounting Policies and Plan Asset Matters (Continued)

Contributions - Employee and employer contributions are reported in the period and for the calendar year in which the contributions are due.

Equipment and Fixtures - Equipment and fixtures are stated at actual cost less accumulated depreciation. Estimated useful lives of major classes include three years for computer equipment and 15 year for office furniture and equipment. The straight-line method of depreciation method is used.

Benefits and Refunds of Contributions - Benefits and refunds of contributions are recognized when due and are payable in accordance with the System's policy.

Note 3 - Contributions

Member and employer contributions rates are established by the Seattle Municipal Code Chapter 4.36.

The employer contribution rate is determined by the actuarial formula identified as the Entry Age Cost Method. The formula determines the amount of contributions necessary to fund the current service cost, representing the estimated amount necessary to pay for benefits earned by the employees during the current service year and the amount of contributions necessary to pay for prior service costs. Total required contributions, including amounts necessary to pay administrative costs, are determined through biannual actuarial valuations.

Actuarially determined contribution rates are currently 8.03% for most members and 8.03% for the employer. There are no long-term contracts for contributions outstanding and currently no legally required reserves.

As of January 1, 2010, the most recent valuation date, the funded status of the fund was 62.0%. The schedule of funding progress, immediately following the notes to the financial statements, presents multi-year trend information about the funded status, actuarial value of assets, and actuarial accrued liability.

SEATTLE CITY EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

Note 3 - Contributions (Continued)

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation is as follows:

Valuation date	January 1, 2010
Actuarial cost method	Entry age
Amortization method	Level percent
Remaining amortization period	30+ years
Asset valuation method	Market
Actuarial assumptions:	
Investment rate of return*	7.75%
Projected salary increases*	4.00%
Post-retirement benefit increases	1.50% annual COLA and 65% Restoration of Purchasing Power
Funding progress:	
Actuarial value of assets	\$ 1,645.3 million
Actuarial accrued liability	\$ 2,653.8 million
Unfunded actuarial accrued liability	\$ 1,008.5 million

* Includes inflation as a cost-of-living adjustment at 3.5%.

Note 4 - Cash and Equity in Pooled Investments

The Federal Deposit Insurance Corporation (FDIC) insures the cash deposits up to \$250,000. As provided by the State of Washington RCW 43.84, the Washington Public Deposit Protection Commission (PDPC) collateralizes deposits in excess of \$100,000. The bank balances of deposits of a FDIC institution as of the balance sheet date are insured.

Note 5 - Investments

The System's investments include investments that are insured or registered or securities held by the System or its agent in the System's name.

Short-term Investment Funds (STIF) is a collective trust that may include certificates of deposit, treasury bills, and mutual funds. The Alternative Investments category currently includes private equity, hedge funds and real estate funds.

SEATTLE CITY EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

Note 5 - Investments (Continued)

Custodial Credit Risk - Custodial credit risk is the risk that in the event of the failure of a financial institution or a bank, the System will not be able to recover the value of its deposits or investments that are in the possession of an outside party. The System mitigates custodial credit risk by having its investment securities held by the System's custodian (BNY Mellon) and the investments are registered in the System's name. The System's short-term investments are created through daily sweeps of excess cash by the System's custodian, and invested in a vehicle managed by the custodian. Additionally, the System keeps on hand with the City of Seattle such cash dollar amounts to support two months equivalent of pension payments and other administrative expenses.

Credit Risk - Credit risk is the risk that an issuer, or other counterparty, to an investment will not fulfill its obligations. In accordance with the System's Investment Policy, the Retirement Board provides each of the System's investment managers with a set of investment guidelines. These guidelines specify eligible investments, minimum diversification standards, and applicable investment restrictions necessary for diversification and risk control. In general, these guidelines require that at least 70 percent of the net asset value of a manager's portfolio be invested in investment-grade securities. Managers do not have authority to depart from their guidelines.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. In accordance with the System's Investment Policy, the Retirement Board provides each of the System's investment managers with a set of investment guidelines. These guidelines specify eligible investments, minimum diversification standards, and applicable investment restrictions necessary for diversification and risk control. In general, these guidelines require that investments in any one issuer may not exceed 5 percent of the net asset value of a manager's portfolio. Managers do not have authority to depart from their guidelines.

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates over time will adversely affect the fair value of an investment. Market or interest rate risk is the greatest risk faced by an investor in the debt securities market. The price of a debt security typically moves in the opposite direction of the change in interest rates. In accordance with the System's Investment Policy, the Retirement Board provides each of the System's investment managers with a set of investment guidelines. These guidelines specify eligible investments, minimum diversification standards, and applicable investment restrictions necessary for diversification and risk control. In general, these guidelines require that the weighted average duration of the security holdings of a manager's portfolio not vary from that of the applicable benchmark by more than 20 percent. Managers do not have authority to depart from their guidelines.

Foreign Currency Risk - Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The System's currency risk exposures, or exchange rate risk, primarily reside within the international equity investment holdings. The System expects these managers to maintain adequately diversified portfolios to limit foreign currency and security risk.

SEATTLE CITY EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

Note 5 - Investments (Continued)

The fixed income portfolio is primarily managed by four external money management firms, hired through a competitive bid process, to manage a diversified portfolio of fixed income securities. Managers have agreed to a set of guidelines that provide ranges and limits for varying types of securities that may be held within the portfolio. A consultant is hired to measure performance and monitor the investment style. The Investment Committee reviews the consultant's results quarterly.

SEATTLE CITY EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

Note 5 - Investments (Continued)

As of December 31, 2010, the fixed income portfolio of the System had the following investment maturities and ratings:

Investment	Fair Value	Investment Maturities (in years)				
		< 1	1 - 5	6 - 10	> 10	
Fixed Income						
U.S. Government						
Treasury Notes and Bonds	\$ 42,505,452	\$ 7,835,251	\$ 15,071,149	\$ 15,431,933	\$ 4,167,119	
Treasury Inflation-Protected Securities	1,462,679	-	-	-	1,462,679	
Agencies	13,201,951	-	7,827,442	3,333,952	2,040,557	
Municipal	1,448,358	-	163,970	266,347	1,018,041	
Mortgage-Backed						
Government Pass Through	40,367,846	-	371,440	8,522,650	31,473,756	
Corporate Pass Through	7,195,221	-	-	1,883,665	5,311,556	
Government CMO's	2,172,810	-	-	97,742	2,075,068	
Corporate CMO's	5,521,387	-	37,891	112,294	5,371,202	
Corporate						
Bonds	39,738,271	777,487	10,798,145	18,669,525	9,493,114	
Asset-Backed	13,686,434	804,623	4,393,430	2,832,486	5,655,895	
Private Placements	17,065,242	701,389	7,500,736	3,598,767	5,264,350	
CDO's and CLO's	307,239	-	-	307,239	-	
Foreign Sovereign						
Bonds	115,031	115,031	-	-	-	
	\$ 184,787,921	\$ 10,233,781	\$ 46,164,203	\$ 55,056,600	\$ 73,333,337	

**SEATTLE CITY EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

Note 5 - Investments (Continued)

Investment	Fair Value	Treasury	Agency	AAA	AA	A	BBB	BB	B	CCC & Below	Not Rated
Fixed Income											
U.S. Government Treasury Notes and Bonds	\$ 42,505,452	\$ 42,487,725	\$ -	\$ 17,727	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Treasury Inflation-Protected Securities	1,462,679	1,462,679	-	-	-	-	-	-	-	-	-
Agencies	13,201,951	2,444,110	8,790,306	-	213,603	1,753,932	-	-	-	-	-
Municipal	1,448,358	-	-	443,130	156,984	848,244	-	-	-	-	-
Mortgage-Backed											
Government Pass Through	40,367,846	-	25,460,527	14,907,319	-	-	-	-	-	-	-
Corporate Pass Through	7,195,221	-	26,874	5,013,079	-	190,039	77,080	-	-	1,744,430	143,719
Government CMO's	2,172,810	-	1,892,048	-	-	-	-	-	-	280,762	-
Corporate CMO's	5,521,387	-	10,655	2,700,674	193,389	272,917	-	-	-	1,981,047	362,705
Corporate											
Bonds	39,738,271	-	-	-	4,282,377	15,729,493	15,020,708	1,841,087	2,695,636	168,970	-
Asset-Backed	13,686,434	-	-	5,632,680	237,218	-	717,682	667,825	1,944,740	3,285,074	1,201,215
Private Placements	17,065,242	-	-	6,632,401	2,193,268	3,915,811	743,988	67,498	1,423,062	-	2,089,214
CDO's and CLO's	307,239	-	-	-	-	-	-	15,397	-	133,212	158,630
Foreign Sovereign Bonds	115,031	-	-	-	-	-	-	-	-	47,300	67,731
	\$ 184,787,921	\$ 46,394,514	\$ 36,180,410	\$ 35,347,010	\$ 7,276,839	\$ 22,710,436	\$ 16,559,458	\$ 2,591,807	\$ 6,063,438	\$ 7,640,795	\$ 4,023,214

Fixed income portfolio investments are included in U.S. Government obligations and corporate bonds on the Statements of Plan Net Assets as of December 31, 2010 and 2009 along with related investments held in other federal and corporate securities, mutual funds and short-term investments.

SEATTLE CITY EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

Note 6 - Securities Lending Transactions

Gross income from securities lending transactions are recorded in the operating statements as well as the various fees paid to the institution that oversees the lending activity. The value of the collateral that is being held is represented as an asset and a liability on the Statement of Plan Net Assets.

Under the authority of State of Washington RCW 41.28.005 and the Seattle Municipal Code 4.36.130, the System's Board of Administration adopted investment policies that define eligible investments, which include securities lending transactions. Through a custodial agent, the System participates in a securities lending program whereby securities are lent for the purpose of generating additional income to the System. The System lends securities from its investment portfolio on a collateralized basis to third parties, primarily financial institutions. The market value of the required collateral must meet or exceed 102% of the market value of the securities lent, providing a margin against a decline in the market value of the collateral, and is limited to a volume of less than \$75 million. The contractual agreement with the System's custodian provides indemnification in the event the borrower fails to return the securities lent or fails to pay the System income it is due on the securities lent. Cash and U.S. government securities were received as collateral for these loans. The System invests cash collateral received; accordingly, investments made with cash collateral appear as an asset. A corresponding liability is recorded as the System must return the cash collateral to the borrower upon the expiration of the loan. As of December 31, the System has no credit risk exposure to borrowers; amounts owed to borrowers exceeds the amount the borrower owes the System.

	2010		2009	
	Fair Value of Securities Lent	Collateral	Fair Value of Securities Lent	Collateral
Types of Securities Lent				
U.S. Government and Agencies	\$ 14,338,459	\$ 14,630,175	\$ 14,597,822	\$ 14,911,180
U.S. Corporate Fixed Income	2,866,505	2,936,675	1,211,466	1,228,985
U.S. Equities	19,274,570	19,728,451	23,557,576	24,297,779
Total Securities Lent	<u>\$ 36,479,534</u>	<u>\$ 37,295,301</u>	<u>\$ 39,366,864</u>	<u>\$ 40,437,944</u>
Collateral Report				
		2010		2009
U.S. Corporate Obligations		\$ 3,500,438		\$ 20,500,000
Bank Obligations		-		5,535,035
Repurchase Agreements		31,796,237		1,875,000
Asset Backed Securities		1,998,626		7,650,909
Certificates of Deposits		-		4,877,000
Total Collateral		<u>\$ 37,295,301</u>		<u>\$ 40,437,944</u>
Fair Value of Collateral Held		<u>\$ 33,896,148</u>		<u>\$ 36,491,886</u>

SEATTLE CITY EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

Note 7 - Commitments

The System has entered into capital commitments to fund partnership interests in certain mezzanine debt and alternative investments. At December 31, 2010, the System has unfunded commitments of approximately \$31.5 million to these partnerships.

REQUIRED SUPPLEMENTARY INFORMATION

SEATTLE CITY EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS
(Dollar Amounts in Millions)
YEAR ENDED DECEMBER 31, 2010

Actuarial Valuation Date January 1	Actuarial Value of Assets (a)	Actuarial Accrued Liabilities (AAL) - Entry Age ¹ (b)	Unfunded AAL (UAAL) ² (b-a)	Funded Ratio (a/b)	Covered Payroll ³ (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2000	\$1,582.7	\$1,403.1	\$ (179.6)	112.8%	\$ 383.6	(46.8%)
2002	\$1,383.7	\$1,581.4	\$ 197.7	87.5%	\$ 405.1	48.8%
2004	\$1,527.5	\$1,778.9	\$ 251.4	85.9%	\$ 424.7	59.2%
2006	\$1,791.8	\$2,017.5	\$ 225.7	88.8%	\$ 447.0	50.5%
2008	\$2,119.4	\$2,294.6	\$ 175.2	92.4%	\$ 501.9	34.9%
2010	\$1,645.3	\$2,653.8	\$ 1,008.5	62.0%	\$ 580.9	173.6%

¹ Actuarial present value of benefits less actuarial present value of future normal cost based on Entry Age Actuarial Cost Method.

² Actuarial accrued liabilities less actuarial value of assets.

³ Covered Payroll includes compensation paid to all active employees on which contributions are calculated.

SEATTLE CITY EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER CONTRIBUTIONS
(Dollar Amounts in Millions)
YEAR ENDED DECEMBER 31, 2010

<u>Year Ended December 31</u>	<u>Actual Employer Contributions</u>	<u>Percentage Contributed</u>
2005	\$ 35.9	100%
2006	\$ 37.9	100%
2007	\$ 40.3	100%
2008	\$ 46.0	100%
2009	\$ 46.6	100%
2010	\$ 45.2	100%

For additional information regarding employer contributions, see the notes to the financial statements.