

2020 ANNUAL REPORT TO MEMBERS

Building the Retirement You Deserve

Dear Valued Member:

I am pleased to present the 2020 Annual Report of the Seattle City Employees' Retirement System (SCERS). The *Annual Report to Members* provides a summary of SCERS's financial health, investment performance, and key accomplishments for the last calendar year. It includes a snapshot of the detailed information contained in the Annual Financial Audit Report and Actuarial Valuation, both of which can be found on SCERS's website, www.seattle.gov/retirement.

Looking Back

The economic effects of COVID-19 came swiftly in 2020, bringing along significant market volatility and a prevalent concern for many about the next paycheck and being able to meet upcoming bills. While few predicted the precise consequences of a global pandemic, good investors plan for market instability. SCERS has planned for market instability by having a well-diversified investment portfolio and focusing on being a long-term investor. Calendar year 2020 was a strong year for SCERS's investment returns, and at the close of 2020, SCERS was managing over \$3.4 billion in investments (up from \$3.1 billion in 2019). We are all pleased with these great returns, but I want to emphasize that we do not count on this kind of investing environment every year. We know that markets go up and down. As a long-term investor, our job is to make sure we have a carefully considered plan to strengthen our fund no matter the economic climate so that we can pay the benefits our members have earned.

In-step with the rest of the country, 2020 also required SCERS to transition to virtual operations. Over the last year, SCERS has continued to remotely serve its members through email, phone, mail, and video conferences and processed near the number of service requests as in prior years. Additionally, last year SCERS went live with a Member Self Service Portal, which gives members increased access to their retirement information online, is available 24/7, and includes a benefit estimator tool.

Looking Forward

As the world, the City, and SCERS now strives to return onsite and establish a new normal, SCERS is dedicated to continuing to grow and improve its service to its members. In 2021, SCERS's priority focus will be on addressing service request backlogs and reducing turn-around times. SCERS will also be conducting a member satisfaction survey to obtain valuable feedback for continued improvements.

Retirement security earned after a public service career with the City of Seattle is an important benefit provided to our members, and we are here to support you on your road to retirement.

Thank you for your hard work with the City, please stay safe and healthy, and SCERS looks forward to continuing to serve you.

Sincerely,

Jeffrey S. Davis
Executive Director



Introduction

About SCERS

SCERS provides retirement benefits to non-uniformed, City of Seattle employees and serves more than 19,000 members.

SCERS Mission

Fulfill the promise made to our members by delivering the retirement benefits they have earned.



Values

Excellence: We strive to produce the best outcomes for our members while fostering the human resources and the quality of the processes needed to reach these outcomes.

Stewardship: We safeguard the information and resources entrusted to us by our members and also care for and cultivate our team to best meet our commitments.

Integrity: We bring the highest level of transparency, respect, fairness, and equity to all our interactions with our members, stakeholders, and ourselves.

Accountability: We own our commitments, and we take responsibility for the personal growth necessary to continue to meet these commitments.

Service: We dedicate ourselves to meeting the needs of and creating the best experience for our members in their interactions with the Retirement System. We are considerate and understanding of our members and of each other.

Cooperation: We prioritize the sharing of information and resources to create a stronger team and become a more effective service provider.

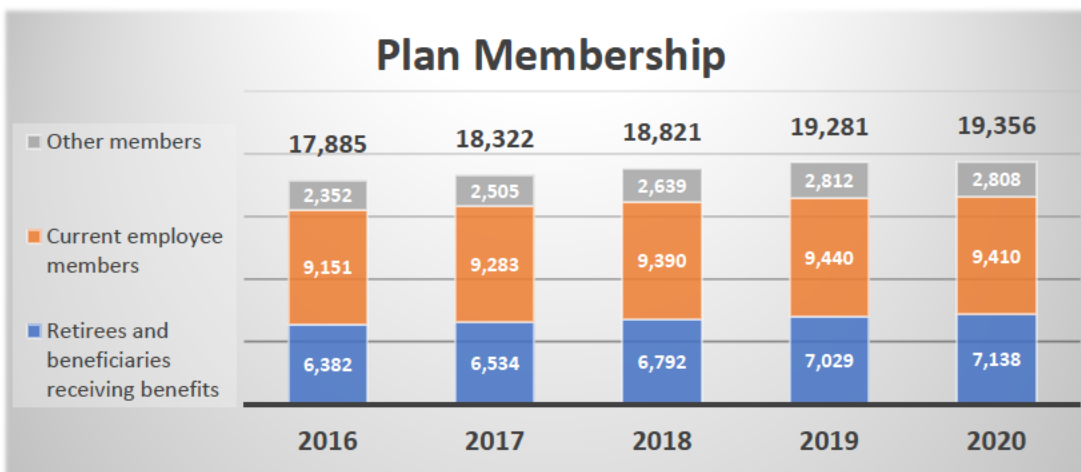
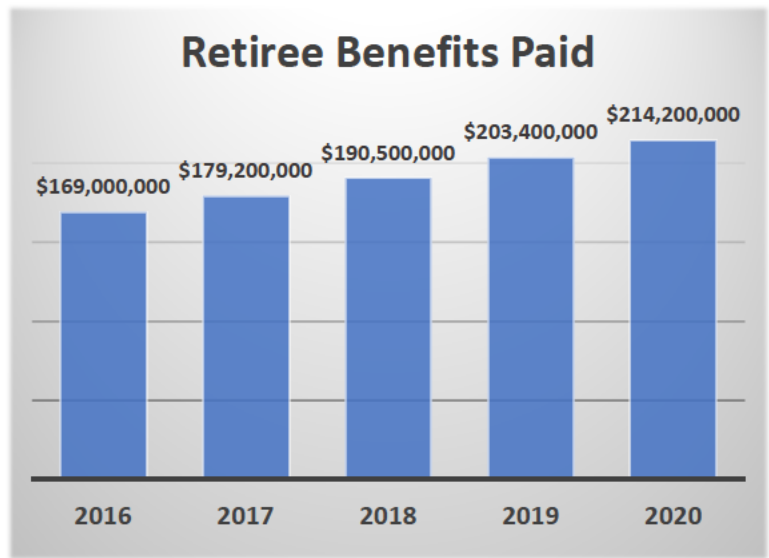
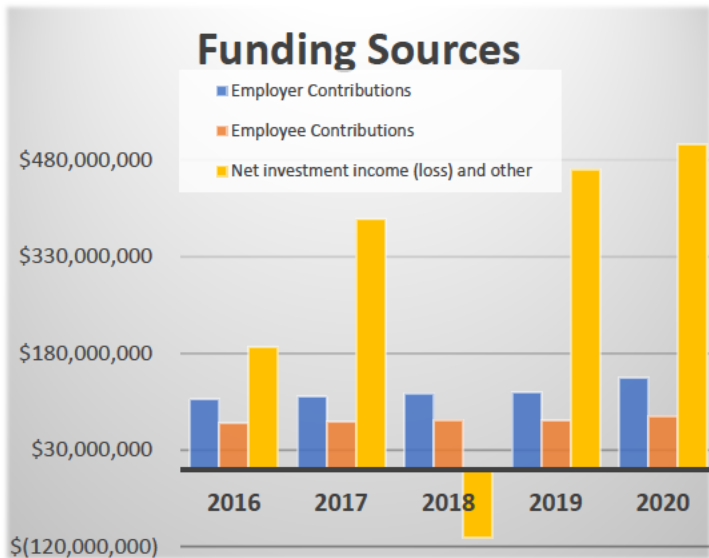
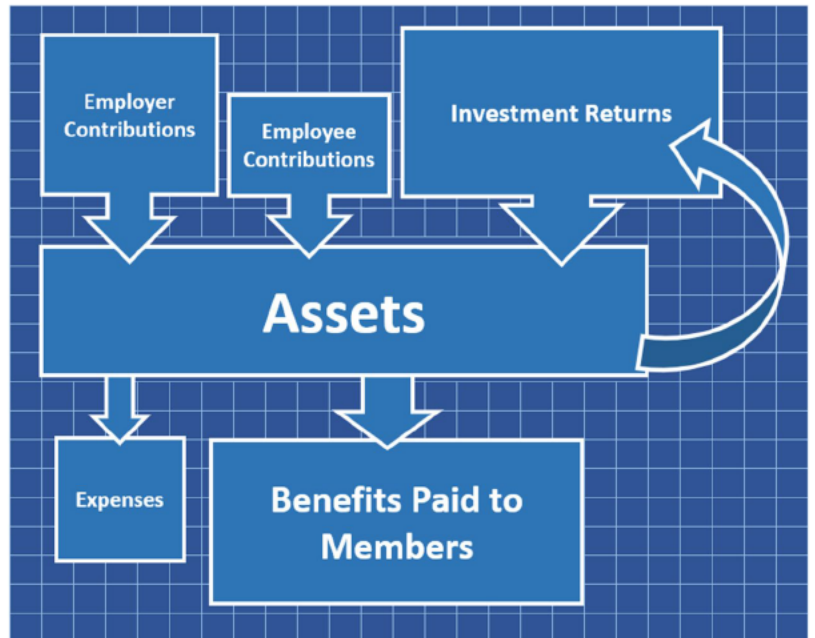
Trust: We cultivate trust at every level of the organization in order to uphold our integrity, to create a safe environment for risk and innovation, and to bring out the best in each other.

As part of a defined benefit pension plan, Retirees do not bear the risk of outliving their retirement benefits or that investment performance will reduce their retirement income.

Plan Overview

Did you ever wonder where the money comes from to pay retirees?

The City and members make contributions every paycheck and these funds are invested so they can grow and be paid out to you when you retire.



During 2020, SCERS had more members than ever before and provided more than \$214 million in benefits to retirees!

Investment Overview

At the end of 2020, SCERS investments totaled over \$3.4 billion, a \$311.8 million increase from 2019



Over the last 5 years, SCERS investments have performed similar to the benchmark that reflects the target strategic allocation.

Where Retirement Funds are Invested

Equity: 63%

Ownership stakes in companies that are listed on a public stock exchange or privately owned.

- Public Equity: 50%
- Private Equity: 13%



Fixed Income: 27%

Debt investments where the borrower may be governments, companies, or other parties.

- Core Fixed Income: 20%
- Credit Fixed Income: 7%



Real Assets: 10%

Tangible investments that produce inputs into the economy.

- Real Estate: 9%
- Infrastructure: 1%



	Net of Fees				Gross of Fees		
	1 year (%)	3 years (%)	5 years (%)	10 years (%)	15 years (%)	20 years (%)	30 years (%)
SCERS Total Fund	12.6	8.3	9.8	8.1	6.3	6.0	7.7
Strategic Policy Benchmark	13.2	8.7	9.9	8.6	6.9	6.3	7.9

Financial Snapshot

SEATTLE CITY EMPLOYEES RETIREMENT SYSTEM

Fiduciary Net Position

DECEMBER 31, 2020

Assets:

Cash and cash equivalents and receivables	\$ 508,105,170
Investments at fair value	3,436,112,875
Securities Lending Collateral	4,478,375
Prepaid Expenses	793,352
Total Assets	3,949,489,772

Liabilities:

Securities lending payable	4,478,374
Other payables	303,556,959
Total Liabilities	308,035,333
Total fiduciary net position	\$ 3,641,454,439

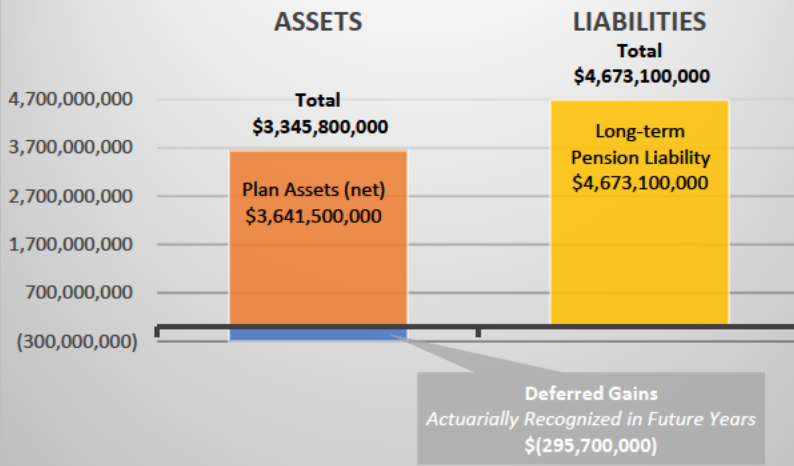
Fiduciary Net Position can tell you the strength of our system at a point in time. Assets that we have today are used to fund current and future liabilities.



Assets & Liabilities

(Actuarial Value)

as of December 31, 2020



Unfunded Liability

\$1.3 billion

The unfunded liability is the difference between long-term liabilities and current assets. Every year the City makes contributions to ensure this liability will be met.

SEATTLE CITY EMPLOYEES RETIREMENT SYSTEM

Changes in Fiduciary Net Position

FOR THE YEAR ENDED DECEMBER 31, 2020

Additions:

Employer contributions	\$ 141,417,746
Member contributions	82,914,475
Net investment income and other income	503,737,186
Total additions	728,069,407

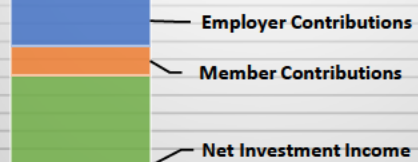
Deductions:

Retiree benefits	214,228,946
Refunds of contributions	15,028,611
Administrative expenses	7,221,267
Total deductions	236,478,824
Net increase (decrease)	\$ 491,590,583

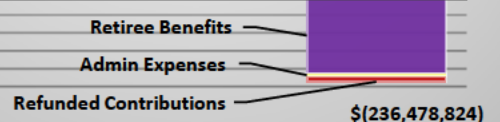
2019 Additions & Deductions

ADDITIONS

\$728,069,407



DEDUCTIONS

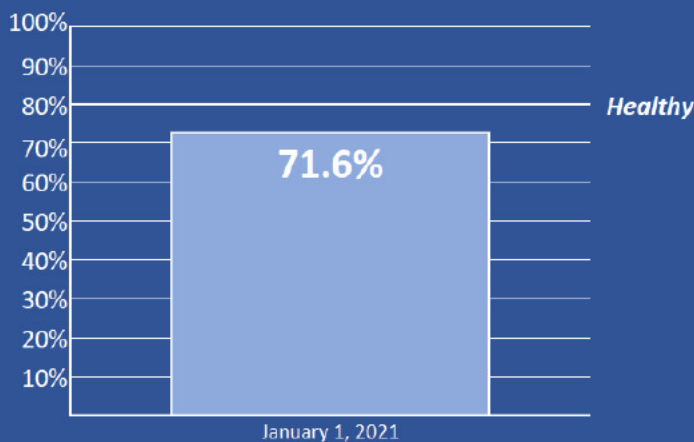


Funding Status

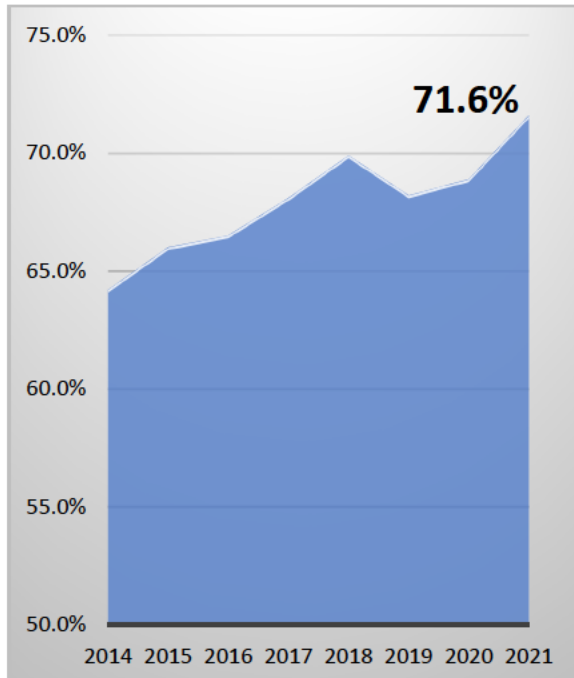
Funding Status

The funding status is steadily increasing. The current 2021 funding status increased slightly primarily from strong investment returns in 2020.

Current Funding Status



Year	Funding Status
2020	71.6%
2020	68.9%
2019	68.2%
2018	69.9%
2017	68.1%
2016	66.5%



Staying on Target

SCERS plans to be fully-funded by 2042

This is achieved by:

- A carefully planned and executed investment program
- Conducting an Experience Study that evaluates and adjusts economic & demographic assumptions every 4 years to ensure projections are realistic
Our next experience study will take place in 2022.
- Annually adjusting the City's required contribution to ensure the long term liability will be met
- The City's commitment to always meet the annually required contribution (Council Resolution No 31474)
- In 2017, the City implemented a 2nd tier to the plan (SCERS 2)

Striving for Best-in-class Customer Service

SCERS went live with a new Pension Administration System in January 2019, and in 2020 SCERS rolled-out the member-facing portion of the system, the Member Self-Service (MSS) Portal. Through the MSS Portal, members have direct access to their retirement information, including a benefit calculator.

In addition to implementing the MSS Portal, the SCERS Member Service team was busy providing information and virtual services to members throughout 2020.

Whether you're joining the plan, are interested in what your retirement benefits may be, have decided to retire, or just want to learn more, **the SCERS Member Services team is here to deliver best-in-class service.** Some of the services delivered to members during 2020 include:



830 new members were added to the Plan



400 members retired from the plan



1,800 benefit estimates were prepared for members



127 service credit purchases were completed



209 withdrawals were processed and paid



162 survivorship payments were created



42 seminars, benefit fairs, & orientations were held

Calculating Your Benefit

Every member's vision of retirement is unique.

The defined benefits provided by SCERS 1 and SCERS 2 can help you plan for your future

Both plans provide benefits based on years of service and retirement age that can be estimated by you for use in initial planning. SCERS 1, additionally, provides you with the greater of the service/age calculation or two-times match of your Accumulated Contributions with Interest.

For a formal estimate contact SCERS



SCERS Plan 1 (You are a SCERS Plan 1 member if you have membership eligibility before January 1, 2017)

How to use this chart:

1. Find your estimated years of service at retirement on the left and the age when you plan to retire along the top
2. Multiply the number where the selected column and row intersect by your years of service. The result is stated as a percentage.
3. Multiply the percentage calculated above by the highest salary you received consecutively over 52 pay periods (roughly two years)

Years of Service	Retirement Age													
	52	53	54	55	56	57	58	59	60	61	62	63	64	65
28 plus	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
27	1.90	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
26	1.80	1.90	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
25	1.70	1.80	1.90	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
24	1.60	1.70	1.80	1.90	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
23	1.50	1.60	1.70	1.80	1.90	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
22	1.40	1.50	1.60	1.70	1.80	1.90	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
21	1.30	1.40	1.50	1.60	1.70	1.80	1.90	2.00	2.00	2.00	2.00	2.00	2.00	2.00
20	1.20	1.30	1.40	1.50	1.60	1.70	1.80	1.90	2.00	2.00	2.00	2.00	2.00	2.00
10-19						1.52	1.58	1.64	1.70	1.76	1.82	1.88	1.94	2.00
5-9											1.82	1.88	1.94	2.00

Example: The chart shows that at age fifty-eight with twenty-five years of creditable service, your factor would be two. Your years of service, twenty-five, multiplied by your factor, two, equals 50 percent. Then, multiply 50 percent by your monthly compensation (let us say it's \$2,000), and the rough estimate of your SCERS Plan 1 monthly benefit at age fifty-eight would be \$1,000.



Calculating Your Benefit

SCERS Plan 2 (You are generally a SCERS Plan 2 member if you were hired on or after January 1, 2017)

How to use this chart:

1. Find your estimated years of service at retirement on the left and the age when you plan to retire along the top
2. Multiply the number where the selected column and row intersect by your years of service. The result is stated as a percentage.
3. Multiply the percentage calculated above by the highest salary you received over 130 pay periods (roughly five years)

Years of Service	Retirement Age										
	55	56	57	58	59	60	61	62	63	64	65
30 plus	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
29	1.68	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
28	1.61	1.68	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
27	1.54	1.61	1.68	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
26	1.47	1.54	1.61	1.68	1.75	1.75	1.75	1.75	1.75	1.75	1.75
25	1.40	1.47	1.54	1.61	1.68	1.75	1.75	1.75	1.75	1.75	1.75
24	1.33	1.40	1.47	1.54	1.61	1.68	1.75	1.75	1.75	1.75	1.75
23	1.26	1.33	1.40	1.47	1.54	1.61	1.68	1.75	1.75	1.75	1.75
22	1.19	1.26	1.33	1.40	1.47	1.54	1.61	1.68	1.75	1.75	1.75
21	1.12	1.19	1.26	1.33	1.40	1.47	1.54	1.61	1.68	1.75	1.75
20	1.05	1.12	1.19	1.26	1.33	1.40	1.47	1.54	1.61	1.68	1.75
19			1.12	1.19	1.26	1.33	1.40	1.47	1.54	1.61	1.75
18			1.05	1.12	1.19	1.26	1.33	1.40	1.47	1.61	1.75
17			0.98	1.05	1.12	1.19	1.26	1.33	1.47	1.61	1.75
16			0.91	0.98	1.05	1.12	1.19	1.33	1.47	1.61	1.75
15			0.84	0.91	0.98	1.05	1.19	1.33	1.47	1.61	1.75
14			0.77	0.84	0.91	1.05	1.19	1.33	1.47	1.61	1.75
13			0.70	0.77	0.91	1.05	1.19	1.33	1.47	1.61	1.75
10-12			0.63	0.77	0.91	1.05	1.19	1.33	1.47	1.61	1.75
5-9						1.05	1.19	1.33	1.47	1.61	1.75

Example: The chart shows that at age fifty-eight with twenty-five years of creditable service, your factor would be 1.61. Your years of service, twenty-five, multiplied by your factor, 1.61, equals 40.25 percent. Then, multiply 40.25 percent by your final compensation (let's say it's \$2,000), and the rough estimate of your SCERS Plan 2 monthly benefit at age fifty-eight would be \$805.



Meet Your Board

Teresa Mosqueda

Board of Administration Chair

Glen Lee

Board of Administration Treasurer
City of Seattle Finance Director

Judith Blinder

Elected Active Member
Term: July 1, 2020 - June 30, 2022

Sherri Crawford

Elected Active Member
Term: July 1, 2021 - June 30, 2024

Bobby Humes (through July 2021)

Board of Administration Secretary
Seattle Department of Human
Resources Director

Robert Harvey, Jr.

Board Appointee
Term: July 1, 2020 - June 30, 2023

Lou Walter

Elected Retiree Member
Term: July 1, 2020 - June 30, 2023

The SCERS Board of Administration welcomes attendance and comments from the public at its monthly meetings. Meeting schedules and agendas are available at <http://www.seattle.gov/retirement/about-us/calendar>. At the time of publication meetings are being held remotely in response to COVID-19 and members of the public can submit public comment via email using the instructions on the agendas available at the web address above.

Want to Know More?



Visit us on the web at www.seattle.gov/retirement for information on calculating your benefit, frequently asked questions, the latest SCERS news, financial information, registration for upcoming seminars, board information and all things SCERS!



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Call

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Fax

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Visit*

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*Please see our website for the updates on office closures, hours, and precautions we are taking to keep you and your loved ones safe