



Seattle City Employees' Retirement System

Administrative Committee Meeting
Pacific Building, 720 3rd Avenue, Suite 900, Seattle, WA
(206) 386-1293

Minutes, Thursday, September 26, 2024

AC Members Present: Judith Blinder (Chair), Maria Coe, Joseph Hoffman, Jamie Carnell, Kimberly Loving

SCERS Staff Present: Jeff Davis, Paige Alderete, Nina Melencio

Others Present: Andrew Robinson (FAS), Dana Woolfrey (GRS), Danny White (GRS), Cassie Rapoport (GRS), Karli Fehrman (GRS), Nick Collier (Milliman), Julie Smith (Milliman), Daniel Wade (Milliman), Chris Rogers (CLA), Brittany Smith (CLA), Mike Nyman (CLA), Brad Berls (Eide Bailly), Abbie Belthoff (Eide Bailly), and Sean Averett (Eide Bailly)

Call to Order

Judith Blinder, Chair, called the meeting to order at 12:05 pm.

Public Comment

There was no public comment.

Minutes

Approved Minutes from the July 25, 2024 Administrative Committee.

Motion: Upon motion by Judith Blinder, seconded by Maria Coe, the Administrative Committee approved the minutes from the July 25, 2024 Administrative Committee meeting. The motion passed unanimously (5-0).

Actuarial Services Consultant and Auditing Services Consultant Update

Paige Alderete provided an update on the Actuarial Services Consultant and Auditing Services Consultant search. Four firms responded to the Actuarial Services Consultant RFP and three firms responded to the Auditing Services Consultant RFP.

Staff have narrowed the field to two finalists for each RFP. GRS Consulting and Milliman were selected as finalists for the Actuarial Services Consultant. CliftonLarsonAllen LLP and Eide Bailey LLP were selected as finalists for the Auditing Services Consultant. Staff are confident that either firm can deliver the services required.

Each finalist will provide a 20-minute presentation at today's meeting followed by 10 minutes of Q&A with the Administrative Committee. The committee will then deliberate and make a final selection pending Board approval at the October 10, 2024 meeting.

Actuarial Services – GRS Consulting Presentation and Q&A

Dana Woolfrey, Danny White, Cassie Rapoport, and Karli Fehrman of GRS provided an overview of their firm, team, and service offering and answered questions from committee members.

GRS worked with the City of Seattle in 2015-2016 to develop SCERS 2 benefits. GRS specializes in Pension, OPEB, and Retirement Technology. GRS presented their proposed transition plan if they would be selected. They would schedule a planning meeting with staff, request data files and assumptions from the previous actuary, and perform a replication of the 2024 valuation. GRS would do an experience study in 2025 to see if the current assumptions from the previous study are reasonable.

GRS stated that SCERS's funding policy is too rigid and has no sway. Changes to the funding policy are needed.

Ms. Blinder asked to better understand how GRS thinks the policy should be changed. Ms. Woolfrey responded that given SCERS's short remaining amortization period, large negative returns on investments could have a dramatic impact on contribution rates. GRS would propose a closed, layered amortization.

Ms. Blinder asked what sets GRS apart from other highly successful, responsive actuaries. Ms. Woolfrey responded that they have a level of personal commitment.

Ms. Loving asked about GRS's staffing commitments to diversity. Mr. White responded that diversity was important to GRS. Three of the five executive offers are female, and the president is female. GRS sponsors underprivileged schools and hires students for after-school work. GRS's human resources director is African American. Their staff are also involved in the Black/Latino actuarial organization.

Actuarial Services – Milliman Presentation and Q&A

Nick Collier, Julie Smith, and Daniel Wade of Milliman provided an overview of their firm, team, and service offering and answered questions from committee members.

Milliman was founded in Seattle in 1947 and has offices in the Rainier Tower in downtown Seattle. Milliman is owned and managed by the principals of the firm. They are a national firm with local expertise, particularly in Washington. Milliman also works with Tacoma ERS and Washington State Department of Retirement Systems.

They have a strong track record working with SCERS. Milliman works collaboratively with staff and the Board and meets their deadlines. They feel that they have been a good partner with SCERS. They identified a future issue in the amortization of the unfunded liability. When amortization gets below 15 years it will create volatility. Milliman will work with SCERS to find an approach that balances reasonable and stable employer rates with strong funding progress.

Ms. Loving asked how Milliman incorporates diversity into its hiring practices. Mr. Collier responded that they hired a Chief Diversity Officer. Milliman's senior leadership team (CEO and direct reports) includes ethnic minorities and women. A chief sustainability and DEI officer joined the firm in September 2022. They partner with the Association of Black Actuaries and the Organization of Latino Actuaries with financial support to have a pipeline in diversity hiring. Milliman has an opportunity scholarship for college students pursuing STEM majors who are members of ethnic groups. They have offered 40 scholarships to date. Milliman participates in the Actuarial Foundation Math Motivators program by tutoring students in math in diverse school districts in underserved communities. Milliman staff are current volunteering at Garfield High School.

Ms. Blinder asked Mr. Collier to expand on the looking ahead on the amortization of the unfunded liability. Mr. Collier gave an example. The fixed amortization period with SCERS gets shorter every year and eventually will hit 100%. But the contribution rate will go up and down. SCERS should look at a layered amortization approach. The current unfunded liability will be paid off by 2043 on the fixed schedule. For the changes in unfunded liability, each year we will start a new period, i.e., layers. The new period would be around 15 years and promotes progress paying off 100%. It is more transparent and shows that the employer has dedicated funding to pay off each period. It provides a more stable contribution rate.

(There was a break from 1:10 to 1:20 pm)

Auditing Services – CliftonLarsonAllen Presentation and Q&A

Chris Rogers, Brittany Smith, and Mike Nyman of CliftonLarsonAllen (CLA) provided an overview of their firm, team, and service offering and answered questions from committee members.

CLA has been recertified as a Great Place to Work in January 2024 and was recognized by Forbes as one of America's Best Employers for Diversity. This is a direct result of their CEO making commitment to DEI focus.

CLA has been the auditors for the City of Seattle's City's Deferred Compensation plan for past 6 years. They also have a long history of working with the Washington State Department of Retirement Systems. They currently have \$2 trillion in assets that they audit in public sector. They have spent \$500 million to invest in modernization for a seamless assurance advantage. As their systems have modernized, on-site auditing has gone down from four weeks to 1.5 weeks. It is a more effective use of everyone's time.

Ms. Coe asked if CLA has worked with customers who have gone through changes and updates in their software such as V3. Ms. Smith responded that they have. They have a client who is about to go live on Vitech's latest platform next year. CLA is aware of some of the challenges.

Auditing Services – Eide Bailley Presentation and Q&A

Brad Berls, Abbie Belthoff, and Sean Aberett of Eide Bailly provided an overview of their firm, team, and service offering and answered questions from committee members.

Last year they opened an office in Seattle. In Washington state, they work with the Washington State Investment Board. What sets them apart is that they will design the audit based on their understanding of SCERS's system. They use a risk-based approach to their audit. They have portals in place for secure transfer of data.

Ms. Loving asked how their firm incorporates DEI into its hiring and decision-making processes. Mr. Berls responded that women were leaving the field well before their prime. The firm stepped in an established one of the first women's initiatives. Ms. Belthoff added that she participated in the initiative called First Focus. They also have employee resource groups, veterans, diversified pride group, etc., to ensure people feel included. Eide Bailly has a DEI forum throughout the year. They feel that they are on the forefront with the women's initiative.

Ms. Carnell asked about their experience with cloud-based systems such as Workday. Ms. Belthoff responded that they are experienced with pension systems and many of their clients use Workday.

Actuarial Services Consultant Search Deliberation and Selection

The Administrative Committee members discussed the finalists for both RFPs.

The committee started with the Actuarial finalists. Ms. Alderete stated that both firms are qualified and experienced and focus on partnership and understanding their clients. Neither Ms. Alderete nor Ms. Davis have problems with the current vendor, Milliman. Milliman has had the same team for 15 years.

Ms. Carnell stated that GRS mentioned that they were involved in developing Plan 2 and wanted to know what their role was. Mr. Davis replied that Ms. Carnell's predecessor in FAS contracted with GRS to develop Plan 2.

Ms. Carnell felt that the explanation from Milliman made a lot more sense about the actuarial study. Their presentation was better and had a more finessed approach. She was disappointed in GRS's presentation. Ms. Carnell stated that neither vendor scored high in their response to Ms. Loving's question about diversity.

Ms. Loving did appreciate that Milliman had a DEI slide ready. Mr. Hoffman stated that Milliman looked better based on the presentations. He felt like they were more prepared for the presentation today.

Ms. Coe added that Milliman was more polished and streamlined versus GRS. Ms. Blinder agreed.

Motion: Upon motion by Judith Binder, seconded by Joseph Hoffman, the Administrative Committee recommended that the Board of Administration contract with Milliman as the Actuarial Services Consultant effective January 1, 2025 for a five-year term, pending satisfactory legal review. The motion passed unanimously (5-0).

Auditing Services Consultant Search Deliberation and Selection

Ms. Alderete stated that CLA has been SCERS's auditor since 2012. Both firms would have a boutique partnership and are experienced. Both could do the work, and their proposals are within reasonable range.

One thing to highlight is that SCERS already has a year coming up with a lot of big changes with Workday. In 2025, they will be auditing 2024. That could lend more value to the existing vendor. There are no issues with the current vendor and staff have no compelling reason to change. Both firms have a focus on data analytics, which SCERS has benefited from in tightening its controls and making improvements.

Ms. Carnell is trying to keep bias out of the vote due to her role in Workday. She will be abstaining from voting on the motion.

Ms. Loving appreciated CLA had a slide in their presentation acknowledging the award they received on DEI. It would be nice to see some of these organizations incorporate more diversity in their own hiring. Even in today's presentations, there was little diversity on the presenters.

Ms. Blinder stated that she felt both firms could be successful. There is an advantage in staying with the same auditor while there are other big changes happening. The timing might not be right to change auditors.

Motion: Upon motion by Judith Blinder, seconded by Kimberly Loving, the Administrative Committee recommended that the Board of Administration contract with CliftonLarsonAllen as the Auditing Services Consultant effective January 1, 2025 for a five-year term, pending satisfactory legal review. The motion passed 4-0-1 with Jamie Carnell abstaining.

Adjourn Meeting

Motion: Upon motion by Judith Blinder, seconded by Maria Coe, the Administrative Committee voted to adjourn the meeting at 2:41 pm. The motion passed unanimously (5-0).