



MINUTES

Board Members Present: Lou Walter, Acting Chair; Robert Harvey; Susan Coskey; Glen Lee; Jean Becker; Sherri Crawford
Board Members Absent: Councilmember Nick Licata
SCERS Staff Present: Ken Nakatsu; Jeff Davis; Tony Smith; Jill Johnson; Claire Foster; Tim Morrison; Lisa Carns
Others Present: Mike Monaco, Song Mondress Law Firm; Carlton Seu, Seattle City Attorney's Office; Tom Kirn, FAS; George Emerson, FAS; Jessica Wang, Budget Office; Newell Aldrich, Legislative Department; John Masterjohn, ARSCE; Ken Yaeger, Retiree

Mr. Lou Walter called the meeting to order at 9am.

Mr. Walter welcomed Susan Coskey to the Board of Administration. Ms. Coskey serves on the Board as the City Personnel Director. There were introductions among the Board, staff, and audience.

Public Comment:

No public comment.

Administrative Consent Agenda

Minutes:

Provided in the Retirement Board packet was the minutes from the December 12, 2013 Retirement Board regular meeting.

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

Service	\$ 11,157,995.63
Beneficiary	\$ 921,217.21
Disability	\$ 73,726.88
Pension Payroll – PPE December 31, 2013	\$ 12,152,939.72
Office Payroll – PPE December 3, 17 and 31, 2013	\$164,467.34
Vouchers Processed – December 31, 2013	\$891,604.87
*Expert and Consultant Services – \$176,629.00	
*Investment Management Fees – \$539,620.49	
*Interdepartmental Charges - \$97,776.75	
*Miscellaneous - \$77,578.63	

Immediate Withdrawals of Contributions for the month of December 2013:

Member Name	Department Name	Position
Alams, Ndidi C	SPU	Admin Spec I
Atterberry, Levon	SPU	Water Pipeman
Banslaben, Joel	SPU	Png&Dev Spec Sr
Basher, Lisa R	Legist.	Admin Spec II
Besel, Julie K	HSD	Counselor
Bradford, Melvenia R	SPU	Util Acct Rep
Brown, Katherine K	Law	Admin Spec II
Buckler, Eric J	Library	Page
Carroll Jr, William Roy	Parks	Fac Lead Wkr
Drovdahl, Daniel R	DoIT	Warehouse Chief
Enroth, David R	Seattle Center	Usher
Escarez, Mary C	DoIT	Strat Advr

Member Name	Department Name	Position
Ghadrshanas, Anisa L	City Light	Safety & Health Spec Sr
Green, Kenneth	City Light	Accountant Princp
Hallock, Ian P	Parks	Rec Center Coord
Hinze, Peter J	HSD	Counselor
Jenson, Terri R	Muni Court	Court Clerk
McDonald II, Frank P	City Light	Pwr Dispatch Asst
Okamoto, Elisa M	SDOT	Res Reval Aide
Riddell, Scott P	Fire	Fire Protection Engr
Stier-Van Essen, Keith D	HSD	Counselor

Bold entries above indicate refund payout made to beneficiary of a member dying while in active status.

Withdrawals for a total of: \$507,171.09

Ratification of Service Retirements for December:

Retiree	RetireDt	Age	Years	Days	DeptName	Position
Balok,Linda L	12/3/2013	62	27	171	City Light	Actg Tech II
Bir,Charles O	12/4/2013	65	8	242	DPD	Elevator Inspector Chief
Davis,Penny L	11/30/2013	66	16	52	Human Svcs	Vested - Dual
Dethloff,Caroline Y	11/30/2013	62	32	2	City Light	Manager 3, Utils-BU
Elmelund,William C	11/15/2013	63	15	47	VarDept	Vested
Hooks,Jeffrey P	11/22/2013	60	23	224	PublicUtil	Vested
Kwong,Lin F	11/6/2013	62	24	305	Parks Dept	Custodian
Main,Carla J	11/21/2013	60	19	53	SDOT	Vested
McMillan,Denise N	11/20/2013	65	15	79	Police	Actg Tech III
Murray,Cheryl A	10/30/2013	62	24	310	Sea Center	Vested
Nelson,Maureen T	12/4/2013	60	27	101	SDOT	Admin Spec II
Priest,Diane H	12/4/2013	66	35	190	Police	Victim Advocate
Smith,Nirav K	11/16/2013	58	21	20	FAS	Fin Anlyst
Straw,Roosevelt	11/23/2013	61	18	307	Parks Dept	Maint Laborer
Voiland,Jeannette R	12/4/2013	64	39	68	Library	Sr Librarian
White,Stephen G	12/4/2013	66	11	42	Sea Center	HVAC Tech
Wilson,Shirley	12/4/2013	55	22	31	Muni Court	Magistrate
Yearby,Jimmy K	12/3/2013	72	17	259	VarDept	Vested
Zuniga,Manuel R	12/4/2013	63	26	176	FAS	Janitor
Zuniga,Rufina O	12/4/2013	65	32	259	Personnel	Labor Relations Spec

For the month of December 2013: 101 new Members entered the System, 10 terminations, 20 Members retired in the System, 22 Members removed (\$26,433.83), 1 option C, 3 D/E Option, 1 Option F reductions, and 1 over 60% benefit

Mr. Nakatsu reported there was nothing out of the ordinary to report on the ratification of retirement payroll, office payroll and or other payments and withdrawals.

Motion: Upon motion by Bob Harvey, seconded by Jean Becker the Retirement Board of Administration approved the Administrative Consent Agenda.

- Minutes of the December 12, 2013, Board Meeting
- Ratification of Retirement Payroll, Office Payroll, Other Payments and Withdrawals
- Ratification of Service Retirements for the month of December 2013

The motion carried unanimously.

Investment Accounting Summary Report – November 2013

Mr. Tony Smith, SCERS staff gave a brief overview of the Investment Accounting Summary for November 2013.

Approximately \$1 million in distributions came back from Private Equity and approximately \$3.5 million in distributions

from Real Estate. The changes in the market value of asset classes were in line with the movements of the financial markets for the month. The total portfolio had a market value of \$2.196 billion. The funding ratio was at 69.26%.

Mr. Smith noted the December 2013 Investment Accounting Summary Report will be presented at the January Investment Committee meeting.

Executive Director Report

Mr. Nakatsu reported on the following items:

- Councilmember Burgess requested SCERS staff to present the actions and changes SCERS implemented in 2013 on to full council on January 27th.
- The Investment Consultant RFP proposals are due Friday, January 10th at 5pm. Jeff Davis, Jill Johnson, John McCoy and George Emerson will take the lead in reviewing/rating the proposals. The finalists will be invited to present to the Investment Committee on February 27th. The Investment Advisory Committee will be invited to attend the February 27th meeting to assist with the selection of the Investment Consultant. The goal is to have the Board approve the selection at the March 13th Board meeting.
- Mr. Nakatsu and Mr. Smith will take the lead on the private equity separate account approach process. Mr. Smith noted that PCA will have a draft of the proposed RFP by January 16th. Mr. Nakatsu also noted that he and Mr. Seu are pursuing to have legal counsel involved at the beginning of the contract negotiation process.
- The Job Summary Questionnaire was submitted for the Chief Investment Officer position. As a reminder two accounting tech I positions are being abrogated. Two new positions are being created for business improvements: (1) accountant; and (2) Chief Investment Officer.
- Russell Investments was selected as the Asset Overlay manager at the December Board meeting. Staff is currently negotiating the contract.
- Mr. Nakatsu plans to meet with the Investment Advisory Committee to review the 2014 work plan. Mr. Nakatsu highlighted that he would seek the Investment Advisory Committee's assistance with the investment consultant selection and private equity.

Work Plan Update

Mr. Nakatsu reviewed the 2014 Work Plan with the Board of Administration. The below listed items were discussed:

- Board of Administration 2014 Election-the retired seat (currently held by Lou Walter) is up for election in 2014.
- Experience Study – the Experience Study will be conducted in 2014.
- Pension Administration System - the operation needs will be defined for the Pension Administration System RFP
- Strategic Plan – work groups within SCERS staff will define the vision statements, and produce the goals and objectives.
- Cash Management – the cash management proposal will be presented to the Board at the February 13th Board meeting.
- City Auditor: Implementation of Recommendations – SCERS staff is addressing the City Auditors recommendations. Mr. Morrison with SCERS staff is leading phase II which consist of outlining the inconsistencies, the flow of the code, and revising the Seattle Municipal Code to reflect policy review outcomes. Mr. Morrison will work with Mr. Monaco and Mr. Seu on this project.
- Rbase to Oracle project – the transition of the current pension administration system Rbase to Oracle was successfully completed in 2013. The system transition was a shot-term repair to the pension administration system. Ms. Foster, SCERS staff is leading the project to evaluate and implement the needed system improvements.
- Customer Relationship Management (CRM) System – Ms. Foster is leading the implementation of the CRM system. The CRM system is a case management and workflow tracking system.
- Customer Service improvements – the communications audit was conducted by Cynthia Scheiderer in 2013 and Ms. Scheiderer's findings and recommendations were presented to the Board in September. As a result of the findings and recommendations Ms. Scheiderer and SCERS staff have begun implementing the recommendations outlined at the September Board meeting. There are various communication updates needed and website redesign. The communication updates will coincide with the CRM system project.
- Financial Audit – the annual financial audit will be conducted by CliftonLarsonAllen.
- Investment Advisory Committee – SCERS staff is working with the Investment Advisory Committee on producing the 2013 annual report. The implemented Investment Advisory Committee charter states the committee will have three formal meetings yearly. The meeting timeframe includes May, September/October and December. Ms. Becker recommended the Investment Advisory Committee meet in February in lieu of December for the presentation of the Investment Advisory Committee's annual report. SCERS staff responded they would revisit the meeting schedule.
- Investment Policies and Procedures – Ms. Becker, SCERS Board member and Mr. Morrison, SCERS staff are working on updating the Investment Policies and Procedures.

- Performance Evaluations – performance evaluations of SCERS staff will be completed by end of first quarter. The Board stated that an evaluation of the Executive Director needed to be completed. The Board indicated a further detailed discussion in Executive Session is needed for this subject.
- Real Return – The Board approved the real return increase from 4% to 9%. Mr. Nakatsu stated that Private Equity was a priority over Real Return. Mr. Nakatsu further reported the RFP for the Private Equity redesign would be completed by the end of March 2014.

Mr. Nakatsu wrapped up the overview of the 2014 work plan stating that it was living document that would be updated on a regular basis and provided to the Board. Mr. Nakatsu requested feedback and/or direction on the work plan.

There was consensus from the Board that the work plan for 2014 was an accurate reflection of the direction SCERS is pursuing.

Mr. Walter, Acting Chair recommended that the new Board Chair, Councilmember Licata and Ms. Susan Coskey schedule meetings with SCERS staff in efforts to get updated on current projects and plans. Mr. Nakatsu stated that SCERS staff met with both Councilmember Licata and Ms. Coskey. The Investment Staff offered to meet with Ms. Coskey as well.

Mr. Seu stated he would schedule meetings with Councilmember Licata and Susan Coskey to review the fiduciary responsibilities.

Mr. Walter encouraged Ms. Coskey to attend conferences for Trustees.

Mr. Walter acknowledged for the record and thanked Councilmember Burgess for his service and participation on the SCERS Board of Administration. Mr. Walter further stated that Councilmember Burgess improved the system and staff performance.

Mr. Davis, SCERS Staff briefed the Board on upcoming matters that will be included on the work plan for SCERS staff in upcoming months. The items included:

- The data audit and clean-up
- Electronic content management system and back file conversion
- Dashboard reporting. Mr. Davis stated that the implementation of the customer relation management (CRM) system will allow for the dashboard reporting. There was dialogue about establishing the data that would be useful to the Board. There was a consensus that the following was needed for the development of dashboards: (1) scope what the metrics should reflect; (2) most effective way to present and be efficient; and (3) what the investment section should reflect.

The Board recommended that the dashboard reporting be delayed in order to obtain what an investment consultant can offer in regards to the investment snapshot.

Mr. Walter asked if there was any other business to come before the Board. There were none.

The Board of Administration entered into Executive Session at 9:55am for 20 minutes to discuss a personnel matter.

Executive session ended and the meeting resumed to public session at 10:15am.

Adjournment

The meeting adjourned at 10:15am.

Susan Coskey, Secretary



MINUTES

Board Members Present: Councilmember Nick Licata, Chair; Lou Walter (via phone); Susan Coskey; Glen Lee; Jean Becker; Sherri Crawford

Board Members Absent: Robert Harvey

SCERS Staff Present: Ken Nakatsu; Jeff Davis; Claire Foster; Tim Morrison; Lisa Carns

Others Present: Mike Monaco, Song Mondress Law Firm; Carlton Seu, Seattle City Attorney's Office; Tom Kirn, FAS; George Emerson, FAS; Frankie Tsoming, Member; Charles Primm, Local 17

Councilmember Licata called the meeting to order at 9am.

Councilmember Licata introduced himself as the new Seattle City Employees' Retirement System Board Chair and thanked Mr. Lou Walter for chairing the January 2014 Board meeting.

Councilmember Licata asked if there was anyone present who wanted to make public comment. There was no public comment.

Administrative Consent Agenda

Minutes:

Provided in the Retirement Board packet was the minutes from the January 9, 2014 Retirement Board regular meeting.

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

Service	\$ 11,186,979.88
Beneficiary	\$ 907,570.87
Disability	\$ 73,726.88
Pension Payroll – PPE January 31, 2014	\$ 12,168,277.63
Office Payroll – PPE January 14 and 28, 2014	\$112,224.51
Vouchers Processed – January 31, 2014	\$286,679.34
*Expert and Consultant Services – \$30,703.00	
*Investment Management Fees – \$100,633.38	
*Interdepartmental Charges - \$106,984.63	
*Miscellaneous - \$48,358.33	

Immediate Withdrawals of Contributions for the month of January 2014:

Member Name	Department Name	Position
Anderson, Susan T	Police	Evidence Warehouser
Archer, Shirley J	SPU	Util Acct Rep II
Bemer, Alan V	Muni Court	Admin Spec II
Benerza, Esther	City Light	Info Tech Prof B
Bird, Eric A	SPU	Manager 2
Charbonneau, David P	FAS	Tax Auditor
Ching, Robert S	Neighborhoods	Info Tech Sys Anlyst
Collins, Timothy E	Police	Exec I
Devenaro, Karen R	City Light	Manager 2
Espinosa, Lisa A	SPU	Exec I
Franklin, Jenna E	SPU	Strat Avdr 1
Gibson, Claire L R	SPU	Civil Engr Supv
Irwin, Stacy R	Law	Paralegal
Langston, Jasmine L	SPU	Personnel Spec, Asst
Larson, Kristen J	HSD	Proj Funds & Agree Coord

Member Name	Department Name	Position
McAlerney, Kevin B	Seattle Center	Laborer
Merrill, Nathaniel O	Exec	Mayor Staff Asst 2
Song, Kyung S	City Light	Elecl Engr
Thomas, Sonja R	Seattle Center	Laborer
Troka, April	Parks	Naturalist
Wabinga, Lisa J	Police	Personnel Spec Sr
Wyatt, Matthew J	SPU	Wtr Pipe Wrk, Sr

Bold entries above indicate refund payout made to beneficiary of a member dying while in active status.

Withdrawals for a total of: \$785,719.25

Ratification of Service Retirements for January:

Retiree	RetireDt	Age	Years	Days	DeptName	Position
Canizzaro,Verl L	1/1/2014	70	23	331	KC Health	Social Worker
Chapman,David M	1/1/2014	66	40	3	Parks Dept	Admin Staff Asst
Charleston,Patricia A	12/26/2013	57	15	270	Parks Dept	Vested
Conlin,Richard B	1/1/2014	65	16	0	LegCtyCncl	Council Member
D'Eugenio,Betty J	12/12/2013	67	23	134	Library	Library Assoc II
Ko,Elaine	1/1/2014	59	16	123	LegCtyCncl	Legislative Asst
McKechnie,Roberta	12/18/2013	61	13	289	SDOT	Vested
O'Brien,Julia A	12/26/2013	58	12	174	InfoTech	Vested
Parsons,Christopher J	1/1/2014	63	21	315	Personnel	Vested
Reece,Terry L	12/27/2013	54	32	258	City Light	Meter Reader
Solinsky,Randi	12/7/2013	60	17	308	Human Svcs	Early Ed Spec
Thibodeaux,Rebecca A	12/25/2013	65	39	60	KC Health	Adv Practice Nurse Specialist
Wiswell,Jonathan W	1/1/2014	69	30	202	InfoTech	Manager 3
Wolfe,Ronni B	1/1/2014	66	7	268	SDOT	Admin Spec II - BU
Woods-Pollard,Sandria Y	12/14/2013	65	22	217	Human Svcs	Manager 2

For the month of January 2014: 61 new Members entered the System, 10 terminations, 15 Members retired in the System, 24 Members removed (\$32,421.83), 1 D/E Option, 3 Option, F reductions, and 4 over 60% benefit.

Councilmember Licata asked the Board if they had any questions concerning the Administrative Consent Agenda. There were none.

Motion: Upon motion by Nick Licata, seconded by Glen Lee the Retirement Board of Administration approved the Administrative Consent Agenda.

- Minutes of the January 9, 2014, Board Meeting
- Ratification of Retirement Payroll, Office Payroll, Other Payments and Withdrawals
- Ratification of Service Retirements for the month of January 2014

The motion carried unanimously.

Investment Committee Report

The Investment Committee met on January 30, 2014 at 12 noon at the Seattle City Employees' Retirement System, 720 Third Avenue, Suite 900 (Pacific Building)

Committee members present: Lou Walter, Chair; Bob Harvey; Glen Lee; Jean Becker; Sherri Crawford; Susan Coskey

Staff Present: Ken Nakatsu; Jeff Davis; Tony Smith; Jill Johnson; Tim Morrison; Lisa Carns

Others present: Neil Rue and David Sancewich from PCA; John McCoy, Legislative Central Staff; George Emerson, FAS

Mr. Nakatsu reported that Tony Smith and Jill Johnson are conducting on-site due diligence visits at the finalists Investment Consultant firms.

Mr. Nakatsu provided the Board of Administration with an overview of what was presented to the Investment Committee on January 30, 2014. The items presented are outlined below:

PIMCO Transition

Mr. Todd Staley and Mr. Matt Clark briefed the Investment Committee on how PIMCO is handling the departure of Mohamed El-Erian, CEO and CO-CIO. The purpose of their presentation was to reassure their client base that the management of funds will not be affected. Mr. Nakatsu advised the Board that SCERS staff and the Investment Consultant will monitor the situation.

Authorization to Issue Discretionary Separate Account RFP for Private Equity

The Investment Committee recommended the Board of Administration approve the authorization for SCERS staff to issue a RFP for a Private Equity Discretionary Account Manager. Mr. Nakatsu stated the goal is to issue the RFP by mid-March.

Policy Weights and Rebalancing Ranges

Pension Consulting Alliance presented recommended changes to the rebalancing ranges around the policy weights of asset classes in SCERS' portfolio. The reason for the recommended changes is due to the newly incorporated overlay program with Russell Investments. PCA recommended that SCERS revise Section 4.A of its Statement of Investment Policy and Procedures to include (1) adjust the long-term targets to reflect the Board's latest allocation decisions; and (2) refine the rebalancing of ranges to account for the use of SCERS' new policy implementation overlay mandate. The Investment Committee recommended the Board of Administration approve the proposed rebalancing ranges.

2014 Real Return Asset Class Update

Pension Consulting Alliance (PCA) presented an overview of the Real Return Asset Class. PCA explained to the Investment Committee that the Real Return Asset Class can provide an inflation hedge and diversification from equities and fixed income. PCA recommended that the Investment Committee proceed with establishing the Real Return Asset Class. PCA recommended that SCERS implement two new components to the Real Return Asset Class. The component areas are (1) commodities; and (2) infrastructure. PCA also recommended the component weighting as follows: commodities 20%; infrastructure 20%; TIPS 40%; and Absolute Return 20%. The Investment Committee recommended the Board of Administration approve the implementation of the two Real Return component areas.

Investment Advisory Committee – Appointment of Monica Butler

Mr. Nakatsu presented Monica Butler's BIO to the Investment Committee and they recommended Ms. Butler be appointed to the Investment Advisory Committee. Mr. Nakatsu recommended the Board of Administration appoint Ms. Butler to the Seattle City Employees' Retirement System Investment Advisory Committee effective February 13, 2014 for a two year term.

Investment Accounting Summary Report – December 2013

Mr. Nakatsu reported December 2013 was a positive month. The Total Portfolio had a market value of \$2.2 billion. The Plan change in market value was up 1% for December and up 13.6% for year to date. The estimated funding ratio on a marked to market basis was 69.9%.

The Board members discussed fiduciary responsibilities in regards to understanding what is expected of the Board and how much they should rely on the Investment Advisory Committee, the Investment Consultant and the SCERS staff. The Board stated having SCERS staff evaluate the investments and engaging the Investment Advisory Committee and the Investment Consultant as needed, supports the Board.

The Board of Administration legal counsel stated that this process fulfills the Board's fiduciary responsibilities.

Motion: Upon motion by Nick Licata, seconded by Susan Coskey, the Retirement Board of Administration authorized SCERS staff to issue a RFP for a Discretionary Private Equity Manager as recommended by the Investment Committee.
The motion carried unanimously.

Motion: Upon motion by Nick Licata, seconded by Glen Lee, the Retirement Board of Administration approved the revision of Section 4.A of the Investment Policy and Procedures. The revisions include: (1) adjust the long-term targets to reflect the Board's latest allocation decisions; and (2) refine the rebalancing ranges to account for the use of SCERS' new asset overlay service as recommended by the Investment Committee.
The motion carried unanimously.

Motion: Upon motion by Nick Licata, seconded by Jean Becker, the Retirement Board of Administration authorized SCERS staff and PCA to implement two new Real Return component areas: (1) commodities; (2) infrastructure. Restructure absolute return component to a customized account, and approve the component weightings as follows:
Commodities 20%
Infrastructure (energy, environmental, power, etc) 20%
TIPS 40%
Absolute Return 20%
The motion carried unanimously.

Motion: Upon motion by Nick Licata, seconded by Jean Becker, the Retirement Board of Administration appointed Monica Butler to the Seattle City Employees' Retirement System Investment Advisory Committee effective February 13, 2014.
The motion carried unanimously.

Administrative Committee Meeting

The Administrative Committee met on January 21, 2014 at 2pm at the Seattle City Employees' Retirement System, 720 Third Avenue, Suite 900 (Pacific Building)

Committee members present: Jean Becker, Chair; Bob Harvey; Susan Coskey

Staff Present: Ken Nakatsu; Lisa Carns

Others present: Mike Monaco, Song Mondress Law Firm; Carlton Seu, City of Seattle Attorney's Office

Ms. Becker, SCERS Administrative Committee Chair reported the Administrative Committee met on January 21st to draft a SCERS Executive Director Evaluation process for the Board of Administration to review and approve. The Administrative Committee came to a consensus to evaluate the Executive Director as follows (1) key staff evaluation of the Executive Director; (2) Executive Director self-evaluation; and (3) Board Evaluation. Ms. Becker stated that the Board was provided a draft evaluation process outline, and the evaluation forms.

There was dialogue among the Board members and it was recommended to the Administrative Committee that they revise the evaluation process by expediting and abbreviating it.

Motion: Upon motion by Nick Licata, seconded by Susan Coskey, the Retirement Board of Administration approved the SCERS Executive Director Evaluation process subject to the Seattle City Employees' Retirement System Administrative Committee adjusting the process as they see fit for the Interim Executive Director and to modify and distribute the forms to SCERS key staff, Board Members, and the Interim Executive Director.
The motion carried unanimously

Executive Director Report

Mr. Nakatsu provided the Board of Administration with the Work Plan updates. The updates included:

- Board of Administration 2014 Election-the retired seat (currently held by Lou Walter) is up for election in 2014.
- Experience Study – the Experience Study will be conducted in 2014.
- Pension Administration System - the operation needs will be defined for the Pension Administration System RFP.
- Chief Investment Officer position – the position is close to being reclassified and the exemption status needs to be approved by City Ordinance.
- Strategic Plan – SCERS staff have hired a consultant to assist with developing and finalizing the Seattle City Employees' Retirement System Strategic Plan.
- 2013 Annual Report – SCERS staff are ahead of schedule.

- City Auditor: Implementation and Recommendations – Mr. Tim Morrison is working on the code revisions and is in discussions with legal counsel on addressing the inconsistencies, removing out of date material and ensuring the code is more readable.
- CRM project – Ms. Claire Foster is the project lead. Implementation is scheduled for April 2014.
- Investment Policies and Procedures – due to the Investment Consultant change; the deadline has been delayed in order to obtain advice from the new consultant.
- Asset Overlay Service – Mr. Nakatsu reported there has been a delay with implementing this service due to contract negotiations. Mr. Lee, SCERS Board member stated that the overlay service is a critical component and the implementation of the services is a priority. Mr. Carlton Seu, Seattle City Attorney’s Office stated the contract should be finalized by the end of the week.

After dialogue concerning the delay in contract negotiations for the Asset Overlay Services the Board came to a consensus that if the contract was not finalized by end of week that a meeting including selected Board Members, Mr. Seu, and SCERS staff should be scheduled immediately to determine what actions are needed.

SCERS Operations Report

Mr. Jeff Davis, SCERS Chief Finance/Operations Officer reported that SCERS staff is compiling data for the year-end processes for Milliman, the Annual Financial Report and the upcoming Experience Study.

Mr. Davis further reported that SCERS staff will begin Budget proposal discussions with the Board in the upcoming months.

Cash Management

Mr. Davis reported that over the past year there have been many discussions with the Board of Administration about cash management. The Board of Administration requested SCERS staff to develop and propose a Cash Management strategy.

Mr. Tim Morrison, SCERS staff presented the Board of Administration with three options to consider and brief explanations for each option. The options included:

- Option 1: Minimize liquidation of SCERS’ investments
- Option 2: Maintain an average yearly balance of zero
- Option 3: Maintain an average monthly greater than zero

Mr. John McCoy, with Legislative Staff recognized the excellent work SCERS staff has done on this project but requested the Board to table this item for further review.

There was dialogue related to proposed options and possible policy variations to consider.

The Board came to a consensus to proceed with a vote to minimize liquidation of SCERS’ investments allowing staff to pursue refinement of the option.

Motion: Upon motion by Nick Licata, seconded by Glen Lee, the Retirement Board of Administration approved the cash management approach that minimize the liquidation of SCERS’ investments, consistent with the 90 day limit for using the central cash pool.
The motion carried unanimously

Ms. Susan Coskey, SCERS Board member left the meeting at 10:50am.

Councilmember Licata asked if there was any other business to come before the Board before entering into Executive Session. There were none.

The Board of Administration entered into Executive Session at 10:50am for 10 minutes to discuss a legal matter and a Disability Retirement Application.

Executive session ended and the meeting resumed to public session at 11am.

Motion: Upon motion by Nick Licata, seconded by Sherri Crawford, the Retirement Board of Administration concurred with Mr. Mike Monaco's, Song Mondress Law Firm recommendations to have the possible beneficiaries of Mr. Scott Morgan's retirement benefits attempt to resolve their claims.
The motion carried unanimously

Motion: Upon motion by Nick Licata, seconded by Sherri Crawford, the Retirement Board of Administration denied Mr. David Lizotte's disability retirement application.
The motion carried unanimously

Adjournment

The meeting adjourned at 11:15am

Susan Coskey, Secretary



MINUTES

Board Members Present: Councilmember Nick Licata, Chair; Susan Coskey; Glen Lee; Jean Becker; Sherri Crawford; Bob Harvey

Board Members Absent: Lou Walter

SCERS Staff Present: Ken Nakatsu; Jeff Davis; Claire Foster; Tim Morrison; Tony Smith; Jill Johnson; Lisa Carns

Others Present: Mike Monaco, Song Mondress Law Firm; Carlton Seu, Seattle City Attorney's Office; Tom Kirn, FAS; George Emerson, FAS; Frankie Tsoming, Member; Ken Yaeger, Member; John McCoy, Legislative Staff

Councilmember Licata called the meeting to order at 9:05am.

Councilmember Licata asked if there was anyone present who wanted to make public comment. There was no public comment.

The Board of Administrative requested Councilmember Burgess attend the meeting in order to express their appreciation for his service as Board Chair to the Seattle City Employees' Retirement System the past two years (2012-2013).

Administrative Consent Agenda

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Provided in the Retirement Board packet was the minutes from the February 13, 2014 Retirement Board regular meeting.

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Beneficiary	\$ 918,869.80
Disability	<u>\$ 73,726.88</u>
Pension Payroll – PPE February 28, 2014	\$ 12,257,056.97
 Office Payroll – PPE February 11 and 25, 2014	 \$114,569.58
 Vouchers Processed – February 28, 2014	 \$453,671.29
*Expert and Consultant Services – \$45,552.50	
*Investment Management Fees – \$253,018.11	
*Interdepartmental Charges - \$106,924.24	
*Miscellaneous - \$30,176.44	

Immediate Withdrawals of Contributions for the month of February 2014:

Member Name	Department Name	Position
Bernstein, Darryl S (Active Death)	Seattle Center	Usher
Chin, Leroy M	FAS	Treasury Cashier
Gunter, Anthony H	FAS	Pntr
Holloway, Brian W	SDOT	Civil Engr Sr
Huang, Ted N	City Light	Student Engr
Jeffries Jr, Stephen (Active Death)	SPU	Drainage&WW Lead Wkr
Johnston, Jerry-Mac	Seattle Center	Accountant, Prin
Naten, Kimberley A	Police	Admin Staff Asst
Patel, Jason B	Police	Comm Dispatch I
Pretlow, Cecelia M	FAS	Acctg Tech II
Schlag, Mykael R	City Light	Mgmt Sys Analyst, Sr
Somera, Enrique R	HSD	Reg Nurse Consultant
Van Winkle, Robert L	SDOT	Accountant, Prin
Vatne, Katarina A	Library	Coordin Lib Assoc

Member Name	Department Name	Position
Voltin, Amy P	FAS	Animal Control Ofcr
Wills, Teresa M (Active Death)	SPU	Meter Reader

Bold entries above indicate refund payout made to beneficiary of a member dying while in active status.

Withdrawals for a total of: \$539,444.58

Ratification of Service Retirements for February:

Retiree	RetireDt	Age	Years	Days	DeptName	Position
Albertson,Ann A	1/29/2014	66	39	291	City Light	Elect Svc Rep, Supvsng
Berg,Patricia A	1/15/2014	62	7	320	City Light	Graphic Art Designer
Cofer,William	1/7/2014	64	38	221	City Light	Pwr Structs Mech CC
Cox,Charles R	1/22/2014	55	31	105	PublicUtil	Manager 2, Info Tech
Demick,Judy A	1/9/2014	70	21	271	City Light	Ofc Equip Op
Fruehling,Sandra L	1/25/2014	66	10	46	Human Svcs	Admin Support Supv - BU
Harris,Sally L	1/21/2014	62	8	10	Police	Vested
Hendrix,Linda J	1/8/2014	57	32	215	SDOT	Radio Dispatcher
Hooper,Richard C	1/3/2014	66	33	302	EXEC DEPTS	Executive 3
Hubert,Linda W	1/15/2014	62	37	315	Parks Dept	Manager 2
Israel,Gina A	1/15/2014	53	28	280	Police	Strat Advr 2
Jewell,Christopher L	1/15/2014	55	10	224	Parks Dept	Strat Advr 2
Laurance,James	1/29/2014	67	17	83	SDOT	Heavy Truck Driver
Ling,Shu Chen L	1/15/2014	58	23	77	City Light	Civil Engr Spec Asst III
McKinney,Kevin M	1/9/2014	59	22	256	Police	Parking Enf Ofcr
Miller,Suzi M	1/8/2014	67	21	1	City Light	Warehouser, Chief
Minato,Michael	1/8/2014	63	32	357	FAS	Auto Maint CC
Mitchell,James E	1/29/2014	65	6	352	City Light	Civil Engr Spec, Asst II
Murray,Cheryl A	10/30/2013	62	24	310	Sea Center	Vested
O'Day,John E	1/8/2014	65	39	279	FAS	Auto Mechanic, Sr
Paquette,Ronald W	1/29/2014	62	9	257	Parks Dept	Lead Tree Trimmer
Plumridge,Christopher N	1/3/2014	66	9	135	Library	Library Assoc I
Purainer,Emmy B	1/27/2014	66	41	17	PublicUtil	Actg Tech III -BU
Ramirez,Perlita R	1/29/2014	66	27	325	PublicUtil	Senior Accountant
Sage,Elizabeth	1/22/2014	63	10	52	VarDept	Vested
Santos,Barry M	1/3/2014	52	21	173	SDOT	Cement Finisher Sr
Sheets,John W	1/3/2014	65	41	191	Library	Librn
Sheldon,Ann C	1/15/2014	76	29	134	City Light	Admin Spec II
Walker,Carol A	1/17/2014	54	21	25	Law Dept	Paralegal Assistant II
	Average	63	24	19		
	Median	63	23	221		

For the month of February 2014: 62 new Members entered the System, 27 terminations, 28 Members retired in the System, 13 Members removed (\$16,260.37), 1 D/E Option, 2 F Option, and 10 over 60% benefit.

Councilmember Licata asked the Board if they had any questions concerning the Administrative Consent Agenda. There were none.

Motion: Upon motion by Nick Licata, seconded by Bob Harvey the Retirement Board of Administration approved the Administrative Consent Agenda.

- Minutes of the February 13, 2014, Board Meeting
- Ratification of Retirement Payroll, Office Payroll, Other Payments and Withdrawals
- Ratification of Service Retirements for the month of February 2014

The motion carried unanimously.

Investment Committee Report

The Investment Committee met on February 27, 2014 at 10:30am at the Seattle City Employees' Retirement System, 720 Third Avenue, Suite 900 (Pacific Building)

Committee members present: Lou Walter, Committee Chair; Nick Licata; Glen Lee; Jean Becker; Susan Coskey

Staff Present: Ken Nakatsu; Jeff Davis; Tony Smith; Jill Johnson; Tim Morrison; Lisa Carns

Others present: Neil Rue, PCA; John McCoy, Legislative Central Staff; George Emerson and Tom Kirn, FAS

Mr. Smith provided the Board of Administration with a recap of the Investment Committee on February 27, 2014. The items presented are outlined below:

SCERS 4Q 2013 Performance Report

The 4Q 2013 Performance Report was presented to the Investment Committee. The total portfolio has a value of \$2.221 billion as of December 31, 2013. In absolute terms, the portfolio gained 5.1% for the quarter and 15.5% for the year. Relative to the Policy Benchmark, returns were flat for the Quarter and down 50 basis points for the year. Relative to The Median Public Fund, the portfolio outperformed for the quarter and the year. The portfolio remained underweight to the policy weight target for the private equity asset but was within target policy ranges for the other asset classes.

PIMCO Pathfinder Watch List

PCA recommended that the Investment Committee place the PIMCO Pathfinder account on watch list status. The reason is due to a few key staff departures.

Investment Advisory Committee 2013 Annual Report

The Investment Committee was provided the Investment Advisory Committee 2013 Annual report. The report included the 2013 major developments and 2014 recommendations. SCERS staff responded to the Investment Advisory Committee indicating how SCERS addressed their recommendations.

Mr. Nakatsu noted that the Investment Advisory Committee's Annual Report is a state law requirement.

Investment Accounting Summary Report – January 2014

The Investment Summary for January 2014 had a market value of \$2.2 billion. The change in market values of the plan's asset classes moved in line with the markets. SCERS received net distributions from the private equity managers. The final investment for AEW was completed in January. A Heitman capital call is scheduled for 2Q 2014.

General Investment Consultant

The two finalist chosen for the Investment Committee to interview were Wilshire and NEPC. The firms presented to the Investment Committee on February 27th. Following the presentations the Investment Committee discussed both firms. The Investment Committee was in favor of NEPC contingent on SCERS staff following up on the following:

1. What service would be covered under the original fee amount quoted
2. What would Allan Martin commitment to the NEPC team
3. Is NEPC amendable to SCERS Staff having direct access to NEPC subject matter experts (research analysts, in-house actuaries, etc.)

Mr. Smith reported that the services required are covered under the original fee amount NEPC quoted, Mr. Allan Martin committed to attending at least 50% of the SCERS meetings, and staff will have access to NEPC subject matter experts.

Mr. Nakatsu further reported that the Investment Committee questioned the term of the contract and inquired about the potential to reduce from a 5 to 3 year term. Although that is possible it is recommended SCERS go with a 5 year contract with the provision to terminate contract at any time the SCERS Board of Administration may see fit.

Ms. Coskey requested that the contract also include that Mr. Martin commit to being an integral part of the consulting team as well as attending the meetings, and that he is identified as a key person in the contract.

There were discussions about the unfunded liability, ARC and expected rate of return. SCERS staff stated that the Experience Study and Actuarial Study will outline the numbers for the Board.

Motion: Upon motion by Nick Licata, seconded by Jean Becker, the Retirement Board of Administration accepted the Seattle City Employees' Retirement System 4th Quarter 2013 Performance Report as recommended by the Investment Committee. The motion carried unanimously.

Motion: Upon motion by Nick Licata, seconded by Bob Harvey, the Retirement Board of Administration approved placing PIMCO Pathfinder on Watch List status as recommended by the Investment Committee. The motion carried unanimously.

Motion: Upon motion by Nick Licata, seconded by Glen Lee, the Retirement Board of Administration accepted the Investment Advisory Committee's 2013 Annual Report. The motion carried unanimously.

Motion: Upon motion by Nick Licata, seconded by Sherri Crawford, the Retirement Board of Administration approved the selection of NEPC as the Seattle City Employees' Retirement System General Investment Consultant, and authorized the Executive Director to pursue contract negotiations. The motion carried unanimously.

Administrative Committee Report

The Administrative Committee met on February 13, 2014 at 1pm at the Seattle City Employees' Retirement System, 720 Third Avenue, Suite 900 (Pacific Building)

Committee members present: Jean Becker, Chair; Sherri Crawford

Staff Present: Ken Nakatsu; Jeff Davis; Lisa Carns

Others present: Mike Monaco, Song Mondress Law Firm

Ms. Becker reported that the Board of Administration and key staff were provided and requested to complete a performance review on Mr. Nakatsu. The Board will enter into Executive Session at the end of the meeting to review and perform the Executive Director's performance evaluation.

Executive Director Report

Mr. Nakatsu thanked Lisa Carns for her service to the Seattle City Employees' Retirement System.

Ms. Becker also thanked Lisa for supporting the Board of Administration.

Mr. Nakatsu provided the Board of Administration with an update on the Work Plan. The updated included the following:

- Mr. Bob Harvey will be reappointed to his current seat on the Board of Administration for a three year term.
- SCERS staff will present a preliminary 2015-16 Budget to the Board at the April meeting.
- The Chief Investment Officer position has been classified and is scheduled to be presented to City Council for Ordinance approval 2Q 2014. Mr. Nakatsu stated at that time they would begin recruiting for the position. The Board questioned if it was possible to obtain approval before 2nd Quarter. Mr. John McCoy, Legislative Staff stated he would look into expediting the Ordinance.
- SCERS hired a consultant to assist with the Strategic Plan Values and Goals.
- The Customer Service Management system is scheduled to be implemented in April. System testing begins the week of March 17th.
- The Asset Overlay Program began operating on March 1, 2014.
- SCERS staff's objective is to issue the Private Equity RFP posted on or before Monday, March 17th. The selected finalists will present to the Investment Committee at the May 29th meeting.

Ms. Coskey questioned the SCERS staff's Performance Evaluation timeline and recommended that SCERS management conduct the reviews before the end of April. Mr. Nakatsu stated the reason for the delay is due to other priority objectives. Mr. Nakatsu stated the performance evaluations will be completed by the end of April if not before.

New Business

The Board of Administration selects and appoints the at-large member seat for a three-year term. The seat is currently held by Mr. Bob Harvey.

Motion: Upon motion by Nick Licata, seconded by Jean Becker, the Retirement Board of Administration appointed Mr. Bob Harvey to serve on the Seattle City Employees' Retirement System Board of Administration in the at-large member seat for a 3-year term (expiring on June 30, 2016). Mr. Harvey abstained from vote. The motion passed.

SCERS Operations Report

Mr. Davis reported on the following operation items:

- SCERS staff will present baseline Budget proposals to the Board of Administration at the April Board meeting.
- The member statements will be issued the month of March.

Mr. Davis thanked Lisa Carns for her service to the Seattle City Employees' Retirement System.

Mr. Davis also thanked Mr. John McCoy for his service.

Ms. Claire Foster reported on the following IT projects:

- The implementation of CRM is on schedule. The system will enhance the management of customer service, provide visibility of the work load, and secure files. The selected staff will begin testing the week of March 17th and training for all staff will be provided mid-April.
- SCERS staff is continuing to improve the Retirement Information System. The latest enhancement focused on reporting. All changes entered in the system is now tracked which improves the security of records.
- The Pension Administration System RFP is on track as scheduled. The objective is to issue an RFP in October 2014 and have a vendor on board May 2015.

Councilmember Licata asked if there was any other business to come before the Board before entering into Executive Session. There were none.

The Board entered into Executive Session at 9:50am to discuss a personnel matter for 30 minutes.

It was announced at 9:20am that the Executive Session was extended an additional 30 minutes.

Public session resumed at 10:40am.

There were no motions.

Adjournment

Motion: Upon motion by Nick Licata, seconded by Bob Harvey, the Retirement Board of Administration voted to adjourn the meeting at 10:40am.

Susan Coskey, Secretary



MINUTES

Board members present: Councilmember Nick Licata, Chair; Robert Harvey; Glen Lee (joined at 9:10); Sherri Crawford

Board Member Absent: Susan Coskey

Board Member on conference line: Jean Becker; Lou Walter (joined at 9:07)

SCERS Staff Present: Ken Nakatsu; Jeff Davis; Clair Foster; Tim Morrison; Jill Johnson; Tony Smith; Carmen Valerio

Other Present: Member Erik Sund, Legislative Staff; Charles Primm, Local 17; Tom Kirn, FAS; George Emerson, FAS; Mike Monaco, Song Mondress Law Firm; Carlton Seu, Seattle City Attorney's Office; Frankie Tsoming; Jessica Wang, CBO

Councilmember Licata called the meeting to order at 9:01.

Councilmember Licata asked if there was anyone present who wanted to make public comment. There was no public comment.

Administrative Consent Agenda Minutes:

Provided in the Retirement Board packet was the minutes from the March 13, 2014 Retirement Board regular meeting.

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

The following items represent normal expenses and nothing extraordinary.

Service	\$11,298,319.88
Beneficiary	\$960,453.74
Disability	\$73,726.88
Pension Payroll – PPE March 2014	<u>\$12,332,500.50</u>
 Office Payroll – PPE March 11 and 25, 2014	 \$115,646.57
 Vouchers Processed – March 31, 2014	 \$421,746.90
*Expert and Consultant Services – \$ 46,184.35	
*Investment Management Fees – \$241,649.67	
*Interdepartmental Charges - \$106,181.40	
*Miscellaneous - \$27,731.48	

Immediate Withdrawals of Contributions for the month of March 2014:

Member Name	Department Name	Position
Andrews, Michael S	City Light	Accountant
Bennett, Dawn M	HSD	Counslr
Cornethan, Charles A	Parks	Rec Attendant
Davis, Anna T	Exec	Admin Support Asst
Eller II, Jesse R	HSD	Exec 1
Fugere, Tyler J	City Light	Material Supplier
Hamilton, Michael K	DoIT	Strat Advsr 3
Hokama, Cheryl Y	Seattle Center	Pntr
Housman, Frederick W	SDOT	Strat Advsr 2
La Vergne, David C	City Light	Comms Elctn II
Leslie, Alexander T	Parks	Life Guard
Liu, Chuan Fen	Library	Library Assoc I

Mills, Andrea L	City Light	Park Ranger
Modde, Morgan D	HSD	Social Svcs Aide
Raup, Ethan L	Exec	Exec 3
Thorberg, Eric E	SPU	Wtr Qual Engr Sr
Woldeyesus, Genet M	Parks	Prgm Aide

Bold entries above indicate refund payout made to beneficiary of a member dying while in active status.

Withdrawals for a total of: \$361,493.93

c. Ratification of Service Retirements

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

Retiree	RetireDt	Age	Years	Days	DeptName	Position
Brucker,Jan E	2/25/2014	65	5	273	Personnel	Vested
Costello,Richard A	2/26/2014	65	8	36	Parks Dept	Maint Laborer
Davison,Shena D	2/8/2014	52	22	197	SDOT	Vested
Dobrovolny,Peter	2/13/2014	71	13	191	EXEC DEPTS	Sr Planning & Dev Spec
Gervelis,Gary M	2/12/2014	62	11	245	PublicUtil	Manager 2
Herrick,John R	2/4/2014	67	26	50	PublicUtil	Solid Wst Supvr
Johnson,Gary L	2/7/2014	64	29	97	City Light	Hydro Maint Machinist
Laranang,Julia M	2/12/2014	63	29	90	Sea Center	Mgmt Sys Analyst
Lovrovich,Sharon A	2/12/2014	64	39	191	Muni Court	Manager 2
Miller,Sarah L	2/22/2014	55	27	108	PublicUtil	Executive 2
Okamoto,John D	2/4/2014	60	18	234.01	EXEC DEPTS	Vested
Palmer,Nancy C	2/5/2014	64	32	218	PublicUtil	Mgmt Sys Anlyst Sr
Petrie,Lynda E	2/1/2014	64	6	184	Human Svcs	Case Manager
Pinegar,Charlotte A	2/5/2014	62	5	53	Human Svcs	Vested
Renner,Peter J	2/26/2014	60	30	332	City Light	Strat Advr 3
Rippee,Denise E	2/14/2014	61	11	196	Personnel	Vested
Shaw,Sue S	2/5/2014	63	5	155	FAS	Accounting Tech II
Skelton,John D	2/4/2014	61	31	323	DPD	Manager 3
Steele,Patricia A	2/5/2014	62	12	299	City Light	Senior Cap Proj Coord
Stoops,Kevin B	2/19/2014	58	37	19	Parks Dept	Executive 2
Tarcea,Robert T	2/7/2014	62	13	22	Parks Dept	Vested
Venrick,Stephanie A	2/12/2014	64	20	31	InfoTech	Executive 2
Walsh,Marilyn E	2/12/2014	66	15	27	Police	Strat Advr II
Zantek,John	2/14/2014	62	5	127	Police	Vested
						Total Added to Monthly Pension Payroll
	Average	62	19			Average Pension Amount
	Median		17			Median Pension Amount



For the month of March 2014: 65 new Members entered the System, 26 terminations, 24 Members retired in the System, 15 Members removed (\$29,164.52), 1 D/E Option, 3 F Option, and 4 over 60% benefit.

Councilmember Nick Licata asked the Board if they had any questions concerning the Administrative Consent Agenda. There were none.

The draft March minutes were revised.

Motion: Upon motion by Bob Harvey, seconded by Sherri Crawford the Retirement Board of Administration approved the Administrative Consent Agenda.

- Minutes of March 13, 2014 Board Meeting as amended.
- Ratification of Retired Payroll, Office Payroll, Other Payments and Withdrawals.
- Ratification of Service Retirements for the month of March 2014.

The motion carried unanimously.

Investment Accounting Summary Report – February 2014

Mr. Nakatsu mentioned overlay made \$200,000 in the month of March.

1. Investment Accounting Summary Report (Staff) – February 2014

- As of February 28, 2014, the Total Portfolio had a market value slightly greater than \$2.2 billion. The change in market values of the plan's asset classes generally moved in line with the markets.
- The Plan change in market value was -1.8% for January and +3.08 in February, bringing the year-to-date to +1.25%. The funded ratio was 70.45% as of the end of February.
- We received net distributions of approximately \$496K from the private-equity managers. Net distributions from the private real estate managers were approximately \$147K and net distributions of \$243K from the work-out portfolio, of which \$227K was from the JP Morgan Alternative Property Fund.

2. Administrative Committee Report (Jean Becker)

The Administrative Committee met on March 13, 2014 at 1:00 p. m. at the Seattle City Employees' Retirement System,

720 Third Avenue, Suite 900 (Pacific Building)

Committee members present: Jean Becker, Chair

Staff Present: Jeff Davis; Sherri Crawford; Tim Morrison; Lisa Carns

Others present: Mike Monaco, Song Mondress Law Firm; Carlton Seu, Seattle City Attorney's Office

Ms. Becker reported that Committee reviewed the Final Average Salary & Service Credit Calculations report.

The Board will enter into Executive Session at the end of the meeting to review the report.

3. Executive Director Report (Ken Nakatsu)

Mr. Nakatsu provided the Board of Administration with an update on the SCERS Work plan.

- Mr. Davis said that Nick Collier from Milliman will be at the April 24 Investment Committee meeting to discuss the investment return and economic assumptions in the Experience study. Jennifer Sorensen Senta will cover final report at the May 8 Board meeting.
- The Board developed the Vision and Mission Values statements for the strategic plan. Staff is all participating in the development of Goals and Strategies. We will wrap up these steps on Friday, April 11. The Retirement Board Focuses on investments but most staff is involved in day-to-day operations. Mr. Nakatsu reported that we will have staff attend a future Board meeting to review our organizational development efforts.
- The SMC cleanup project is proceeding but schedule may slip due to the times it takes to prepare legislation for Council.
- On the agenda for the May 29 Investment Committee meeting will be the 1st quarter performance report and the selection of an Investment Advisor for private equity. The private equity proposals are due tomorrow, Friday, April 11 at 5:00 p.m.
- Employee Performance Evaluations have all been completed.

- The Executive Director and NEPC signed the contract for the general investment consultant.

4. SCERS Operations/Finance

Mr. Davis reported on SCERS' preliminary 2015/2016 budget:

- SCERS ended 2013 with only \$0.5 million in budget authority remaining. Since the 2014 budget is less than the 2013 budget, expenses will be monitored closely to ensure they do not exceed budget authority.
- The 2015-16 budget process starts with a baseline budget which includes technical and inflationary adjustments. The SCERS baseline budget includes updates to actual pay rates of current positions and a re-allocation of an Accounting Tech I to an Accountant. Two other re-allocations, one Assistant Retirement Specialist to a Strategic Advisor II and one Accounting Tech I to an Executive III, will be broken out as a budget issue paper.
- A second budget issue paper addresses the costs related to the new Pension Administration System previously approved by the Board. The costs for 2015 and 2016 have been increased from the amounts presented to the Board last year to cover additional quality assurance costs. Councilmember Nick Licata asked if we were submitting revision to the 2014 budget. Mr. Davis explained there would be no revisions to the 2014 budget.
- The third budget issue paper relates to what is budgeted for investment manager fees. The amount of additional budget authority needed is based on current investment holdings, existing fee schedules, and a 25% growth assumption to cover the next two years. Budget issue papers are due in to the City Budget Office on May 16.
- Board member Bob Harvey asked what happens if we exceed our budget. Mr. Davis mentioned we could propose more money to the budget but would need an ordinance.
- Board member Bob Harvey asked about the Retirement Office location and the cost associated with leasing space the Pacific Building. Mr. Davis responded that space in the Seattle Municipal is being considered as a possible new location for the Retirement Office.

Ms. Claire Foster reported on the following IT projects:

- CRM will go live at the end of this month. Staff training is scheduled for April 23 and 24. Ms. Foster thanked FAS for doing a fantastic job. SCERS plans to communicate to members on how their experience will differ when they call in with a request.
- Requirements development continues for the new Pension Administration System. Staff is working to finalize the project schedule.
- Linea Solutions has begun the Business Process Redesign work for buy backs and death processing. Board Member Glen Lee asked if we are reorganizing all of the business processes. Ms. Foster mentioned we are focusing on the top 9 priority processes and that the degree of process changes will depend on Linea Solutions' findings. The types of recommended changes that could result from the BPR activity was discussed.

5. New Business

Mr. Ken Nakatsu introduced the SMC proposed revisions. Mr. Nakatsu mentioned that the code contains out dated language and is difficult to read and contains obsolete provisions. The cleanup and consolidation provides non-substantive changes; just a cleaner and easier to read code.

- Mr. Morrison reported that the SMC proposed revisions were reviewed at the March 13 Administration Committee meeting and will draft legislation if the board approves the revisions.
- Board member Bob Harvey asked about fiscal impacts. Mr. Nakatsu reported there are none for these code changes.

Motion: Upon motion by Nick Licata, seconded by Bob Harvey, the Retirement Board of Administration approves submitting amendments to clarify SMC 4.36, City Employees' Retirement System.
The motion carried unanimously.

Councilmember Nick Licata asked if there was any other business to come before the Board before entering into Executive Session. There were none.

6. Executive Session

The Board entered into Executive Session at 9:33a.m. to discuss a labor relations matter for 45 minutes or shorter.



Executive Session ended at 10:18a.m.

Public session resumed at 10:20a.m.

Councilmember Nick Licata opened discuss for a motion.

- Board member Lou Walter asked if the recommendations that go to labor come back to the Board for final say. Mr. Davis said the Board will receive a final draft of the ordinance.

Motion: Upon motion by Nick Licata, seconded by Bob Harvey, the Retirement Board of Administration approves the Final Average Salary & Service Calculation methods.
The motion carried unanimously.

7. Adjournment: at 10:22

Motion: Upon motion by Nick Licata seconded by Glen Lee, the Retirement Board of Administration votes to adjourn the meeting.
The motion carried unanimously.

The next Board of Administration meeting
is scheduled for
Thursday, May 8, 2014 at 9am



MINUTES

Board Members Present: Councilmember Nick Licata, Chair; Lou Walter (joined meeting at 9:10am by conference call); Robert Harvey; Susan Coskey; Glen Lee (joined the meeting at 9:10am); Sherri Crawford

Board Members Absent: Jean Becker

SCERS Staff Present: Ken Nakatsu; Jeff Davis; Claire Foster; Tim Morrison

Others Present: Mike Monaco, Song Mondress Law Firm; Carlton Seu, Seattle City Attorney's Office; Tom Kirn, FAS; George Emerson, FAS; Erik Sund, Council Central Staff; Cynthia Scheiderer, SCERS Consultant

Councilmember Nick Licata called the meeting to order at 9:04am.

Public Comment:

No public comment.

Administrative Consent Agenda

Minutes:

Provided in the Retirement Board packet was the minutes from the April 10, 2014 Retirement Board regular meeting.

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

Service	\$11,427,103.85
Beneficiary	\$926,614.33
Disability	\$73,048.39
Pension Payroll – PPE April 2014	\$12,426,766.57
 Office Payroll – PPE April 8 and 22, 2014	 \$110,076.50
 Vouchers Processed –April 30, 2014	 \$301,109.18
*Expert and Consultant Services – \$ 143,577.33	
*Investment Management Fees – \$26,855.00	
*Interdepartmental Charges - \$103,322.75	
*Miscellaneous - \$27,354.10	

Immediate Withdrawals of Contributions for the month of April 2014:

Member Name	Department Name	Position
Allen, Michaela I	City Light	Personnel Spec.Asst
Barnes, Andrew P	SPU	Util Act Rep Trne
Brazeau, Leslie E	City Light	Manager 2
Chappell, Paul J	Parks	Rec Attendant
DosSantos, Andrea L	Parks	Public Edu Prgm Supv
Gogola, Marta I	Muni Court	Court Clerk
Gu,Yi	SDOT	Student Engr Intern
Jackson, Camlin L	Parks	Rec Attendant
Jeffrey, Stefani R	City Light	Equal Emp Coord
Jenkins, Justin J	Dolt	Info Tech Prof C
Kelsey, Tonya C	Muni Court	Prob Counslr I
Kettel, Aaron B	City Light	Lnwkr
Kim, Jerome J	SDOT	Fin Anlyst Sr
Kroll, Charles R	Parks	Lifeguard, Sr
Landsdaal, Peter N	Parks	Lifeguard, Sr
Lau, Beverly L	Seattle Center	Usher

Immediate Withdrawals (continued)

Member Name	Department Name	Position
Malone, Stephen M	Seattle Center	Sound Op
Secrest, Paul J	Library	Library Assoc II
Sydnese, Troy E	City Light	Strucl Pntr
Wallace, John C	SPU	Util Act Rep Trne
Weissman, Jesse D	DoIT	Manager 2

Bold entries above indicate refund payout made to beneficiary of a member dying while in active status.

Withdrawals for a total of: \$476,318.48

Ratification of Service Retirements for April 2014:

Retiree	RetireDt	Age	Years	Days	DeptName	Position
Baker, Donald M	3/4/2014	58	13	349	FAS	Vested
Barber, David L	3/26/2014	69	40	11	City Light	Manager 2
Bartleson, Peggy R	4/9/2014	57	28	80	Parks Dept	Assoc Civil Engr Spec
Behar, David S	4/1/2014	57	9	206	City Light	Vested
Bernstein, Margaret K	4/3/2014	62	9	57	Parks Dept	Vested
Bohlman, Alice L	4/1/2014	66	17	119	Human Svcs	Vested
Braxton, Robert W	4/2/2014	68	29	162	Muni Court	Admin Spec II
Burk, Sharon R	3/26/2014	69	24	215	Police	Dispatch Supvr
Buskirk, Kenneth L	3/5/2014	62	32	315	PublicUtil	Equip Maint CC
Cetinkaya, Nancy J	4/2/2014	64	26	308	Muni Court	Admin Spec II
Chan, Paul Wah B	3/4/2014	65	4	19	FAS	Vested
Chavez, Theodore D	4/9/2014	66	32	352	Police	Manager 2
Claxton, Addison M	4/2/2014	57	27	194	PublicUtil	IT Prof B
Dokes, Annette L	3/6/2014	54	30	343	City Light	Manager 3
Donnelly, Sheila B	4/9/2014	60	9	127	FAS	Carpenter
Frazier, Betty J	4/2/2014	66	36	118	Police	Admin Spec II -BU
Harris, Peter K	3/12/2014	65	29	60	LegCtyCncl	Legist Strat Advr
Hassinger, Virginia E	3/4/2014	58	29	342	Parks Dept	Sr Capital Proj Coord
Hogan, Janet G	4/9/2014	63	25	116	Library	Librarian
Holloway, Lloyd E	3/3/2014	57	18	169	FAS	Vested
Hume, Judith A	4/9/2014	59	15	236	City Light	Vested
Johnson, Larry D	4/4/2014	64	13	300	City Light	Senior Personnel Specialist
Justad, Alan J	4/2/2014	66	31	51	DPD	Exec 3
Knechtel, Steven B	4/2/2014	66	15	337	Sea Center	Security Officer
Kongaika, Alisi A	4/2/2014	62	17	230	SDOT	Constr & Maint Equip Op
Lush, Janis K	4/5/2014	62	20	62	City Light	Strat Advr II
Maehara, Gary A	4/4/2014	62	5	266	City Light	Vested

Ratification of Service Retirements (continued)

Retiree	RetireDt	Age	Years	Days	DeptName	Position
Manning, Armie L	4/9/2014	62	6	267	FAS	Customer Service Rep
McCready, Phillip K	4/9/2014	58	23	259	DPD	Info Tech Prof A
Mellinger, Edward H	4/9/2014	63	16	103	Parks Dept	Admin Spec I -BU
Nucum, Miriam P	4/9/2014	59	30	135	FAS	Info Tech Prof B -BU
Oakes, George W	4/3/2014	54	26	192	City Light	Elect Power Sys Engr
O'Connor, John M	4/8/2014	63	13	125	Library	Public Service Tech
Olson, John E	4/9/2014	58	32	122	SDOT	Constr & Maint Equipmt Op
Ortiz, William P	4/9/2014	62	20	232	FAS	Plumber
Owens, Gary W	3/4/2014	69	24	179	NeighbDept	Plng&Dev Spec II
Page, Phillip L	4/4/2014	57	10	253	Human Svcs	Vested
Pettis, Tim L	3/6/2014	60	26	230	City Light	Power Struct Mech Crew Chief
Picken, Melissa J	4/3/2014	54	36	312	City Light	Supvr Elect Svr Rep
Plank, Darrell M	3/4/2014	65	17	149	City Light	Line CC
Ramsey, Charlotte M	4/9/2014	62	9	99	Muni Court	Admin Spec II
Raynes, Loren R	4/9/2014	59	30	102	SDOT	Manager 2
Scott, Anne M	4/9/2014	64	21	141	InfoTech	Info Tech Prof B
Sinner, Robin L	3/6/2014	52	24	228	Police	Vested
Stevenson, Joseph E	3/12/2014	61	23	102	SDOT	Truck Driver
Stotler, Randall L	4/3/2014	54	33	102	City Light	Line C CC
Takeuchi, Terrance B	3/12/2014	58	31	205	City Light	Asst Energy Mgmt Anlyst
Thomas, Jesse W	4/2/2014	63	28	33	Parks Dept	Maint Laborer
Valerio, Maria C	3/26/2014	58	30	217	InfoTech	Senior Exec Asst
Walek, Heather	3/7/2014	60	17	271	Parks Dept	Vested
Ware, Alice M	3/12/2014	59	35	21	Parks Dept	Rec Center Coordinator
Weiland, Lila I	4/9/2014	60	30	267	City Light	Util Manager I
Welton, Nancy R	3/4/2014	62	8	246	VarDept	Vested
Williams, Daniel H	3/3/2014	65	5	342	City Light	Vested
Wong, Tony H	4/5/2014	56	32	95	FAS	Acct Tech II -BU
Wright, Tanafriti	3/5/2014	75	14	5	PublicUtil	Admin Spec I -BU
Young, Bruce C	4/4/2014	64	33	204	City Light	Mat Supp Elect
	Average	62	22			
	Median	62	24			

For the month of April 2014: 63 new Members entered the System, 37 terminations, 57 Members retired in the System, 16 Members removed (\$21,851.43), 1 D/E Option, 4 F Option, and 8 over 60% benefit (in bold).

Mr. Nakatsu reported there was nothing out of the ordinary to report on the ratification of retirement payroll, office payroll and or other payments and withdrawals.

Motion: Upon motion by Bob Harvey, seconded by Sherri Crawford the Retirement Board of Administration approved the Administrative Consent Agenda.

- Minutes of the April 10, 2014, Board Meeting
- Ratification of Retirement Payroll, Office Payroll, Other Payments and Withdrawals
- Ratification of Service Retirements for the month of April 2014

The motion carried unanimously.

Investment Accounting Summary Report – March 2014

Mr. Ken Nakatsu gave a brief overview of the Investment Accounting Summary for March 2014. The changes in the market value of asset classes were in line with the movements of the financial markets for the month. The change in fund value in March was 0.39%, and the year-to-date change through March was 1.64%. The total portfolio had a market value of \$2.253 billion. The funding ratio is estimated at 69.85%. Mr. Nakatsu pointed out that in its second month, the returns from the asset overlay service exceeded \$300,000.

Board Election

Lou Walter was the sole nomination for the Retirement System Board of Administration position to be occupied by a retired member. Mr. Carlton Seu explained that a notice was posted to the SCERS web site, stating the board's intention to waive the election and appoint Mr. Walter to the position.

Motion: Upon motion by Councilmember Nick Licata, seconded by Bob Harvey the Retirement Board of Administration waives the scheduled board election and seats Lou Walter as a member of the Board for the term July 1, 2014 – June 30, 2017.

The motion carried unanimously (Lou Walter abstaining).

Experience Study

Jennifer Senta from Milliman, SCERS' pension actuary, presented the results of Milliman's 2010 - 2013 Experience Study. The study uses data from the previous four years to make recommendations for updated assumptions that will be used in the upcoming actuarial valuation. There are two categories of assumptions: demographic assumptions about member behavior such as salary increases, retirement rates and member mortality; and economic assumptions concerning inflation, real wage growth, long-term investment returns, membership growth and member account credit interest rate.

Milliman's complete report was distributed at the meeting. It has been posted to the SCERS web site, and can be accessed from the page:

http://www.seattle.gov/retirement/Actuarial_Reports.htm

The study found several areas where recent experience indicates that assumptions should be changed relative to what was recommended in the last experience study, which covered 2007-2010. Recommended assumption changes that would have a material impact on the valuation include:

- A lower investment return - recommend lowering from 7.75% to 7.5%
- Lower price and wage inflation - recommend lowering from 3.5% to 3.25%
- Lower active membership growth - recommend lowering from 1.0% to 0.0%
- Increase life expectancies for healthy males - recommend changing the setback from 1 year to 2 years

The combined impact of the recommended changes on the total contribution required to amortize the system's unfunded actuarial accrued liability is an estimated increase from 25.54% to 26.90%. This estimate is based on underlying data from the January 1, 2013 valuation. This should provide a reasonable estimate, but does not account for changes such as the fund's actual rate of return in 2013.

Mr. Harvey asked whether the experience study accounted for the City's recent adoption of the \$15 per hour minimum wage for all City employees. Ms. Senta replied that the new minimum is not anticipated in the current study, and that any increases in wages resulting from the change would be recognized as they appear in the actual wages. This could be accounted for as early as the first valuation after the changes have been implemented.

Councilmember Licata asked about the "two times match" method for calculating the basic pension benefit. Mr. Nakatsu replied that SCERS practice in the late 90's was to provide the higher of the formula benefit (based on years of service and final salary) and the two times match benefit (based on the annuity that can be purchased with the employee's accumulated contributions matched by the City). This practice was codified in the early 2000s. Mr. Lee added that the

impact on the fund was predicted to be minimal at the time the code was changed, but since that time it has become significant, particularly because of higher contribution rates. Ms. Senta stated that an increased life expectancy assumption and a decrease in the assumed rate of investment return will both reduce the liability from two times match pensions.

Mr. Harvey asked about the change in the inflation and investment return assumptions. Ms. Senta responded that the All Urban Consumers Price Index (CPI-U) is the main indicator of inflation used in evaluating the assumption. The recommended decrease in the inflation assumption of 0.25% reflects a downward trend in the CPI-U spanning many years. The investment return assumption is made up of two additive “building blocks”: inflation and “real return”, i.e. the excess of actual investment returns over inflation. Because of the building block approach, the decrease in the inflation assumption results in a 0.25% decrease in the investment return assumption. The real return component of the investment return assumption is unchanged.

Ms. Senta explained that the recommended membership growth rate of 0.0% represents standard actuarial practice to not pre-account for expected growth. Under this approach, growth in the member population is recognized as it happens, but is not anticipated. Mr. Glen Lee stated that, unlike cities like Pittsburgh and Detroit with stable or declining citizen populations, it is generally accepted that Seattle’s near and long-term outlook calls for population and commercial growth, and a more populous City will require a larger City work force to provide services. Mr. Lee said he respectfully disagrees with the actuarial practice of not anticipating growth in the assumptions.

Mr. Tom Kirn and Mr. George Emerson of the City’s Finance and Administrative Services (FAS) Department presented their research on payroll growth and long-run investment returns. Mr. Kirn noted that Seattle population and total city covered payroll have been highly correlated to SCERS membership growth over the past 20 years. According to forecasts from the Puget Sound Regional Council (PSRC) both population and covered payroll are expected to continue to grow at rates similar to the 20 year historical rates. Mr. Kirn also noted that over the past 30 years membership growth has been 0.8%, and inflation – as measured by the CPI-U – has been 2.9%. Mr. Kirn stated that a group consisting of FAS staff, Council central staff and SCERS staff reviewed this data and agreed that an recommended a growth rate of 0.5% and a real wage growth rate of 0.75% as an alternative to the recommendations in the Milliman study.

[at 10:25 AM, Board Member Susan Coskey left the meeting]

Mr. Emerson explained another staff recommended alternative to the Milliman recommendation: reducing the inflation assumption to 3.0% and increasing the real investment return assumption to 4.5%. This would maintain the assumed investment return rate at 7.5% and reflect an inflation assumption that is more in line with thirty year experience. Mr. Emerson stated that an investment return assumption of 7.5% would be equal to or less than the assumed return rate for other pension systems including CAPERS (7.5%), WA DRS (7.9%) and Spokane (7.5%).

Ms. Senta stated Milliman would be comfortable with a 0.5% membership growth rate and that this was included as an alternative assumption in the experience study. Ms. Senta pointed out that both Milliman and NEPC, SCERS investment consultant, have recommended an inflation rate of 3.25% and a real return rate of 4.25%. Milliman’s report does include an alternative option with an inflation rate of 3.0%, but under this recommendation the real return rate would not be increased.

Mr. Nakatsu suggested that the Board consider the Milliman/NEPC recommendation for inflation and real return, and the staff recommendation for membership and real wage growth. The different assumption scenarios are summarized in the table below.

Investment, Inflation and Wage Assumption Alternatives

	Inflation	Real Investment Return	Total Investment Return	Membership Growth	Real Wage Growth	Estimated Required Contribution Rate
Milliman	3.25%	4.25%	7.5%	0.0%	0.50%	26.90%
Staff	3.00%	4.00%	7.5%	0.5%	0.75%	26.01%
Proposed	3.25%	4.25%	7.5%	0.5%	0.75%	26.21%

Motion: Upon motion by Nick Licata, seconded by Bob Harvey, the Retirement Board of Administration accepted the assumption recommendations in Milliman’s 2010 – 2013

Investigation of Experience, with the following modifications: the real wage growth assumption is changed to 0.75% and the membership growth assumption is changed to 0.5%. The motion carried unanimously

Executive Director Report

Mr. Nakatsu referred the Board to the updated SCERS work plan in their meeting packet.

Mr. Nakatsu stated that the process for selecting a private equity investment manager is nearing its conclusion and presentations by the finalists will be made at the Investment Committee meeting on May 29. To make enough time for the presentations, Committee deliberations, and other committee business, and to accommodate members' schedules, the meeting time has been changed to 9:00am to 1:00 pm. Lunch will be provided. Members of the SCERS Investment Advisory Committee have been invited to attend.

Mr. Nakatsu called the Board's attention to a memo written by member Greg Hill titled "Reconciling the Retirement System's Fiduciary Responsibilities with the City's Commitment to 'Democracy, Equality, and Justice'". In the memo, Mr. Hill refers to the Board's Environmental, Social and Governance (ESG) policy and requests that the portion of the fund currently allocated to private equity be shifted to small cap index funds or ETFs. Mr. Nakatsu suggested that the Board refer the memo to the Investment Committee for consideration on May 29 and ask SCERS' investment consultant, NEPC, to submit a review of Mr. Hill's request to the Investment Committee, as allowed by the ESG policy.

Motion: Upon motion by Nick Licata, seconded by Glen Lee, the Retirement Board of Administration refers Greg Hill's memo to the Investment Committee.
The motion carried unanimously

The committee will consider the memo at its May 29 meeting.

The Board of Administration entered into Executive Session at 10:50am for 10 minutes to discuss a Disability Retirement Application. Executive session ended and the meeting resumed to public session at 10:55 am.

Motion: Upon motion by Glen Lee, seconded by Bob Harvey, the Retirement Board of Administration denied Mr. David Lizotte's temporary disability retirement application.
The motion carried unanimously (Nick Licata abstaining)

Adjournment

The meeting adjourned at 11:10am.

Susan Coskey, Secretary



Seattle City Employees' Retirement System
Board of Administration Meeting
 Thursday, July 10, 2014 @ 9:00 a.m.
 720 Third Avenue, 9th Floor (Pacific Building)
 (206) 386-1293

MINUTES

Board Members Present: Chair Nick Licata, Lou Walter, Robert Harvey, Glen Lee, Sherri Crawford, Jean Becker, Susan Coskey (9:04 a.m.)

SCERS Staff Present: Ken Nakatsu, Jeff Davis, Tony Smith, Jill Johnson, Claire Foster, Tim Morrison, Carmen Valerio

Others Present: Gavin Park, Song Mondress Law Firm; Carl Seu, Seattle City Attorney's Office; Tom Kirn, FAS, Florence Katz; City Personnel, Erik Sund, Legislative; Jennifer Senta, Milliman, Nick Collier, Milliman, Charles Primm Local 17

Call to Order Chair Nick Licata called the meeting to order at 9:00 a.m.

Public Comment: The Seattle City Employees' Retirement System Board of Administration welcomes comments from the public at regular meetings. Each speaker is limited to two (2) minutes total speaking time, regardless of the number of items of he/she wishes to address.

Public Comment:
No public comment.

Administrative Consent Agenda

Minutes:
Provided in the Retirement Board packet was the minutes from the June 12, 2014 Retirement Board regular meeting. The following items represent normal expenses and nothing extraordinary.

Motion: Upon motion by Councilmember Nick Licata, seconded by Jean Becker, the Board of Administration accepts the Administrative Consent Agenda. The motion carried unanimously (6-0).

Call to Order

1. **Administrative Consent Agenda**
 - a. Minutes
 - b. Ratification of Retired Payroll, Office Payroll, Other Payments and Withdrawals:

The following items represent normal expenses and nothing extraordinary.

Service	\$11,474,319.63
Beneficiary	\$918,246.29
Disability	\$73,048.39
Pension Payroll – PPE June 2014	\$12,466,214.31
 Office Payroll – PPE June 3 and June 17, 2014	 \$111,923.52
 Vouchers Processed –June 30, 2014	
*Expert and Consultant Services – \$29,675.40	
*Investment Management Fees – \$454,392.77	
*Interdepartmental Charges - \$106,179.06	
*Miscellaneous - \$26,864.59	

Seattle City Employees' Retirement System
Board of Administration Meeting
Thursday, July 12, 2014 @ 9:00 a.m.
720 Third Avenue, 9th Floor (Pacific Building)
(206) 386-1293

Immediate Withdrawals of Contributions for the month of June 2014:

Member Name	Department Name	Position
Blank, Scott D	City Light	Lnwkr
Canono, Patrick	Library	Lib Assoc II
Corum, Marcia A	City Light	Admin Spec II
Cwinar, Julie T	Law	City Attorney Asst
Daugherty, Glenn L	Seattle Center	Stage Tech
Dequoy Jr, Bruce E	Seattle Center	Stage Tech
Edlefsen, Carol L	Library	Librn
Galarpe, Bill S	Muni Court	Marshal
Hoover, Laura S	Personnel	Admin Spec I
Ledet, Suzette M	Library	Lib Assoc IV
Leevey, Darlene M	DoIT	Computer Op, Sr
Lynch, Brian P	SPU	Wte Pipe Wkr
Morgan, Scott N	City Light	Line C CC
Phillips, Jessie M	Police	Strat Advr 2
Rochon, Anne M	HSD	Counslr
Rutter, Thomas H	HSD	Prgm Supv Sr
Seeber-Reynolds, Rhea V	FAS	Personnel Spec Sr
Stamboulieh, Latif N	Seattle Center	Usher
Sterkel, Meagan L	Library	Mats Distib Spec
Zherebchuk, Surge	FAS	Animal Ctrl Offcr II

Bold entries above indicate refund payout made to beneficiary of a member dying while in active status.

Withdrawals for a total of: \$801,476.98

c. Ratification of Service Retirements

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

Retiree	RetireDt	Age	Years	Days	DeptName	Position
Anderson, Wayne L	6/2/2014	53	30	235	SDOT	Truck Driver
Bryant, Sally J	5/15/2014	55	26	364	Police	Parking Enforcement Offcr
Callahan, Ellen L	5/21/2014	60	6	9	Vested	Vested
Chapa, Omar	6/3/2014	65	6	301	PublicUtil	Personnel Spec, Sr
Frith, Richard S.	6/4/2014	63	21	62	Parks	Sr Real Property Agent
Harwood, John R	6/4/2014	63	30	363	PublicUtil	Sr Constr & Maint Equip Op
Hill, Melissa J	6/4/2014	65	27	337	PublicUtil	Sr. Civil Engrng Specialist
Humber, Linda	6/4/2014	66	17	153	PublicUtil	Admin Staff Asst
Kirlin, Vincent J	6/2/2014	61	23	223	FAS	Bldg Operating Engr
Kuper, Janice K	5/9/2014	62	8	342	Vested	Vested
Lau, Jeany I	6/4/2014	60	29	32	PublicUtil	Strat Advr I
Long, Cheryl R	6/4/2014	63	22	317	FAS	IT Prof C
Mills, Lynn C	6/4/2014	63	13	236	City Light	Manager 3
Puente, Jessica	6/2/2014	68	24	76	Vested	Vested
Rackowski, Paula S.	6/4/2014	57	27	97	FAS	Admin Spec I
Remme, Lanny J	6/4/2014	67	6	207	Muni Court	Admin Spec II
Rolstad, Jerry E	6/4/2014	66	42	225	SDOT	Constr & Maint Equip Op
Safford, June E	6/4/2014	52	20	328	PublicUtil	Util Acct Rep I
Sarsfield, Craig R	5/24/2014	62	5	129	Vested	Vested

Seattle City Employees' Retirement System
Board of Administration Meeting
Thursday, July 12, 2014 @ 9:00 a.m.
720 Third Avenue, 9th Floor (Pacific Building)
(206) 386-1293

Taylor-Dupont, Gail N.	6/4/2014	66	20	266	Light	Accounting Tech II
Thies, Gregory J	6/3/2014	64	16	210	Vested	VESTED
Troyer-Merkel, Marian	6/3/2014	65	28	178	Police	Manager 3
Wegzyn, Susanna A	6/4/2014	64	31	205	City Light	Admin Spec II
	Average	62	21	218		
	Median	63	22	224		

For the month of June 2014: 47 new Members entered the System, 22 terminations, 23 Members retired in the System, 11 Members removed (\$15,613.01), 0 D/E Option, 2 F Option, and 0 over 60% benefit.

Final Audit Report – CliftonLarsonAllen

Mr. Davis presented in lieu of Mr. Thomas Ray. Mr. Davis reminded the Board of Mr. Thomas' presentation at the June 12th meeting of the analysis of SCER's financial performance during the years December 31, 2012 and December 31, 2013. Mr. Davis reported a procedure will be established for monthly and mid-year reporting. Mr. Lee acknowledged that it is a problem completing the annual report and thanked Mr. Nakatsu and Mr. Davis for their work. Mr. Davis mentioned that the new procedure will involve more work on a monthly basis but will save time at the end of the year.

Motion: Upon motion of Councilmember Licata, seconded by Jean Becker, the Board of Administration accepts the 2013 Year-End Audited Financial Statements as presented by SCERS Staff and CliftonLarsonAllen, LLP. The motion carried unanimously (7-0).

Valuation Study – Milliman

Jennifer Senta and Nick Collier with Milliman presented the January 1, 2014 Actuarial Valuation study. The fund ratio increased from 63.5% in 2013 to 64.2% in 2014. The ARC for January 1, 2014 is 25.76% compared to 24.34% January 1, 2013. Unfunded actuarial accrual liability January 1, 2014 increased to \$1,165.8M compared to \$1,105.2M in January 1, 2013. Active membership increased by 1.6%. Ms. Senta mentioned the funding ratio on January 1, 2014 on a "market to market" basis was 68%.

Motion: Upon motion of Lou Walter, seconded by Bob Harvey, the Board of Administration accepts the January 1, 2014 Actuarial Valuation Report as presented by Milliman. The motion carried unanimously (7-0).

Credit Interest – (SCERS' Staff)

Staff presented a memo that included the recommendation that the Board set the 2015 interest rate for contributions received after December 31, 2011 according to the method used for the last two years; making the rate equal to the average yield on 30-year U.S. Treasury Bonds during the mostly recently preceding June 1 to May 31 period. Following this practice would result in a rate of 3.66% in 2015, up from a rate of 2.91% in 2014. The memo pointed out that the Board's 2011 credit interest policy established a "policy target" for the rate of the Treasury Bond rate plus 0.25%. The policy target was met in 2012, but not in 2013 and 2014 when the Treasury Bond rate without the 0.25% increment was used. Board members raised question about this difference. The decision about the 2015 rate was deferred until the August meeting, at which time the Board requests that it be provided with:

- Information about credit interest practices at peer person systems;
- The history of the union position on the policy as adopted in 2011 and executed in 2012 and 2013; and
- A recommendation for a rationale for setting the rate that can be consistently applied from year to year.

Investment Committee Report (Tony Smith)

Investment Accounting Summary Report – May 2014

- a. As of May 31, 2014, the Total Portfolio had a market value slightly more than \$2.3 billion. The change in market values of the plan's asset classes generally moved in line with the markets.

Seattle City Employees' Retirement System
Board of Administration Meeting
Thursday, July 12, 2014 @ 9:00 a.m.
720 Third Avenue, 9th Floor (Pacific Building)
(206) 386-1293

- b. The Portfolio's change in market value rose 1.9% in May and 4.2% year-to-date. The funded ratio was approximately 71% as of the end of May.
- c. We received net distributions of approximately \$908k from the private-equity managers. This includes a capital call from Harborvest of \$337,500. Distributions from real estate totaled approx. \$408k.
- d. The cash overlay program contributed \$440k in May.

Administrative Committee Report (Jean Becker)

Ms. Becker explained that the development of the strategic plan began at the Board retreat last December. The Board developed the vision and mission statements, a list of values, and a preliminary set of goals. In early 2014 the Board directed staff to continue this work and return to the Board with a completed set of goals and strategies. With support from a consultant, this work was undertaken as an all-staff project. In addition to drafting goals and strategies, staff added two values to the list and wrote descriptive statements for each value. Strategies were renamed "initiatives". For the most part, these initiatives were aligned with the items on monthly work plan. The Administrative Committee reviewed staff work at the June 12th meeting. Ms. Becker said that the plan should be viewed as an internal document. Ms. Coskey asked that "strategic plan" be removed from the title of the document and that "performance" (in the sense of financial performance) be added as a value. Mr. Harvey asked that the phrase "exceptional customer service" be defined. Ms. Becker asked that the Board accept the document as a draft with the two changes requested by Ms. Coskey.

Motion: Upon motion of Jean Becker, seconded by Sherri Crawford, the Board of Administration accepts the strategic plan draft submitted by staff with the following changes:

- The words " Strategic Plan" are removed from the title; and
- "Performance" shall be added to the list of values

The motion carried unanimously (7-0).

Executive Director Report (Ken Nakatsu)

SCERS's Work Plan (shifted timelines on plan),
General Investment Consultant Policy
Office Space

Councilmember Licata read the draft proposed General Investment Consultant Policy. Ms. Coskey suggested that the policy be broadened to apply to all of SCERS' consultants. The draft policy was for informational purposes only to the Board and will be formally considered at the August 14 meeting.

Office Space- At the December SCERS work session, it was suggested that it would be beneficial to members to move SCERS to the Seattle Municipal Tower (SMT). SCERS' lease runs through 2021. SCERS would pay a cancellation fee if SCERS moved before 2021. Facilities Administration Services is optimistic they can find a new tenant for the Pacific Building space and SCERS would not need to pay the cancellation fee. The move would cost an additional \$40,000 per year. The commitment to relocate might need to be made soon. Ms. Crawford suggested the Board authorize Mr. Nakatsu to move forward with negotiations and other board member concurred.

SCERS Operations/Finance

SCERS Operations Project Updates (Jeff Davis)
Due to time, there was no report.

Nick Licata departed at 10:25 a.m.

Susan Coskey departed at 11:02 a.m.

Seattle City Employees' Retirement System
Board of Administration Meeting
Thursday, July 12, 2014 @ 9:00 a.m.
720 Third Avenue, 9th Floor (Pacific Building)
(206) 386-1293

The Board reserves the right to enter into executive session if necessary

Executive Session

Retirement Disability

The Board of Administration entered into Executive Session at 11:14am to discuss a matter relating to a disability retirement request. Executive Session concluded at 11:16.

Motion: Upon the motion by Glen Lee, seconded by Bob Harvey, the Board of Administration approved the Disability Retirement for Shirley Banda (5-0).

Adjournment

Motion: Upon motion by Lou Walter, seconded by Bob Harvey, the Board of Administration votes to adjourn the meeting (5-0).

Adjournment

The meeting adjourned at 11:20 a.m.



Seattle City Employees' Retirement System
Board of Administration Meeting
 Thursday, June 12, 2014 @ 9am
 720 Third Avenue, 9th Floor (Pacific Building)
 (206) 386-1293

MINUTES

Board Members Present: Chair; Lou Walter Robert Harvey; Glen Lee; Sherri Crawford, Jean Becker

Board Members Absent: Councilmember Nick Licata, Susan Coskey

SCERS Staff Present: Ken Nakatsu, Jeff Davis, Tony Smith, Jill Johnson, Claire Foster, Carmen Valerio

Others Present: Mike Monaco, Song Mondress Law Firm; Carlton Seu (arrived at 9:54), Seattle City Attorney's Office; Tom Kirn, FAS; George Emerson, FAS; Cynthia Scheiderer, SCERS Consultant, Florence Katz; City Personnel, John Masterjohn; ARCE

Call to Order Chair; Lou Walter called the meeting to order at 9:01am.

Public Comment: The Seattle City Employees' Retirement System Board of Administration welcomes comments from the public at regular meetings. Each speaker is limited to two (2) minutes total speaking time, regardless of the number of items of he/she wishes to address.

Public Comment:

No public comment.

Administrative Consent Agenda

Minutes:

Provided in the Retirement Board packet was the minutes from the May 8, 2014 Retirement Board regular meeting. The following items represent normal expenses and nothing extraordinary.

Motion: Upon motion by Glen Lee, seconded by Jean Becker, the Retirement Board of Administration accepts the Administrative Consent Agenda.

Service	\$11,427,322.10
Beneficiary	\$920,362.75
Disability	\$73,048.39
Pension Payroll – PPE May 2014	\$12,420,733.24
 Office Payroll – PPE May 6 and May 20, 2014	 \$108,732.25
 Vouchers Processed –May 31, 2014	 \$243,889.05
*Expert and Consultant Services – \$ 88,393.33	
*Investment Management Fees – \$16,672.50	
*Interdepartmental Charges - \$106,972.64	
*Miscellaneous - \$31,850.58	

Immediate Withdrawals of Contributions for the month of May 2014:

Member Name	Department Name	Position
Anderson, Jennifer	SDOT	Envr Anlyst St
Capelouto, Albert M	Library	Delivery Driver
Coerver, Melanie E	SDOT	Envr Anlyst Assoc
Deruyter, Neil J	FAS	Animal Ctrl Offcr II
Giacomini, Dena E	City Light	Envr Anlyst Sr
Gilliam, Alice L	Library	Library Assoc I
Haverluk, Bernard P	Parks	Golf Grdskpr II
Hennen, Matthew A	HSD	Fin Anlyst Sr
Johnsrud, Kevin R	Library	Sys Anlyst I
Lauderback, Pamela R	Leg City Concil	Admin Staff Anlyst

Seattle City Employees' Retirement System
Board of Administration Meeting
Thursday, June 12, 2014 @ 9am
720 Third Avenue, 9th Floor (Pacific Building)
(206) 386-1293

Park, Heidi R	Exec	Mayor Staff Asst 2
Rayburn, Teresa K	SPU	Mgmt Sys Anlyst Asst
Rutherford, Michelle L	Law	City Prosecutor
Singh, Anumitha M	Fire	Infor Tech Prof B
Walker, Lee Ann	Police	Comms Dispatch I
Wan, Christina L	City Light	Strat Advr 3
Wushishi, Larai N	City Light	Info Tech Prof B

Bold entries above indicate refund payout made to beneficiary of a member dying while in active status.

Withdrawals for a total of: \$410,746.04

c. Ratification of Service Retirements

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

Retiree	RetireDt	Age	Years	Days	DeptName	Position
Alexander,Mabel	5/7/2014	64	25	193	PublicUtil	Senior Exec Asst
Barnett,John L	5/7/2014	68	8	246	City Light	Exec 2
Boden,James H	5/2/2014	62	23	15	PublicUtil	Facilities Maint Worker
Bondeson,Eric S	5/7/2014	66	30	122	Parks Dept	Rec Attendant
Bos-Welton,Martha E	4/23/2014	55	25	230	DPD	IT Prof B
Carriere,Roland M	4/11/2014	68	5	3	Parks Dept	Maint Aide
Chandler,Jessica L	5/2/2014	64	6	364	Library	HR Generalist
DeBoldt,Linda E	5/2/2014	53	27	251	PublicUtil	Exec 3
Eagan,Michael J	5/1/2014	66	6	7	PublicUtil	Sr Public Relations Spec
Fridriksson,Petur	4/13/2014	59	23	159	Vested	Vested
Furutani,Sharon M	5/7/2014	64	33	354	PublicUtil	Acct Tech II
Hamilton,Isabel A	4/12/2014	73	17	128	Parks Dept	Concss Coordin
Harris,Grace A	5/1/2014	66	12	175	PublicUtil	Strat Advr 2
Jennings,Earl J	4/16/2014	64	7	200	Sea Center	Admin Spec I
Kennedy,Corinne L	5/3/2014	64	8	89	Vested	Vested
Lynch,Stanley J	5/3/2014	69	18	358	City Light	Prot&Cntrl Elect II
Marleau,Linda M	5/2/2014	53	27	69	SDOT	Assoc Civil Engr Spec
McKenzie,Frank P	4/23/2014	62	27	7	PublicUtil	Assoc Enviromental Analyst
McMillan Sr,Jeffery L	5/2/2014	55	30	46	Parks Dept	Utility Laborer
Proffer,Mary J	5/7/2014	64	23	132	Police	Admin Spec II
Schwab,Norman A	4/12/2014	62	18	84	LegCtyCncl	Legist Strat Advr
Skeel,Timothy O	5/7/2014	58	26	160	PublicUtil	Strat Advr 2
Sorensen,Kathyrn A	4/28/2014	62	8	137	Vested	Vested
Spengler,Tamsen R	5/7/2014	67	6	300	Human Svcs	Sr Grants and Contracts Spec
Van Horn,Lisa J	4/19/2014	55	21	46	FIRE	Manager 1
Walstead,Mark J	5/2/2014	64	6	361	SDOT	Senior Financial Analyst
Wheeler,Linda K	5/2/2014	365	11	291	Vested	Vested
Williams,R C	5/7/2014	80	26	338	Law Dept	Asst City Attorney
Chiu, Shannon S	5/7/2014	55	31	93	Police	Admin Support Supervisor
	Average	73	18	171		Total Added to Monthly Pension Payroll
	Median	64	21	159		Average Pension Amount
						Median Pension Amount

For the month of May 2014: 82 new Members entered the System, 33 terminations, 29 Members retired in the System, 12 Members removed (\$15,766.69), 3 D/E Option, 4 F Option, and 8 over 60% benefit.

Seattle City Employees' Retirement System
Board of Administration Meeting
Thursday, June 12, 2014 @ 9am
720 Third Avenue, 9th Floor (Pacific Building)
(206) 386-1293

Motion: Upon motion by Glen Lee seconded by Jean Becker the Retirement Board of Administration approved the Administrative Consent Agenda.

- Minutes of the May 8, 2014, Board Meeting
- Ratification of Retirement Payroll, Office Payroll, Other Payments and Withdrawals
- Ratification of Service Retirements for the month of May 2014

The motion carried unanimously.

2013 Draft Audit – CliftonLarsonAllen

Mr. Thomas Ray, presented the analysis of SCER's financial performance during the years December 31, 2012 and December 31, 2013. A management letter and a SAS114 will be submitted at the July meeting. If no questions from the Board, the final version will be provided in July. Mr. Glen Lee asked if the Board could receive the final version in the next couple of days. Mr. Davis responded people will receive a copy of the draft report soon. Mr. Thomas mentioned the Board will receive the final version the end of next week. Mr. Lee asked if there is an analysis for the funding ratio for 2013. Mr. Nakatsu responded Milliman's report will drive contributions.

Customer Request Management System (CRM) (Cynthia Scheiderer)

Ms. Scheiderer provided an update on the new CRM system. Ms. Scheiderer read a quote that summed up, at the time, a key recommendation to get a tool in place to allow work to happen more effectively and efficiently. The system went live April 28. Ms. Scheiderer mentioned the implementation is a team effort and thanked the leadership and everyone that participated and contributed. Ms. Scheiderer went over three objectives. Better member service: provides information to members, key customer service, sends email to member when they make changes and closes the loop with members. Better information: we have a suite of reports; volume reports, service level reports, etc. Mr. Lee asked about reports on operations. Mr. Davis reported that we have interesting preliminary information. We can look at service requests, turnaround time and requests with short turnaround time and see each Retirement Specialist's queue. This first set of data was 400 records entered all at once but we will get better information going forward. Mr. Davis will ask Board about what are some indicators they are interested in regarding how operations are functioning. Better teamwork: CRM has automated internal communications, creates messages that get attached to service requests and goes to their colleagues. This automation provides for less likelihood of information falling through the cracks. Ms. Becker asked if policies and procedures are being documented. Mr. Davis mentioned the procedures are based on "how do I do this task?" Ms. Scheiderer mentioned the new employees are also using CRM. Ms. Scheiderer gave credit to the team for a smooth user adoption. There was a learning curve but staff are now seeing the benefits.

Mr. Davis mentioned this is being done at the same time as a business shift where each Retirement Specialist has a set of members they are responsible for. This new shift helps clarify roles and ownership. There are other recommendations being implemented; written correspondence for consistency, "style guide" and are also prioritizing documents to update. Working with CityWeb team and going through our web site to organize content and make it easier to navigate. The goal to go live with the new web content is end of August.

Executive Session Discussion of Private Equity Program Manager

The Board of Administration entered into Executive Session at 9:28 for 10 minutes to discuss the Private Equity Program Manager. Executive session ended and the meeting resumed to public session at 9:39am.

Motion: Upon the motion of Bob Harvey, Jr., seconded by Jean Becker, the Board of Administration approves the selection of Adams Street Partners as SCERS' discretionary separate account private equity manager, contingent upon the successful negotiation and execution of an agreement with Adams Street Partners. If negotiations with Adams Street Partners is not successful, staff may begin negotiations with the other finalist.

Investment Committee Report (Tony Smith)

Private Equity Program Manager Finalist Interviews

Mr. Smith reported on the details of the Private Equity search. SCERS received 21 responses to the RFP, but four did not meet the minimum required qualifications. PCA and Staff scored the proposals independently and had a subsequent discussion to

Seattle City Employees' Retirement System
Board of Administration Meeting
Thursday, June 12, 2014 @ 9am
720 Third Avenue, 9th Floor (Pacific Building)
(206) 386-1293

determine three finalists. The three firms that emerged were Adams Street Partners, Hamilton Lane, and Morgan Stanley Alternative Investment Partners. All of the finalists are outstanding organizations--demonstrating persistence of historical performance, solid back-office support, a culture of compliance, and rigorous oversight of the underlying general partners. Although they all shared these key attributes, there were some differentiating factors among the firms in terms of portfolio construction, philosophical approach to investment analysis, staffing of global offices, performance history, and fee structures. The Investment Committee ultimately recommended that Adams Street Partners be chosen as the private-equity program manager, subject to successful contract negotiations.

Investment Accounting Summary Report – April 2014 (SCERS Staff)

Staff reported on the Investment Accounting Summary. As of April 30, 2014, the Total Portfolio had a market value of approximately \$2.3 billion. The change in market values of the plan's asset classes generally moved in line with the financial markets. For the month of April, the Portfolio's market value rose approximately 0.5%, bringing the year-to-date increase in value to 2.3%. The funding ratio was nearly 70% as of the end of April. SCERS received net distributions of approximately \$567K from the private-equity managers and \$237K from the real-estate managers. The cash overlay program contributed \$330K in April.

ESG Proposal to Cease Investing in Private Equity

Mr. Smith provided a recap on the proposal that Mr. Greg Hill submitted to the Investment Committee that requested that SCERS cease investing in private equity. This proposal was routed through the Board's formal ESG policy procedure. The procedure calls for SCERS's consultant, NEPC, to analyze and render an opinion on such proposals. NEPC concluded that there are other investment options available to SCERS in lieu of private equity; however, they mentioned that public funds are the largest investors in the private-equity asset class and have an average allocation of 7%. They further stated that eliminating private equity from the SCERS portfolio would lower the expected return by approximately 0.25%. This would necessitate an additional contribution by the City to the Plan of about \$6 million annually. The Investment Committee voted unanimously to reject Mr. Hill's proposal.

Mr. Nakatsu mentioned that SCERS would be an outlier if it chose not to invest in private equity. Mr. Walter mentioned that we need private equity to help achieve our performance objectives.

Motion: Upon motion of Jean Becker, seconded by Bob Harvey, Jr., the Board of Administration rejects ESG proposal titled "Reconciling the Retirement System's Fiduciary Responsibilities with the City's Commitment to 'Democracy, Equality, and Justice'".

1st Quarter 2014 Performance Report

The portfolio trailed its policy benchmark by 0.65% for the quarter and 1.68% for the trailing 12 months. Two of the portfolio's private-equity funds had portfolio companies that had their valuations adjusted downwards. Additionally, being underweight the private-equity asset class contributed to the underperformance. A similar story played out for the portfolio versus the median public plan where SCERS trailed by 0.28% and 0.21% for the quarter and trailing 12 months, respectively. The Plan was in the third quartile for the quarter versus other public plans; however, the Plan's US Equity composite was a first-quartile performer for the quarter. The Plan, excluding the Workout Portfolio, bested the median public plan by 0.55% for the trailing 12 months.

Motion: Upon motion of Glen Lee, seconded by Sherri Crawford, the Board of Administration accepts the 1st Quarter 2014 Performance Report as presented by PCA.

Administrative Committee Report (Jean Becker)

Ms. Becker mentioned the Administrative Committee last met in March. At the March meeting there was a presentation on proposed code changes to the Seattle Municipal code and changes the Board would like to make; service credit and annual average salaries. The Committee will meet again today to discuss the SCERS' strategic plan prepared by the staff. In February the Committee approved SCERS's mission, vision and values.

Executive Director Report (Ken Nakatsu)

Seattle City Employees' Retirement System
Board of Administration Meeting
Thursday, June 12, 2014 @ 9am
720 Third Avenue, 9th Floor (Pacific Building)
(206) 386-1293

Mr. Nakatsu reported on the CIO recruitment and timeline of the process. City Personnel has identified three recruiters and we hope to select and engage with one recruiter soon. The recruiting process will begin in early July and we will hold interviews in August. Mr. Nakatsu reported on the meeting with NEPC. The discussion was on some initial tasks NEPC would undertake and their approach to fixed income that will be discussed at June Investment Committee meeting. NEPC will present ideas on real estate at the October or November Investment Committee meeting and present asset liability and capital market analysis in February 2015.

Labor Review of the Proposed Changes to Benefits Calculations – Ken Nakatsu

2015 Credit Interest Calculation

Mr. Nakatsu reported he and Tim Morrison met with Labor in late May. Labor had a favorable response to what SCERS's is working on. Another meeting is scheduled with Labor on June 18. Timeframe of the work was explained to Labor; want to get issues resolved before fall budget review and before SCERS's acquires a pension system; 1) service credit 2) final average salary and 3) Seattle Municipal Code changes. Labor is more focused on funding level and evaluation. Mr. Nakatsu mentioned that the Board takes action on credit interest next month followed by council resolution.

Mr. Nakatsu reported June through May a 3.66% monthly average for treasury bonds. Also, given where we are at funding ratio in the past couple of years we have not added a .25%. Mr. Lee asked if we need to review and discuss whether if we want to add a .25% percent to the funding ratio.

SCERS Operations/Finance

SCERS Operations Project Updates (Jeff Davis)

Mr. Davis reported that Milliman will be at the July Board meeting to present the final Valuation report. Also at the July meeting will be CliftonLarsonAllen to talk about final 2013 Audit report.

The Board of Administration entered into Executive Session at 10:12am for 10 minutes to discuss a matter relating to Securities Litigation.

Adjournment

The meeting adjourned at 10:25



MINUTES

Board Members Present: Councilmember Nick Licata, Chair; Lou Walter; Susan Coskey (via phone); Glen Lee; Jean Becker; Sherri Crawford

SCERS Staff Present: Ken Nakatsu; Jeff Davis; Claire Foster; Tim Morrison

Others Present: Mike Monaco, Song Mondress Law Firm; Carlton Seu, Seattle City Attorney's Office; Tom Kirn, FAS; George Emerson, FAS; Erik Sund, Council Central Staff.

Councilmember Licata called the meeting to order at 9:05 a.m.

Councilmember Licata asked if there was anyone present who wanted to make public comment.

There was no public comment.

Administrative Consent Agenda

Minutes:

Provided in the Retirement Board packet was the minutes from the July 10, 2014 Retirement Board regular meeting.

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

Service	\$11,518,452.65
Beneficiary	\$919,320.30
Disability	\$75,467.71
Pension Payroll – PPE July 31, 2014	\$12,513,240.66
 Office Payroll – PPE July 1 and July 15, 2014	 \$112,303.21
 Vouchers Processed –July 31, 2014	
*Expert and Consultant Services – \$89,236.23	
*Investment Management Fees – \$311,899.04	
*Interdepartmental Charges - \$105,947.35	
*Miscellaneous - \$22,742.76	

Immediate Withdrawals of Contributions for the month of July 2014:

Member Name	Department Name	Position
Cunningham,Michael Shane	Police	Pol Comms Dispatcher III
George,Graim	DOIT	Info Technol Prof A,Exempt
Glenn Jr,Maurice L	Parks	Maint Laborer
McClelland,Grace	HSD	Executive1
Mulvenon,Austin V	City Light	Bldg/Facilities Opns Supv-BU
Nicholas,Hillary O	SPU	Accountant,Prin
Prince,Laurisa A	City Light	StratAdvsr1
Sato,Michele N	SPU	Util Act Rep I

Bold entries above indicate refund payout made to beneficiary of a member dying while in active status.

Withdrawals for a total of: \$402,646.37

c. Ratification of Service Retirements

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

Retiree	RetireDt	Age	Years	Days	DeptName	Position
Amaro Jr, Frank	6/6/2014	64	29	274	Vested	
Bennett, Dennis R	6/18/2014	74	44	236	City Light	Electn - Con
Chandler, Robert M	7/2/2014	66	46	20	SDOT	Strategic Advisor III
Chapman, Dennis	7/2/2014	62	7	9	DPD	Sr. Electrical Inspector
Daly-White, Rita L	7/2/2014	58	9	255	Muni Court	Court Clerk
Dierich, Peter D	6/18/2014	52	25	86	Parks Dept	civil Engr Spec, Ass
Droppelman, Nancy J	7/2/2014	59	22	53	Parks Dept	Assistant Personnel Specialist
Garske, Toni J	7/2/2014	62	34	148	SDOT	Assoc Civil Engineering Spec
Harvey, Karla K	6/27/2014	57	10	186	Vested	Vested
Hilmoe, David J	7/2/2014	59	30	297	PublicUtil	Executive 2
Hinman, Keith R	7/2/2014	61	12	181	PublicUtil	Manager 3
Hogan, Kevin M	7/2/2014	62	29	152	Police	Chief Warehouse
Hollingsworth Jr, Raft T	7/2/2014	64	29	257	Parks Dept	Rec Program Coordinator
Knopf, Julie L	6/18/2014	55	30	6	City Light	Generation Supervisor - BU
LaVergne, Steven E	7/2/2014	72	9	192	Vested	Vested
Madden, Charles	7/2/2014	58	30	8	PublicUtil	Manager 3
Nelson, Leslie G	7/2/2014	66	40	78	PublicUtil	Sr. Civil Engineer
Reichert, Darlene M	7/2/2014	62	27	45	PublicUtil	Heavy Truck Driver
Rosenstock, Joan	7/2/2014	62	28	198	Sea Center	Strategic Advisor 2
Schneider, George H	6/18/2014	58	19	198	PublicUtil	Manager 3
Sidles III, George B	7/2/2014	55	9	358	PublicUtil	Strategic Advisor 2
Takema, Yasuyuki	6/18/2014	67	6	185	FAS	Admin Spec I - MC
Walls, Susan K	7/2/2014	66	23	271	Parks Dept	Admin Spec II
Zolton, Larry	7/2/2014	62	27	222	Parks Dept	trng&ed Cord, Sr
	Average	62	24	133		
	Median	63	27	134		

For the month of July 2014: 44 new Members entered the System, 21 terminations, 24 Members retired in the System, 19 Members removed (\$20,780.51), 12 D/E Option, 3 F Option, and 6 over 60% benefit.

Councilmember Licata asked the Board if they had any questions concerning the Administrative Consent Agenda.

There were none.

Motion: Upon motion by Nick Licata, seconded by Lou Walter the Retirement Board of Administration approved the Administrative Consent Agenda. (Unanimously, 7-0)

- Minutes of the July 10, 2014, Board Meeting
- Ratification of Retirement Payroll, Office Payroll, Other Payments and Withdrawals
- Ratification of Service Retirements for the month of July 2014

The motion carried unanimously.

Credit Interest

Tim Morrison summarized the memo prepared for the meeting. Staff recommended that the 2015 credit interest rate for contributions made after December 31, 2011 be set at 3.66%, which is the average return on 30-year U.S. Treasury Bonds from June 1, 2013 through May 31, 2014. Staff further recommended that the Boards Credit Interest Rate Policy be amended to

explicitly recognize the Board's prerogative and to set the rate below the policy target of the treasure bond rate plus 0.25%. Board members requested separating the credit interest rate for 2015 from the policy that might apply in the future and that staff develop options that contain criteria and/or thresholds for the Board to use when setting the rate. Staff will present these options at the September meeting.

Motion: Upon motion by Nick Licata, seconded by Glenn Lee, the Retirement Board of Administration set the 2015 credit interest on all employee contributions received into the pension trust after December 31, 2011 at 3.66%.

The motion carried with a vote of 5 in favor. Lou Walter and Susan Coskey voted Nay.

Conflict of Interest

Ken Nakatsu presented a conflict of interest resolution to the Board. A resolution had been presented in July that applied to investment managers. At the request of the Board the resolution was broadened to include all consultants.

Motion: Upon motion by Nick Licata, seconded by Lou Walter, the Retirement Board of Administration adopts the Consultant Conflict of Interest Policy.

The motion carried unanimously, 7-0.

Susan Coskey signed off from the meeting at 9:50 a.m.

Investment Committee Report

Tony Smith summarized the notes included in the meeting agenda.

Executive Director Report

Ken Nakatsu summarized the work plan that was included in the meeting packet. There are no significant changes to project schedules. The contract with Adams Street, the private equity consultant selected by the Board in June, has not yet been signed.

The Board of Administration entered into Executive Session at 10:35am for 10 minutes to discuss quasi-judicial matter relating to a Disability Retirement Application.

Executive session ended and the meeting resumed to public session at 10:45 a.m.

Motion: Upon motion by Lou Walter, seconded by Nick Licata, the Retirement Board of Administration approved Ms. Regina Sparks' disability retirement application.
The motion carried unanimously

Adjournment

Motion: Upon motion of Nick Licata, seconded by Lou Walter, The Retirement Board of Administration Voted (6-0) to adjourn the meeting.

The meeting adjourned at 10:50 a.m.

Susan Coskey, Secretary



Seattle City Employees' Retirement System
Board of Administration Meeting
720 Third Avenue, 9th Floor (Pacific Building)
(206) 386-1293

Minutes of Thursday, December 11, 2014 - **REVISION**

Board Members Present: Nick Licata (Chair), Glen Lee, Jean Becker, Lou Walter, Robert Harvey, Jr., Susan Coskey (by phone at 9:45 a.m.)

SCERS Staff Present: Kenneth Nakatsu, Jason Malinowski, Tony Smith, Tim Morrison, Nina Melencio

Others Present: Carlton Seu (Seattle City Attorney's Office), Mike Monaco (Song Mondress Law Firm), Lynn Fitz-Hugh, Tad Anderson, Aaron J. Silverberg, Selden Prentice, Karen Moskowitz, Jared Howe, Whitney and Mona Howe, Alex Lenferna

Nick Licata, Committee Chair, called the meeting to order at 9:00 a.m.

Public Comments

Mr. Licata started the agenda with public comment and reminded attendees that public comment would be limited to two minutes per person.

Lynn Fitz-Hugh from 350 Seattle.org thanked the board for voting to explore divestment. She stated that she hoped the next NEPC study explored a range of possibilities to consider, including just divesting from coal and tar sand.

Ms. Fitz-Hugh stated that divestment is a complex strategy, that it creates public debate that brings pressure on big plans, to examine whether the need to address climate change will impact value.

Alex Lenferna, a researcher at the University of Washington, stated that he was encouraged by the board's resolution. He is hopeful that the board looks beyond the U.S. Mr. Lenferna stated that coal was in a downward spiral, that a number of pensions are moving away from coal and tar sands, and that the U.K Energy Minister is calling coal, the canary in the coalmine. He said the board should protect themselves from the greatest risk and that divesting would be a good starting point.

Jared Howe lives in Seattle with his wife and child. He stated that everyone understands the danger of climate change and it is also true that fossil fuels are a risky investment. Mr. Howe said that global action to reduce carbon output would drive down the value of fossil fuel stocks. He mentioned Ed Davey, U.K. Secretary of State for Energy and Climate Change and others; and said that the "cold hard numbers don't look good".

Whitney Howe (with baby Mona) stated she understood the board's responsibility to their employees and retirees but should also consider their duties to the citizens of Seattle. She said that divestment is a powerful tool. Look at investing in future generations, rather than investing in fossil fuels, particularly coal, tar sands and oil. She asked the board to consider options and do what they know is the right thing.

Aaron Silverberg introduced himself as a concerned citizen who moved to Seattle in 1988 who is dedicated to be clean and green. He stated that this is an amazing opportunity to invest in clean and green energy to benefit untold generations. He mentioned electric cars. He advocated not just for fossil fuel divestiture, but also for other environmental issues, and thought the board should consider investing in the Calvert Fund.

Tad Anderson spoke about the South African divestment that affected his church in the 1980s. He stated the investment rate of return was also a high priority, and that the issue was highly divisive. His church divested from companies with direct ties to South Africa. He said divestment may not have affected these companies value but it

was important for public perception. Mr. Anderson hoped that the board would consider a range of options to find a strategy that protects the employees and helps society.

Selden Prentice said she agreed with Lynn Fitz-Hugh and that divestment makes a difference for the planet. She said when there is moral scrutiny on an industry, that industry loses strength. Ms. Prentice gave an example of the weakening of the tobacco industry. She stated that public scrutiny would equate to public awareness, which will weaken the fossil fuel industry as it did with the tobacco industry.

Mr. Licata asked clarification on NEPC's follow-up report that was requested at the last Investment Committee meeting.

Ken Nakatsu replied that NEPC was asked to do a report to the Investment Committee at its meeting on January 29, 2015, and then to the full board at its meeting on February 12, 2015.

Minutes:

Provided in the Retirement Board packet was the minutes from the November 13, 2014 Retirement Board regular meeting.

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

Service	\$11,852,557.60
Beneficiary	\$ 972,329.40
Disability	<u>\$ 78,067.86</u>
Pension Payroll – PPE	\$12,901,954.86
Office Payroll – PPE November 14 and 28, 2014	\$150,724.97
Vouchers Processed -	
• Expert and Consultant Services	\$ 73,267.80
• Investment Management Fees	\$214,790.28
• Interdepartmental Charges	\$114,058.72
• Miscellaneous	\$ 2,864.08

Immediate Withdrawals of Contributions for the month of November 2014:

MEMBER	Department Name	Position
Allen,Sherry L	DPD	Admin Spec II
Coen,Sean P	Parks	Lifeguard
Diga,Elmer D	Parks	Maint Laborer
Hughes,Rachel C	SPU	Acct Tech II
Little Sr.,John J	SPU	Drainage Wkr
Mar,Kari	Sea Ctr	Public Relations Spec, Sr
Reynolds,Melanie J	Neighborhood	Executive I
White,Elizabeth M	SPD	Dispatcher I
Wingren Jr,James M	SPU	Info Tech Prof B
Adams,Virginia L	Human Svc	Grants&Contr Spec, Sr
Barr,Bennett A	Exec-Mayor	Mayor Staff Asst 2



**Seattle City Employees' Retirement System
Board of Administration Meeting
720 Third Avenue, 9th Floor (Pacific Building)
(206) 386-1293**

Bautista, Alan R	City Light	Carpenter
Beach, Vernon G	DPD	Manager 2
Bell, Patricia L	HSD	Volunteer Prog Coord
Littlefield, Edwin L	FAS	Title Records Tech Sr
Pavel, Ward B	SPU	Manager 1
White, Robert A	Muni Court	Strat Adv 3
Williamson, Rosanne M	SPU	Water Pipe Worker

Bold entries (if any) above indicate refund payment made to beneficiary of a member dying while in active status.
Withdrawals for a total of: \$1,423,618.85

c. Ratification of Service Retirements

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

Retiree	RetireDt	Age	Years	Days	DeptName	Position
Bellin, Dorothy J	11/5/2014	65	34	288	City Light	Admin Spec III
Daoud, Shadia Y	11/5/2014	67	20	72	City Light	Admin Specialist II
Frank, Diane E	11/5/2014	66	7	316	PublicUtil	Info Tech Prof C
Gihring, Eugene H	11/5/2014	67	25	238	City Light	Electrician CC
Humes, Timothy W	10/7/2014	66	7	153	Vested	
Johnson, Jack G	11/1/2014	60	10	332	Vested	Vested
Ohman, Donna J	11/4/2014	56	30	18	PublicUtil	Civil Engineering Spec Supv
Oliver, Charles W	10/18/2014	64	33	72	InfoTech	Mgmt Syst Anlyst, Sr
Pace, Ronald W	11/5/2014	62	15	289	Muni Court	Chief Marshal
Ruggles, Norman L	10/22/2014	65	6	88.84	Vested	Vested
Sala, Tuere L	11/3/2014	57	12	312	Vested	
Walsh, Elizabeth A	11/5/2014	66	42	334	Library	Library Associate
Wollett, Frederick E	11/5/2014	69	18	51	Law Dept	Assistant City Attorney

For the month of November 2014: 30 new Members entered the System, 23 terminations, 13 Members retired in the System, 15 Members removed (\$31,214.13), 1 D/E Option, 2 F Option, and 2 over 60% benefit.

Motion: Upon motion by Nick Licata, seconded by Robert Harvey, Jr., the Retirement Board of Administration approved the Administrative Consent Agenda. The motion carried unanimously (5-0).

- Minutes of the November 13, 2014 Board Meeting
- Ratification of Retirement Payroll, Office Payroll, Other Payments and Withdrawals
- Ratification of Service Retirements for the month of November 2014

Extension of Contract between SCERS and Fisher

Jason Malinowski explained that the contract expired a week ago. He is asking that the contract be extended through January 1, 2017.

Motion: Upon motion of Nick Licata, seconded by Lou Walter, the Retirement Board of Administration approve the extension of the contract between SCERS and Fisher through January 1, 2017. The motion carried unanimously (5-0).

Resolution and Incumbency Certificate – Revised December 11, 2014

Ken Nakatsu stated that the resolution is required by the Bank of New York who is SCERS' custodian. They are now requiring to revalidate every six months. The resolution requires either Mr. Nakatsu or Jeff Davis to initiate transactions and be co-signed by one of the investment staff. It has to be attested by the secretary of the board and signed off by the treasurer. It is a technical formality.

Motion: Upon motion of Nick Licata, seconded by Lou Walter, the Retirement Board of Administration approved the revised Board Resolution and Certificate of Incumbency effective December 11, 2014. The motion carried unanimously (5-0).

Administrative Consent Agenda

Ms. Jean Becker gave an update of the November 20, 2014 Administrative Committee meeting. She stated that the committee has been working on a dashboard of performance measures for several months that are focused on four goals:

1. Customer Service
2. Implementation of Technology
3. Management of Funds
4. Organizational Change

These benchmark measures will be provided at the monthly board meetings and will be refined over time.

Ms. Becker stated it is the time of year to start assessing performance and would like to schedule a special Administrative Committee meeting in January after the Board Meeting to review what has been accomplished this past year and develop work plans for 2015. These will be brought to the Board in February.

Ms. Becker also would like to conduct a performance review for the executive director.

Lou Walter thanked Ms. Becker for her work on the dashboard.

There was a discussion on increased actuarial liabilities as a result of improved mortality and employees working longer. Mr. Licata wanted to know whether structured changes to the pension plan were necessary. Mr. Nakatsu replied that question is for the Mayor and Council to consider. The Board's responsibility is to administer and implement the plan.

Mr. Licata asked what drives pension costs and the actuarial assumptions. Mr. Nakatsu replied retirement benefits are very costly. Our investment return assumption is 7.5% per year for the next 30 years. We have nearly a 26% ARC. Employees are paying 10.03% out of pocket which is a substantial part of their pay. The city is paying 15.73%. That is a lot of money. The system is also recovering from investment losses in 2008 and 2009. We also have increased liabilities from the past.

New members would not be contributing as much into the system.



**Seattle City Employees' Retirement System
Board of Administration Meeting
720 Third Avenue, 9th Floor (Pacific Building)
(206) 386-1293**

Susan Coskey called into the meeting at 9:45 a.m.

There was further discussion about the dashboard report.

Mr. Nakatsu stated that the dashboard would be produced every month to supplement the work plan. The "Retirement Estimates" chart reflects the workload of staff. The workload is heavy and time-consuming because much of the work must be handled manually. This is why we are pursuing the new Performance Administration System (PAS). We have also hired two temporary staff and, fortunately, other staff have returned from leave. In September, Council passed changes to the Municipal Code that simplified a calculation of service credit and "final average salary". Mr. Morrison and one of our other staff, Lee Brunk, developed tools to perform these calculations more quickly and accurately.

Turnaround time is approximately 14 weeks from the time a member submits a request.

One of the other goals is to improve organizational culture. A consultant was hired and is currently assessing progress.

Susan Coskey asked about the new PAS and if the team was coordinating the request for proposal with DoIT and FAS. Mr. Nakatsu replied that the team was. Mr. Nakatsu stated that SCERS provided for the new PAS in the 2015/2016 budget, and are working closely with both FAS and DoIT.

Ms. Coskey asked if SCERS was getting HR support with the employee feedback survey. Mr. Nakatsu replied the process began very early in the year before we began receiving support from HR.

Jason Malinowski described the investment page of the dashboard. It reflects the performance of each of the asset classes in the portfolio.

In response to a question about investing in non-U.S. equities, Mr. Malinowski stated we do not want a home bias. He indicated the U.S. has done well the last 3-4 years, better than the European markets. But that we should be diversified and from a valuation perspective, U.S. equities are less attractive.

Investment Committee Report

Tony Smith gave an update of the November 20, 2014 Investment Committee meeting which members of the Investment Advisory Committee also attended. There was public comment on divestment. We will pick up the discussion at the January 29, 2015 Investment Committee meeting after receiving NEPC's follow-up report.

Other discussion items from NEPC at the Investment Committee included the risk tolerance survey. The survey will be collected on Monday, December 15, 2014. The board's "appetite" for risk is an integral part of the risk tolerance study.

Mr. Smith stated that at the Investment Committee meeting we also reviewed new Investment Class terminology.

NEPC reviewed the 3rd quarter performance report at the committee.

Investment Accounting Summary Report – October 31, 2014

Mr. Smith gave the October 31, 2014 report. Adams Street began to call capital. In real estate, Heitman has called all of our \$50M capital commitment, which is good news.

The value of the portfolio is up a little over 1% for the month. November is looking about the same.

The funding ratio is 68% at the end of October.

Jason Malinowski gave a brief overview of his and Mr. Smith's trip to California this past week. They met with the Orange County Employees' Retirement System and the San Bernardino County Employees' Retirement Association. They also spent a half day with PIMCO and Western Assets. They will present their report at the Investment Committee in January.

Executive Director Report and SCERS' Work Plan

Mr. Nakatsu reported that the RFP for the Pension Administration Plan (PAS) went out on November 26, 2014. The time to complete the evaluation of responses was extended from the beginning of May to July.

One thing that is not on the work plan but may show up next month is fossil fuel divestiture analysis since the board and staff have been spending so much time on it.

Mr. Walter wanted to know if there was any work done on the ESG rating of portfolios.

Mr. Nakatsu replied that several board members have raised that question and that staff have been exploring that and other positive actions as alternatives to divestiture with NEPC. There is a firm, ISS, that oversees voting proxy on boards. The staff is exploring that service as well.

SCERS Operations/Finance

No Report

***The Board of Administration entered into Executive Session at 10:17 a.m.
for 15 minutes to discuss ongoing litigation***

Adjournment

Motion: Upon motion of Lou Walter, seconded by Jean Becker, the Retirement Board of Administration voted to adjourn the meeting. The motion carried unanimously (5-0).

The meeting adjourned at 10:35 a.m.

Susan Coskey, Secretary