



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