



**Seattle City Employees' Retirement System
Board of Administration Meeting
Seattle City Hall, Boards and Commissions Room, 600 Fourth Avenue, Seattle
(206) 386-1293**

Minutes, Thursday, January 12, 2017

Board Members Present: Tim Burgess, Lou Walter, Robert Harvey, Jr., Jean Becker, Glen Lee, Susan Coskey (arrived at 9:15 am)

SCERS Staff Present: Ken Nakatsu, Jeff Davis, Tony Smith, Cecelia Chen, Nina Melencio, Kate Azer, Lee Brunk, Janet Donlon, Claire Foster, Bob Hiller, Ronda Iriarte, Lindsey Jordan, Amina Kadir, Phuong Nguyen, Doug Noble, Erica Ramsey, Lindsay Reid, Brooke Richardson, Cynthia Scheiderer, Deontrae Sherrard, Selam Teklemariam, Kathy Weitz, Tomeka Williams

Others Present: Carlton Seu (Seattle City Attorney's Office), Mike Monaco (Monaco Parr Lockwood PLLC), George Emerson (FAS), John Masterjohn (ARSCE), Sara Levin

Call to Order

Tim Burgess, Board Chair, called the meeting to order at 9:00 a.m.

Public Comment:

There was no public comment.

Administrative Consent Agenda:

Provided in the Retirement Board packet were the minutes from the December 8, 2016 Retirement Board regular meeting, December 15, 2016 Retirement Board Special meeting, and December 16, 2016 Retirement Board Special meeting.

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

Service	\$13,352,609.67
Beneficiary	962,469.03
Disability	<u>74,588.96</u>
Pension Payroll – PPE December 2016	<u>\$14,389,667.66</u>
Office Payroll – PPE December 13 and 27, 2016	\$ 219,170.64
Vouchers Processed –December 2016	
• Expert and Consultant Services	\$ 280,475.05
• Investment Management Fees	\$ 3,620,858.69
• Interdepartmental Charges	\$ 132,472.12
• Miscellaneous	\$ 61,869.09

Immediate Withdrawals for the Month of December 2016:

NAME	Department Name	Position
Abeyta,Janeen L	SDCI	Accountant
Bighorse,Jackie L	SDOT	Civil Engineer
Brown,Cory S	Muni Court	Human Srvc Cooperative Intern
Cairns, James	FAS	Strategic Advisor
Cobb,Ganesa H	Parks	Maint. Laborer
Davis,Yolanda E	SCL	Admin Spec. II
Devereaux,Derick J	SCL	Cable Splicer
Jackson,Kyle F	SDOT	Maint. Laborer
Juskavitch,Randy	Muni Court	Admin Spec II
Lee III,Robert E	Parks	Capital Projects Coord
Maccini,Christopher A	Parks	Rec Prog Spec
Nielson, Kurt D	SCL	Manager 1, Util
Paulino,Felix R	SDOT	Maint. Laborer
Payne,Alison N	SPU	Drainage Lead Worker
Payton,Erika	Parks	Pool Maint Wkr
Torres-Clara,Christine	Human Services	Counselor
Vanderzee,Steven M	Parks	Laborer
Xie,Grace R	Library	Library Assoc I

c. Ratification of Service Retirements

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

Retiree	RetireDt	Age	Yrs	Days	DeptName	Position
Anderson,Cynthia S	11/9/2016	62	22	24.49	Seattle City Light (Elctn-Con-(OI)
Becker,Bart	12/1/2016	66	11	238.02	Vested Member	PIng&Dev Spec,Sr
Cooper,Rory K	11/5/2016	66	21	220.5	Seattle Public Libra	Library Assoc IV
Downey, Brett W.	11/2/2016	65	24	219	Public Health - Seat	
Johnsen,Kathleen G	11/9/2016	52	28	241.05	Seattle City Light (Line C CC
Leong,Alan G	11/16/2016	53	31	64.86	Department of Inform	Info Technol Prof A,Exempt
Parker,Warren C	11/30/2016	60	19	250.21	Vested Member	Bldg Inspector,Sr(Expert)
Redford Jr,Donald G	11/12/2016	66	30	37.45	Seattle Public Utili	Constr&Maint Equip Op
Reid,Craig D	11/29/2016	63	35	302	Seattle City Light (Lnwkr

Willis, Darren L	11/30/2016	53	27	4.89	Department of Inform	Info Technol Prof B-BU
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For the month of December 2016: 83 new Members entered the System, 41 terminations, 10 Members retired in the System, 20 Members removed (\$23,826.01), 3 D/E Option, 10 F Option, and 2 over 60% benefit.

Bold/italized entries (if any) above indicate 2x match.

Motion: Upon motion by Lou Walter, seconded by Robert Harvey, Jr., the Board of Administration accepted and approved the Administrative Consent Agenda. The motion passed unanimously (5-0).

Executive Director Report

Ken Nakatsu stated that there were minor changes in the 2017 Workplan. He said that the timeline for the Executive Director selection was extended a month into January and, similarly, the ECM was extended a month. ECM should be operational by January 26, 2017.

A more detailed briefing on investment performance for the dashboard will be during the February 23, 2017 Investment Committee meeting.

Mr. Nakatsu reported that the time to complete retirement estimates is now down to four weeks.

The main item Mr. Nakatsu wanted to cover was a proposed policy to grant annual cost of living increases (COLA) to the Executive Director (ED) position. The ED reports to the SCERS Board as opposed to most other City of Seattle department heads who report to the Mayor.

Mr. Nakatsu stated that it is awkward for the ED to ask the Board for a COLA, and the compressed time frame for granting COLA does not fit well with the Board's meeting schedule at the end of each year. Mr. Nakatsu said he worked with Mike Monaco to draft the policy that is included in the board's packet.

Mr. Burgess asked if the COLA was the same one that is approved for all City of Seattle employees. Mr. Nakatsu replied that it was and it would be consistent with city wide policy. The COLA, also known as the annual wage increase (AWI) would be granted unless the Executive Director received less than a satisfactory performance review.

Lou Walter stated that he would be okay with acting on the proposed policy since it is in line with what the City is doing.

Mr. Burgess said he had no strong feelings either way.

Glen Lee stated he would need to speak to Susan Coskey (who had left the meeting for several minutes) since she was the caretaker of pay increases. He has been told that the COLA is not automatic for agency heads and the process is not uneventful.

Mr. Burgess replied that the Board would hold the draft policy over for the February 9, 2017 Board meeting.

Executive Session

An Executive Session was called at 9:15 a.m. for approximately 20 minutes for the purposes of evaluating the qualifications of an applicant for employment.

(Glen Lee left the meeting, Susan Coskey arrived at the meeting).

Regular session was reconvened at 9:47 a.m.

Appointment of New Executive Director

Mr. Burgess addressed the SCERS staff in the audience and stated that the Board was delighted in the work the SCERS staff has done. There has been a real transformation in SCERS and staff have helped with that great work. Mr. Burgess said that staff upholding Seattle's values of public service.

He said that public service is a high calling. SCERS staff get to extend that service to people who have left City employment, and SCERS staff have the privilege of acknowledging to retirees that they served the public well and deserve the retirement benefits that the retirees have earned. It is more than all the detailed daily work that staff do. It is much more than that. Staff are communicating an important message to their City coworkers. Mr. Burgess thanked the SCERS staff for all the work they do.

Mr. Burgess stated that Ken Nakatsu has been here nearly four years as the interim Executive Director and has done a great job turning things around.

For more than a year, the Board has engaged in search process for a permanent Executive Director. He stated that the previous year the Board did not come up with a satisfactory candidate.

On December 15 and 16, 2016, the Board interviewed candidates again, and found a great one.

Mr. Burgess announced that the Board, subject to the forthcoming vote, would be appointing Jeff Davis to the position of Executive Director.

Susan Coskey stated that Mr. Davis brings to SCERS the highest level of service to current and retired employees, aligned. She said that Mr. Davis has her full support.

Mr. Burgess said that Mr. Davis has done an excellent job in the job that he was given as Chief Finance and Operations Officer and the Board is asking him to step up to the Executive Director's job.

Mr. Davis thanked the Board for being great supporters of SCERS and for recognizing the value of the organization and its service. Mr. Davis particularly thanked the SCERS staff for their hard work.

He thanked Mr. Nakatsu for his leadership, guidance, and support and stated it has been a great collaboration.

Mr. Davis recognized his wife, Sara Levin, for being the reason he is who he is today.

Mr. Walter stated that he was proud to be part of this Board and part of all of this.

Mr. Burgess thanked Mr. Nakatsu for coming out of retirement for assisting SCERS.

Motion: Upon motion by Tim Burgess, seconded by Lou Walter, the Board of Administration appointed Jeffrey S. Davis as the Executive Director of Seattle City Employees' Retirement System, effective beginning January 12, 2017, at an annual salary of \$206,000. The motion passed unanimously (5-0).

The Board reserves the right to enter into Executive Session if necessary

Adjourn Meeting

The meeting was adjourned at 9:57 a.m.

Susan Coskey, Board Secretary



Seattle City Employees' Retirement System

Board of Administration Meeting
Pacific Building, 720 3rd Avenue, Suite 900, Seattle, WA
(206) 386-1293

Minutes, Thursday, February 9, 2017

Board Members Present: Robert Harvey, Jr. (Chair), Lou Walter, Jean Becker, Glen Lee, Susan Coskey (arrived at 9:18 am)

SCERS Staff Present: Jeff Davis, Ken Nakatsu, Jason Malinowski, Tony Smith, Jill Johnson, Cecelia Chen, Nina Melencio, Deontrae Sherrard

Others Present: Carlton Seu (Seattle City Attorney's Office), Mike Monaco (Monaco Parr Lockwood PLLC), George Emerson (FAS), John Masterjohn (ARSCE)

Call to Order

Robert Harvey, Jr., Board Chair, called the meeting to order at 9:13 a.m.

Public Comment:

There was no public comment.

Administrative Consent Agenda:

Provided in the Retirement Board packet were the minutes from the January 12, 2017 Retirement Board regular meeting.

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

Service Beneficiary Disability		\$13,681,240.65
		1,008,117.95
		<u>73,546.89</u>
Pension Payroll – PPE January 2017		\$14,762,905.49
Office Payroll – PPE January 10 and 24, 2017	\$	227,180.83
Vouchers Processed –January 2017*		
• Expert and Consultant Services	\$	6,675.00
• Investment Management Fees	\$	0.00*
• Interdepartmental Charges	\$	120,395.79
• Miscellaneous	\$	52,415.63

Immediate Withdrawals for the Month of January 2017:

NAME	DEPTNAME	Position
Applewhaite,Patrick W	Parks	Truck Driver
Bley,David A	Intergovernment Relations	Ingovt Relation Director
Downes,Robert T	City Light	Strategic Advisor
Erwine,Barbara L	King County	King County
McCoy,Stephanie D	SPU	Mgmt. System Anlyst Sr.
McCrocklin,Jesse R	Parks	SEA Conserv Corp Supervisor
Millar,Kevin R	City Light	Hydroelec Maint Mach
Ortiz,Sonny	Beneficiary	Beneficiary
Terry,Marina A	Police	Pol Comm Dispatcher II

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
Aho,Walter A	12/16/2016	59	37	316.13	Vested Member	Line C CC
Brant,Gregory S	12/10/2016	59	1	84.53	Vested Member	StratAdvsr2,Info Technol
Burman,Julie R	12/1/2016	65	6	343.5	Seattle Public Utili	StratAdvsr1,Utils
Calderon,Arlene C	12/14/2016	61	24	154.83	Seattle Police Depar	Parking Enf Ofcr
Davis,Sharon G	12/14/2016	62	13	28.07	Seattle Public Libra	Dev Ofcr
DeVries,Candace Anne	12/7/2016	65	21	110.08	Seattle Public Utili	Wtr Treatment CC
Dively,Dwight D	12/31/2016	58	22	281.49	Vested Member	Executive4
Lyles,Dwayne A	12/20/2016	58	14	118.55	Department of Parks	Maint Laborer
Medina, Antelia Soraida	12/2/2016	57	30	91.25	Public Health - Seat	
Sears,Mark F	12/21/2016	63	39	105.52	Department of Parks	Pool Maint Wkr
Soden,Andrew K	12/21/2016	60	7	351.02	Vested Member	Volunteer Prgms Coord
Time,Time Posala	1/2/2017	62	1	144.98	Vested Member	Admin Spec I-BU
Walsh,Kathleen M	1/6/2017	60	27	243.56	Vested Member	Cblspl-Asg Locator

For the month of January 2017: 53 new Members entered the System, 48 terminations, 13 Members retired in the System, 27 Members removed (\$29,182.77), 6 D/E Option, 8 F Option, and 2 over 60% benefit.

Bold/italized entries (if any) above indicate 2x match.

Motion: Upon motion by Jean Becker, seconded by Glen Lee the Board of Administration accepted and approved the Administrative Consent Agenda. The motion passed unanimously (4-0).

Administrative Committee Report – January 26, 2017

The Administrative Committee (AC) met on January 26, 2017 and all committee members were in attendance.

The AC discussed establishing the committee's workplan for 2017. Work plan items discussed included: 1) a plan to refresh the SCERS Strategic Plan, probably early in 2018. 2) Report on SCERS's accomplishments for 2016, 3) Completion of Charter reviews, 4) Revision of SCERS Dashboard and information packets for Board meetings, 5) Ways to improve Health Care Information for Retirees, 6) Options for a Performance Review Process for the Executive Director and 7) Communication Plan to improve SCERS messaging and web site improvements. The Executive Director will draft an Administrative Committee work plan schedule, which will address each area and allow time for adequate research and information sharing.

Mr. Davis updated the committee on the communications plan that will be implemented during 2017 which includes making the SCERS's website more user-friendly, supporting other city departments, and navigating rules and processes. There was discussion on the partnership between SCERS and SDHR Benefits Unit for the retiree medical plan that is administered through SCERS.

The 2016 SCERS's accomplishments have been drafted and will be presented at a future Board meeting.

(9:18 am – Susan Coskey arrived)

The work plan will include a calendar and items that will be addressed at future meetings so that other Board members will have the opportunity to provide input.

Investment Committee Report – January 26, 2017

Tony Smith reported on the January 26, 2017 Investment Committee meeting.

Staff and NEPC introduced the emerging market debt class and gave a brief description of the strategy that is being recommended, Ashmore EM Blended Debt Fund LP. Ashmore is a commingled fund dedicated to a blended strategy of local and external denominated debt, as well as currencies, issued in emerging markets.

Staff and NEPC also provided background and education of emergency market debt and discussed the search process. The search process included an onsite visit to Ashmore and subsequent follow-ups. A total of 21 managers were reviewed, including nine who are on NEPC's Focused Placement List (FPL). SCERS is looking to partner with Ashmore because of a high conviction in their portfolio management team. Ashmore is one of only a few firms that specialize in emerging markets. They have robust capabilities in macro analysis, perform a lot of in-house research, and are good at currency management.

John Ricketts and David Moller of Ashmore Group gave a presentation of their company to the Investment Committee and answered questions from committee members. The legal review will be wrapped up soon.

Motion: Upon motion by Lou Walter, seconded by Glen Lee, the Board of Administration accepted the Investment Committee's recommendation to invest approximately \$35 million in the Ashmore EM Blended Debt Fund, pending satisfactory legal review. The motion passed unanimously (5-0).

Incumbency Certificate and Authorized Parties Form

Jason Malinowski provided background on the Incumbency Certificate and Authorized Parties form. It is SCERS's past precedent for the Board to approve. The documents are required so that trading can take place.

The first document states which parties can sign on behalf of SCERS. Those parties are Mr. Malinowski and Jeff Davis. The second document states who has the authority to transact on SCERS's behalf. There is a dual authorization process in place which requires any trade to have Tony Smith or Jill Johnson as well as Mr. Malinowski or Mr. Davis. Today's motion would be memorializing the change in leadership from Ken Nakatsu to Jeff Davis as Executive Director.

Members of the board had questions about the duties of the Secretary and Treasurer of SCERS since both positions are on the Mayor's executive team and wear multiple hats. Mike Monaco stated that the duties are poorly defined in the Seattle Municipal Code but is essentially additional supervisory duty over the financial aspects of SCERS.

SCERS has charters on duties of both the Secretary and Treasurer of SCERS that are due to be updated. It would be important to engage Susan Coskey and Glen Lee when the Administrative Committee is talking about the charters.

Motion: Upon motion by Lou Walter, seconded by Jean Becker, the Board of Administration approved the Incumbency Certificate and Authorized Parties Form effective February 9, 2017. The motion passed unanimously (5-0).

Executive Director Report

Mr. Davis stated that there will be a trustee election this year for the retired seat. Elections will be in May 2017 and postcards will be mailed to all members in March notifying them of the election.

The Chief Finance and Operations Officer position has been posted. SCERS is working with Alliance Resource Consulting (ARC) for the search. It was stressed with ARC the need for them to recruit a qualified and diverse pool of candidates for this position. The position closes on March 14, 2017.

There was discussion on the workplan and the dashboard. The only change to the dashboard was that the emerging market public equity asset class was extended through June 2017 due to the number of managers in this class.

The Pension Administration System (PAS) project has some delays. The team will come up with a rescheduled plan by the end of March. Staff anticipate that the go live date will move.

The Electronic Content Management (ECM) system has been implemented. 830,000 digital images were taken of member files and 10% of all images were put through quality assurance which is a pretty significant number. A soft rollout occurred in December 2016. All staff were trained on business processes and how to use the new system.

The paper documents are currently stored in the file room in SCERS's offices. The plan is to combine those documents with the documents located at SCERS's offsite storage facility and place them in City storage.

There was a discussion on retiree data. The assumption is that every time someone retires, that position is replaced. Mr. Harvey was concerned regarding the trends in salary increase due to the liability. Ms. Coskey confirmed for Mr. Harvey that salaries increase yearly due to an adjustment and union negotiations.

A pension is a significant benefit that the City of Seattle offers that other employers do not. It is a level of security that an employee may not get in other places. People are also motivated by service to the City of Seattle.

Mr. Walter gave a report on the NCPERS Legislative Conference he attended in Washington DC in January 2017. The House leadership spoke about trying to mandate public pensions to look at risk free investments which would hurt SCERS's funding ratio. The other thing discussed was the idea of a financial transaction tax. That would create additional costs for all public pensions systems. This would be a significant amount of money.

Mr. Walter stated that Senator Hatch proposed a public pension bill which would provide a pension mechanism that is connected to annuity. This would not require employer participation.

Adjourn Meeting

The meeting was adjourned at 10:07 a.m.

Motion: Upon motion by Lou Walter, seconded by Glen Lee, the Board of Administration voted to adjourn the meeting at 10:07 a.m. The motion pass unanimously (5-0).

Susan Coskey, Board Secretary



Seattle City Employees' Retirement System

Board of Administration Meeting
Pacific Building, 720 3rd Avenue, Suite 900, Seattle, WA
(206) 386-1293

Minutes, Thursday, March 9, 2017

Board Members Present: Robert Harvey, Jr. (Chair), Glen Lee (arrived at 9:06 a.m.), Jean Becker, Lou Walter, Sherri Crawford, Susan Coskey (9:33 a.m. via conference call)

SCERS Staff Present: Jeff Davis, Jason Malinowski, Tony Smith, Nina Melencio

Others Present: Carlton Seu (Seattle City Attorney's Office), Mike Monaco (MMPR PLLC), Barbara Graham (ARSCE), Bruce Flory, Alec Connon (350 Seattle), Andrea Faste (City retiree), Kimberly Wogahn (350 Seattle), Barb Drake (City retiree), Lois Eulberg (City employee), Robert Kaminski (350 Seattle), Ken Lans (WA Physicians for Social Responsibility), Alexandra Blakely (350 Seattle), Lucas Vargas Zuppetello (350 Seattle)

Call to Order

Robert Harvey, Jr., Board Chair, called the meeting to order at 9:04 a.m.

Public Comment

The Board received public comment from members of 350 Seattle, City of Seattle employees and retirees requesting that the Seattle City Employees' Retirement System (SCERS) divest from fossil fuel investments.

Testimonies were read on behalf of City employee Barbara Lewy, and Seattle resident Matt Remle who were not able to attend the meeting.

Bruce Flory, Alec Connon, Andrea Faste, Kimberly Wogahn, Barbara Drake, Lois Eulberg, Robert Kaminski, Ken Lans, Alexandra Blakely, and Lucas Vargas Zuppetello urged the Board to divest from fossil fuel investments (coal, oil, and natural gas) citing low investment returns and volatility of the fossil fuel market, current and anticipated climate conditions, the disproportionate impact for people of color, health impacts due to climate change, and the Board's fiduciary responsibility to divest.

Administrative Consent Agenda

Provided in the Retirement Board packet were the minutes from the February 9, 2017 Retirement Board regular meeting.

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

Service	\$13,511,952.39
Beneficiary	962,440.62
Disability	<u>74,353.65</u>
Pension Payroll – PPE February 2017	\$14,458,746.66

Office Payroll – PPE February 9 and 23, 2017 \$ 235,199.17

Vouchers Processed –February 2017

- Expert and Consultant Services \$ 155,399.62
- Investment Management Fees \$ 353,352.18
- Interdepartmental Charges \$ 124,623.62
- Miscellaneous \$ 55,208.31

Immediate Withdrawals for the Month of February 2017:

NAME	DEPT NAME	Position
Bartlett,Angela M	Exec Dept	Admin. Spec. 3
Carron,Courtney K Memb: Ryan D. McNeill	Beneficiary	Beneficiary
Campbell-Jackson,Melissa B.	ESD	Admin. Spec. 1
Celix,Amado	TES-Fleets	Painter
Gautschi,Robert L	Security Services	Security Officer
Gorton,David S	Bus Office	Accountant
Green,Sean T	Exec Dept	Strat Advisor 2
Hassan,Mohamed S	Immigrant/Ref Affairs	Strat Advisor 1
Lueras,Avery E	Tree Service	Tree Trimmer
McCullough,Gwen E	Contracting services	Planning & Dev Spec., Sr.
Pedersen,Alex C	LEG	Legislative Asst.
Selfu,Nigist W	ADS Home Based Care	Counselor
Steverson,Shawanda S	NGHD	Customer Service Rep
Veikoso,Siope	Concrete/Playground Crew	Maint Laborer
Zahid,Marwa G	Human Svcs	Counselor

c. Ratification of Service Retirements

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

Retiree	RetireDt	Age	Yrs	Days	DeptName	Position
Alvarez III,Samuel	1/25/2017	58	30	319.96	Seattle City Light	Manager3,Utils
Anderson, Sharon A.	12/23/2016	61	28	270.1	King County	Health
Claravall,Victoria E	1/30/2017	64	5	89.32	Vested Member	Counslr
Eacker,Daniel R	1/3/2017	62	33	20.51	SDOT	Admin Spec III-BU
FitzGerald,Ellen R	1/25/2017	66	16	320.25	SPL	Librn
George,David S	1/25/2017	63	27	287.29	Department of Planning	Noise Contrl Prgm Spec

Hansen,Robert S	1/25/2017	65	39	322.73	Seattle City Light	Capital Prjts Coord,Sr
Jackson, Laura Ann	12/28/2016	61	27	270.1	King County	Health
Jenkins,Brian	1/7/2017	58	17	294.19	SPU	Truck Drvr,Heavy
King,Douglas T	1/11/2017	66	27	30.4	Department of Inform	Info Technol Prof B-BU
Lafferty,Colleen	1/18/2017	62	33	121.65	FAS	Personnel Anlyst,Sr
Leigh,Edrisa	2/15/2017	57	16	289.92	Vested Member	Pntr
Likes Sr,John F	1/25/2017	73	27	25.33	Seattle City Light	Elecl Svc Rep
Lizotte,David C	1/19/2017	61	18	312.29	Vested Member	Latent Print Examiner
Lizotte,Kathaleen	1/19/2017	56	0	0	beneficiary	beneficiary
Lo,Sara C	1/28/2017	64	12	149.72	Vested Member	Librn
Marusic,Esref	1/17/2017	67	14	178.08	Office of Housing	Property Rehab Spec
Matthias,Bruce E	1/14/2017	59	5	363.43	Seattle City Light	Line C CC
Paster,Robin	1/9/2017	66	0	304.01	Vested Member	StratAdvsr1 *
Perry,Darnell	1/23/2017	64	24	294.48	Seattle Center (CEN)	Security Ofcr
Peyer,Lisa S	1/25/2017	59	31	274.81	FAS	Executive2 *
Ponath,Jacqueline Marie	1/21/2017	52	22	248.31	Vested Member	Warehouser-BU
Presas Jr.,Jose Leonin	1/25/2017	67	17	46.14	Seattle City Light	Elecl Engr,Asst II
Ravnsborg,Lenora Ann	1/25/2017	61	29	364.31	Seattle Municipal Court	Admin Spec I-MC
Raymond,Bruce A	1/21/2017	64	37	169.91	Seattle City Light	Info Technol Prof B-BU
Robledo,Sonia	2/2/2017	65	34	139.14	Fire	Admin Spec III-BU
Schwartz,Leslie A	1/25/2017	62	42	149.8	SPU	Drainage&Wstwtr Coll CC
Scott,Ora L	1/21/2017	66	28	358.14	SPU	Manager1,CSPI&P
Seitz, Victoria	1/7/2017	65	8	98.04	Vested Member	
Smith,Cheryl Renee	1/25/2017	55	30	323.43	FAS	Res&Eval Asst II
Teuscher,Vern D	1/11/2017	57	30	147.53	Seattle City Light	Cblspl CC-Net Area
Thompson Jr,James M	1/18/2017	65	11	233.64	Parks	Maint Laborer

For the month of February 2017: 58 new Members entered the System, 44 terminations, 31 Members retired in the System, 22 Members removed (\$29,926.28), 1 D/E Option, 4 F Option, and 8 over 60% benefit.

Bold/italized entries (if any) above indicate 2x match.

Motion: Upon motion of Lou Walter seconded by Sherri Crawford, the Board of Administration accepted and approved the Administrative Consent Agenda. The motion passed unanimously (5-0).

Quarterly ESG Report

Jason Malinowski provided the ESG Update for the first quarter of 2017.

The Seattle City Council sent a letter to Jeff Davis, SCERS Executive Director, on February 13, 2017 seeking an update on Resolution 31525 that passed on June 30, 2014 urging SCERS to divest its fossil fuel holdings. Mr. Davis responded in writing to the Council on February 17, 2017 stating that SCERS had closely examined the issue of divesting from its fossil fuel holdings, with assistance from its investment consultant and legal counsel, and determined that it was unable to do so because divestment would adversely affect expected risk and/or return and therefore violated the Board's fiduciary duties. The response stated that "we believe that it would be illegal under the requirements of state law for SCERS to take such actions because it would violate the duty of loyalty to its members by prioritizing an unrelated objective, and duty of prudence by choosing to disregard the unanimous advice of its experienced investment consultant, Investment Advisory Committee, and professional investment staff."

350 Seattle sent a request to SCERS requesting SCERS immediately stop any new investments and to drop existing investments from coal, oil, and natural gas.

(9:33 a.m. – Susan Coskey called in to the meeting.)

Staff evaluated 350 Seattle's request and did not recommend forwarding the request to SCERS's investment consultant, NEPC, for further review. Staff found that the request failed to meet the requirements of SCERS ESG Policy because it is "duplicative of a recently considered proposal or similar proposal".

Mr. Harvey recommended that Board members have a fuller discussion at the Investment Committee. Mr. Walter stated that the Board needs to focus on the Board's duties to fiduciarily manage the funds, rather than moral issues. The other Board members agreed to discuss the request at the March 30, 2017 Investment Committee meeting.

Ms. Coskey asked if there was a policy or process on engaging the Board before communications are sent from the Board to City Council. It was clarified that the City Council letter was sent to the SCERS Executive Director and not to the Board. Mr. Davis responded to the City Council after speaking to the SCERS Board Chair and SCERS's attorneys. The response only provided information on SCERS's past experience in considering fossil fuel divestment.

Mr. Malinowski continued with the ESG Update, providing information on industry developments, membership organization activity and SCERS's proactive strategy.

Investment Committee Report – February 23, 2017

Mr. Malinowski gave an update on the February 23, 2017 Investment Committee (IC) meeting.

Joseph Boateng, Dr. Cathy Cao, Steven Hill, and Dwight McRae of the Investment Advisory Committee (IAC) attended the February 23, 2017 IC meeting. Mr. Boateng reported on the IAC's 2016 Annual Report.

The IAC and Investment Committee members discussed the recommendations of the report which include: (1) continuing to assess the reasonableness of a 7.5% return; (2) a new recommendation to adopt and implement a comprehensive approach to monitor risks; (3) continue efforts to monitor fees; (4) continue the positive action strategy around ESG, emphasizing that the Board's fiduciary obligation is to the members of the system so ESG issues must be subordinated to the goal of achieving the assumed rate of return at minimum risk; and (5) a new recommendation to assess the effectiveness of diversifying strategies.

Allan Martin of NEPC gave a presentation on the 2017 Investment Outlook and Capital Market Assumptions to the IAC and Investment Committee and answered questions from committee members. Mr. Martin stated that there is nothing in their numbers that says SCERS's 7.5% assumed rate of return is inappropriate or needs to be

changed immediately. Mr. Martin did acknowledge that NEPC can have more optimistic return assumptions than other consultants.

There was an action item to approve staff and NEPC's recommendation to invest in Orion European Real Estate Fund V, which is consistent with one of SCERS's goals in real estate to add geographic diversification.

Motion: Upon motion of Lou Walter seconded by Glen Lee, the Board of Administration accepted the Investment Committee's recommendation to commit €15 million to Orion European Real Estate Fund V, pending satisfactory legal review. The motion passed unanimously (6-0).

Executive Director Report

Jeff Davis gave an update on the Retired Trustee Election. A notice of election was put on the SCERS's website on March 8, 2017 and will be in the Daily Journal of Commerce on March 22, March 28, and April 3, 2017. Staff is in the process of running member information to mail out informational postcards in the next several weeks.

CliftonLarsonAllen started working on the 2016 audit on March 6, 2017 and are onsite the week of March 6th. Staff are working on pulling data for Milliman for the actuarial and valuation report.

Ken Nakatsu is on loan to the Department of Finance for 75% of his time per the request of Fred Podesta. A Memorandum of Understanding has been signed between the departments.

Mr. Davis reviewed the Work Plan. On the dashboard, member services had a spike in turnaround time for Retirement Estimates due to absences and the rollout of the Electronic Content Management system.

The Pension Administration System (PAS) will have a new go live date and the new date will be available at the April Board meeting.

Mr. Malinowski reviewed the investment performance which for 2016 was 8.6% on gross of fees and 8.5% on net of fees. It outperformed the policy index of 7.5%. The big drivers were that public equity outperformed on a relative basis given its overweight to value and that the portfolio was underweight to hedge funds.

Executive Session for a Disability Retirement Application – Louis Richardson

The Board of Administration entered into Executive Session at 10:15 a.m. to discuss a personnel matter.

Executive Session was closed and the Board re-entered into regular session at 10:28 a.m.

Motion: Upon motion of Lou Walter seconded by Jean Becker, the Board of Administration approved the disability retirement application of Louis Richardson effective March 9, 2017. The motion passed unanimously (6-0).

Adjourn Meeting

The meeting was adjourned at 10:29 a.m.

Susan Coskey, Board Secretary



Seattle City Employees' Retirement System

Board of Administration Meeting
Pacific Building, 720 3rd Avenue, Suite 900, Seattle, WA
(206) 386-1293

Minutes, Thursday, April 13, 2017

Board Members Present: Tim Burgess (Chair), Lou Walter, Jean Becker, Robert Harvey, Jr, Glen Lee, Sherri Crawford, Susan Coskey

SCERS Staff Present: Jeff Davis, Jason Malinowski, Tony Smith, Jill Johnson, Cecelia Chen, Nina Melencio

Others Present: Carlton Seu (City Attorney's Office), Mike Monaco (MMPR PLLC), John Masterjohn (ARSCE), Linda Cannon, Joanna Schoettler, Barbara Phinney, Vivian Sharples, Alec Connon, Barb Drake, John Vitto, Alex Lenferna, Charles Contazedor, Becca Deutsch, Calista Pollack

NOTE: The meeting was videotaped by Seattle Channel and 350 Seattle

Call to Order

Tim Burgess, Board Chair, called the meeting to order at 9:02 am

Public Comment:

The Board of Administration received public comment from members of the Association of Retired Seattle City Employees (ARSCE), 350 Seattle, City of Seattle employees and retirees.

Testimonies were read on behalf of Barb Drake, Vivian Sharple, Andrea Faste, Margo Pauley, and Rachel Heaton who were unable to attend the meeting.

Joanna Schoettler, Alec Connon, John Vitto, Alex Lenferna, Rebecca Deutsch, Calista Pollack, and Charles Contazedor requested the Board of Administration to divest from fossil fuels; increase investments in renewables from 3% to 5%; and to recruit outside expertise to look at every option from no action to divestiture.

John Masterjohn and Linda Cannon expressed concern on why divestment was being discussed again and requested the Board of Administration to heed the expertise of their staff and outside consultants who have recommended against divestiture.

Mr. Burgess clarified that the SCERS Board of Administration does not administer the City's deferred compensation plan since some commenters requested that the Board provide fossil fuel free options for deferred compensation plan participants.

In consideration of the comments the Board had received from various community members and city employees related to fossil fuel investments, and in light of Mayor Ed Murray's suggestion to the Board, as the Board exercises their fiduciary obligations as Board members to SCERS' members, Mr. Burgess offered the following motion:

Mr. Walter seconded the motion to allow for discussion.

There was discussion on the Board's fiduciary duty. Based on the discussion, Susan Coskey stated that she will offer a second motion, separate from the one that is on the floor.

Mr. Burgess called for a vote on the current motion which passed unanimously (7-0).

Motion: Upon motion by Tim Burgess, seconded by Lou Walter, the Board of Administration (Board) requested that the Investment Advisory Committee (IAC) review the recommendation the Board has received over the past couple of years from NEPC and Seattle City Employees' Retirement System (SCERS) staff on divesting from fossil fuel investments, determine whether they agree or disagree with this recommendation, or whether they need more information or additional experts, and evaluate the potential risks and rewards of (1) maintaining SCERS investments in fossil fuel stocks, or (2) divesting all or a portion of these holdings.

In conducting this assessment, the IAC should consider the thoroughness of the recommendation the Board has received and what additional information or analysis they believe should be presented to the Board of Administration. The IAC should consider environmental factors only to the extent that they have a direct relationship to the economic value of the plan's investments, the reasonableness of the market valuation of fossil fuel securities, and the totality of the circumstances involved with this matter. The IAC should report back to the Board of Administration no later than the July 13, 2017 Board of Administration meeting.

The Board further requests that staff produce a review of the positive action strategy that the Board adopted in February 2015 related to climate change, which includes corporate engagement, integrating climate change risk into the investment process and considering sustainability investments. This review should include the rationale, accomplishments, and future plans for the strategy. Staff should report back to the Board of Administration no later than the July 13, 2017 Board of Administration meeting. The motion passed unanimously (7-0).

Ms. Coskey offered a second motion for legal counsel to explore "leave no stone unturned" legal analysis of boundaries of the Board's fiduciary duty and the limitations on their ability to act on the issues that have been brought to their attention. Mr. Burgess seconded the motion and clarified that legal counsel will be Mike Monaco and the City Attorney's office.

Robert Harvey expressed concern about the potential cost of the analysis to which Mr. Burgess responded. The second motion passed unanimously (7-0).

Motion: Upon motion by Susan Coskey, seconded by Tim Burgess, the Board of Administration (Board) requested that SCERS legal counsel provide a "leave no stone unturned" legal analysis of the boundaries of the Board of Administration's fiduciary duty and the limitations of the Board's ability to act on the issues that have been brought to the Board's attention. The motion passed unanimously (7-0).

Administrative Consent Agenda

Provided in the Retirement Board packet were the minutes from the March 9, 2017 Retirement Board regular meeting.

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

Service	\$13,590,373.38
Beneficiary	967,235.79
Disability	<u>73,546.89</u>
Pension Payroll – PPE March 2017	\$14,631,156.06

Office Payroll – PPE March 7 and 21, 2017 \$ 240,978.08

Vouchers Processed –March 2017

- Expert and Consultant Services \$ 78,616.23
- Investment Management Fees* \$
- Interdepartmental Charges \$ 213,145.68
- Miscellaneous \$ 11,355.09

*Quarter ended March 31, 2017. Accounting anticipates expenses for April 2017 Board Meeting

Immediate Withdrawals for the Month of March 2017:

NAME	DEPT NAME	JOB TITLE
Ayala,Jose A	PARKS	Maint Laborer
Buu,Hugh V	SCL	Elecl Engr Assoc
Camacho,Daniel W	PARKS	Seattle Conserv Corps Supv
Castillo,Merlinda O	CITY LIGHT	Program Intake Rep
Doerr,Abigail M	LEGISLATIVE	Legislative Asst.
Dolane,Linda K	SEA CTR	Janitor
Gautschi,Robert L	LIBRARY	Security Officer
Gunter,Selby A	LIBRARY	Page - Shelving Ops
Hernandez,Rosa Linda	LAW	Paralegal Asst II
Hogue,Christine M	SDHR	Strat Advisor 2
Jacobs Jr.,David Logan	SPU	Manager 3
Kelleigh,Beatrice L	LAD/OPR	Executive 1
LaPlante,Rochelle	HUMAN SERVICES	Counselor
Luken,Terri R	MUNICIPAL COURT	Magistrate
Martindale-Shaw,Christopher M	CITY LIGHT	Economist
Mays - Schroeder,Melissa S	PARKS	Cashier
McAlerney,Kevin B	SEA CTR	Janitor
Merrill,James M	SEA CTR	Admission Employee
Mizell Jr,Laurence C	OFFICE OF ETHICS & ELECTIONS	Public Relation Spec
Monni,Sergio	PARKS	Lifeguard Sr
Packwood,James O	LIBRARY	Digital & Web Product Manager
Pedigo,Taryn E	FIRE	Mgmt Sys Analyst Sr
Podosek,Michael J	FAS	Info Tech Prof
Russell,Antonio P	FAS	Janitor

Shetty,Sudha	HUMAN SERVICES	Planning and Dev Spec 1
Stewart,Maria T	SEA CTR	Parking Attendant
Taylor,Patricia D	LIBRARY	Page - Shelving Ops
Turner,Monica L	MUNICIPAL COURT	Admin Spec 1
Villavaso-Madden,Donyeta M	SDHR	Strat Advisor 1
Wang,Jun	SPU	Civil Engineer Spec Assoc.
Williams,Mikhael M	OFFICE OF ECONOMIC DEVELOPMENT	Com dev Spec Sr

c. Ratification of Service Retirements

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

Retiree	RetireDt	Age	YrsSvc	Yrs	Days	DeptName	Position
Aoki, Kay M.	2/6/2017	64	32.66	32	240.9	Library	Asst Mgr-Library
Baucom,Vicki L	2/7/2017	62	11.17	11	62.05	DFD	Code Compliance Anlyst
Blood,Bruce L	2/2/2017	66	30.5	30	182.5	Dept of Inform	Info Technol Prof A,Exempt
Borowski,Ronald H	2/22/2017	68	30.3	30	109.5	SDOT	Transp Plnr,Sr
Burroughs, Diana Lee	2/2/2017	62	8.23	8	83.95	SDOT	Transportation Construction Perm
Carlisle,Dennis	2/22/2017	57	31.43	31	156.95	Library	Librn
Carlson, Carolyn M.	2/22/2017	65	3.71	3	259.15	Vested Member	Plng&Dev Spec II
Cayton,Diana L	2/8/2017	60	30.5	30	182.5	SPU	Info Technol Prof B-BU
Chao,Younchoy F	1/25/2017	65	27.48	27	175.2	Parks	Maint Laborer
Dow, Lloyd Forest	3/8/2017	67	19.29	19	105.85	Planning	Permit Spec II
Eades,Earl K	2/3/2017	64	38.07	38	25.55	SCL	Cblspl CC-Net Area
Evans,Vicki G	2/22/2017	60	23.18	23	65.7	Dept of Inform	Manager3,Info Technol
Freeman,Allen R	2/3/2017	63	34.62	34	226.3	FAS	Shop Opns Supv
Guddat,Jeffery E	2/17/2017	62	6.56	6	204.4	Vested Member	Fin Mgr,Sr
Jonas, Lisa J.	2/22/2017	61	28.73	28	266.45	DOIT	Admin Spec I
Kearns,Erlinda F	2/22/2017	73	33.3	33	109.5	FAS	Remittance Proc Tech,Sr
Kleeberg,Charles Frederick	2/2/2017	67	8.22	8	80.3	SPU	Executive2
Kremkau,James C	2/2/2017	60	14.3	14	109.5	SPD	Photographer,Sr
Lee,Valerie	2/4/2017	70	9.38	9	138.7	SDOT	Civil Engr Supv
McDougall,Constance J	2/8/2017	66	12.96	12	350.4	SCL	Public Relations Spec,Sr
McGillin,William G	2/7/2017	66	19.3	19	109.5	LAW	City Attorney,Asst
Nakauye, George	2/4/2017	67	12.7	12	255.5	Seattle Municipal Co	Court Marshall
Navarro,Danilo L	2/8/2017	66	35.87	35	317.55	Dept of Inform	Info Technol Prof A,Exempt
Paschke,Philip E	2/15/2017	63	22.85	22	310.25	SPU	Plng&Dev Spec,Sr
Paston,Aaron L	2/22/2017	57	11.5	11	182.5	SPD	Parking Enf Ofcr
Rekhi,Parminder K	2/3/2017	62	30.13	30	47.45	PLANNING	Permit Spec I

Rogers,Linda L	2/8/2017	68	30.38	30	138.7	SPU	Personnel Spec,Sr
Spates,Preston D	2/3/2017	52	31.96	31	350.4	PARKS	Plumber
Steffen, Astrid Hunter	1/31/2017	63	11.82	11	299.3	SDOT	Workers' Comp Analyst
Turner, Kim R	2/12/2017	73	54.99	54	361.35	Library	Library Tech I
Tyft,Lars O	2/17/2017	62	5.31	5	113.15	Vested Member	Comms Elctn II
Upton-Shields,Lana	2/2/2017	68	41.66	41	240.9	FAS	Accountant
von Hagen,Russell B	2/22/2017	63	5.31	5	113.15	Vested Member	Meter Elctn
White Jr,Donald S	2/3/2017	65	19.22	19	80.3	Planning	Manager2,Engrng&Plans Rev

For the month of March 2017: 31 new Members entered the System, 45 terminations, 34 Members retired in the System, 17 Members removed (\$25,688.98), 2 D/E Option, 0 F Option, and 7 over 60% benefit.

Bold/italized entries (if any) above indicate 2x match.

Motion: Upon motion by Tim Burgess, seconded by Lou Walter, the Board of Administration accepted and approved the Administrative Consent Agenda. The motion passed unanimously (7-0).

2016 SCERS's Accomplishments

Jeff Davis presented SCERS's accomplishments for 2016.

Member Services staff retired over 300 members, calculated 1,175 retirement estimates, developed and populated a searchable knowledge base tool. Staff also received over six (6) weeks of training on customer service, analytical skills, and how to use the updated tools. Requests for service timelines was reduced to four weeks.

Accounting Services implemented a monthly reconciliation with investments and during medical plan open enrollment assisted over 300 retirees.

The Information Technology (IT) group began the Pension Administration System (PAS) starting 2016 working with consultant, ViTech, for the first three months to confirm system requirements and high level design. The year concluded with the roll out of the Electronic Content Management (ECM) system. 800,000 documents were scanned into a searchable database. IT also worked on changes to the current system and the City's payroll system to implement the new SCERS 2.

Investment staff made quarterly ESG updates, created a due diligence questionnaire for potential managers, engaged in joint efforts regarding the governance practices of investment managers and encouraged climate change disclosure of publicly owned companies. SCERS placed BlackRock on watch status due to concerns with their proxy voting actions. SCERS's investment consultant, NEPC, did a comprehensive fee analysis.

Board members thanked SCERS's staff for their good work and commitment for all the projects undertaken in the last four years. The Board expressed confidence in the staff. On a fundamental level, retirees get their check every month and on time. The City's human resources department do not hear from staff that they have concerns about the retirement department.

Mr. Davis was asked to come back to the Board if resources were needed in the future.

Administrative Committee Report – March 30, 2017

Mr. Davis reported on the March 30, 2017 Administrative Committee meeting.

The committee reviewed the 2016 SCERS's accomplishments and their plans for 2017 which include providing health care information to retirees, the Executive Director performance review process, and the revised communication plan that will be implemented during 2017. Strategic planning will occur in early 2018. The Administrative Committee also reviewed SCERS's 2016 accomplishments.

Investment Committee Report – March 30, 2017

Jason Malinowski reported on the March 30, 2017 Investment Committee meeting.

The meeting focused on the ESG proposal submitted by 350 Seattle that requested SCERS divest from investments in fossil fuel companies. Staff found the proposal to be duplicative and recommended that it not be forwarded to SCERS's investment consultant for further review since similar proposals had been reviewed multiple times since 2013.

A staff analysis on the topic of divestment was provided to the Investment Committee. Staff found that divestment would materially increase expected risk and decrease expected net-of-fee return for SCERS's investment portfolio. Staff recommended that SCERS continue to maintain its fossil fuel holdings.

Executive Director Report

Mr. Davis reported that the Trustee Election period was open as of 8:00 a.m. April 13, 2017. It closes on April 27, 2017. The trustee position open is for the retiree member which is currently filled by Lou Walter. Instructions on how to apply are on SCERS's website.

The dashboard and workplan were discussed. The go live date for the Pension Administration System will be pushed from July 2018 to November 2018. Looking for a new banking partner may have an impact on the schedule. The added cost was built as a contingency in the original budget.

Mr. Burgess brought up the City's auditor report on utility conversion programs. According to the report, SCERS has been managing the conversion better than other city counterparts. Mr. Davis reported that SCERS's external quality assurance contractor has also given the favorable comparisons to other city projects.

Adjourn Meeting

The meeting was adjourned at 9:57 a.m.

Susan Coskey, Board Secretary



Seattle City Employees' Retirement System

Board of Administration Meeting
 Pacific Building, 720 3rd Avenue, Suite 900, Seattle, WA
 (206) 386-1293

Minutes, Thursday, May 11, 2017

Board Members Present: Tim Burgess (Chair), Lou Walter, Jean Becker, Glen Lee, Sherri Crawford,

SCERS Staff Present: Jeff Davis, Jason Malinowski, Tony Smith, Jill Johnson, Cecelia Chen, Nina Melencio

Others Present: Carlton Seu (City Attorney's Office), Mike Monaco (MMPR PLLC)

Call to Order

Tim Burgess, Board Chair, called the meeting to order at 9:01 a.m.

Public Comment:

There was no public comment.

Administrative Consent Agenda

Provided in the Retirement Board packet were the minutes from the March 9, 2017 Retirement Board regular meeting.

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

Service Beneficiary Disability Pension Payroll – PPE April 2017	\$13,802,098.90 964,474.52 <u>83,050.20</u> \$14,849,623.62
Office Payroll – PPE April 4 and 18, 2017	\$ 241,967.94
Vouchers Processed –April 2017	
• Expert and Consultant Services	\$ 170,737.14
• Investment Management Fees*	\$ 1,801,408.18
• Interdepartmental Charges	\$ 154,235.18
• Miscellaneous	\$ 90,187.10

Immediate Withdrawals for the Month of April 2017:

NAME	DEPT NAME	JOB TITLE
Cantu,Nino G	Parks	Rec Attendant
Carter,Audrey A	Parks	Rec Attendant
Caulfield,Lydia A	Parks	Lifeguard Sr
Gabriel,Charlotte C	Police	Acctng . Tech III
Hummer,Jeffrey A	Parks	Gardener
Jennings,Ingrid K	Library	Admin Spec Sr.
Johnston,Justin E	SDOT	Maint Laborer
Kakar,Khabirullah	Library	Library Assoc I
Medina Jr.,Juan R	FAS	Capital Project Coor. Sr.
Melnyk,Mark J	SDOT	Transp Plnr Sr
Merrill,Katherine D	Police	Pol Comms Dispatcher I
Mortega,Edwin-Jay B	Police	Pol Comms Dispatcher I
Schmidt,Constance L	City Light	Acctng. Tech II
Sharp,Paul A	SEA Ctr	Stage Tech
Sims,Elana C	Parks	Rec Attendant
Smothers,Leah D	Police	Pol Comms Dispatcher II
Stough,Jacqueline E	CBO	Acctng . Tech I
Sword,Jeanine P	Muni Court	Court Clerk
Varughese,Gita M	City Light	Strategic Advisor 3

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
Alcayaga,Isabelo R	4/5/2017	70	10	313.24	Police	Video Spec II
Baines,Robert	4/5/2017	67	34	93	Parks	Plnt Ecologist
Blanch,Yvonne D	4/5/2017	66	17	92.02	Parks	Plng&Dev Spec,Sr
Bull,Keith D	3/8/2017	67	25	177.79	Parks	Cement Finisher-Parks Facils
Chen,Bih-Shiung	4/5/2017	66	31	49.28	SPU	Civil Engrng Spec,Sr
Chinn,Halbert	4/5/2017	61	27	55.41	FAS	Auto Mechanic
Craver,Nancy G	3/2/2017	60	11	180.68	FAS	StratAdvsr2,Exempt
Crutchfield,Shanna Lynn	4/5/2017	52	27	231.01	City Light	StratAdvsr2,Exempt-BU
Daughters,Judy D E	3/2/2017	67	20	345.69	Parks	Radio Dispatcher
Deaver,Kate A	4/4/2017	60	1	268.49	SDOT	Manager1,P&FM
Dominguez,Franklin R	4/5/2017	65	33	353.61	City Light	Warehouser-BU
Doubleday,Michael D	4/7/2017	65	11	140.34	VESTED	StratAdvsr3,Exempt
Fishman,David Henry	3/2/2017	65	39	173.56	City Light	MatSup,Elec-Asg OPVTCHBNSTR
Gentilo, Elaine T.	3/10/2017	65	7	63.51	SDHR	StratAdvsr3,Exempt
Giamberso, John	3/2/2017	72	16	86.71	Information	Manager3
Goldsmith,Stuart A	3/8/2017	62	20	79.13	SDOT	StratAdvsr2,General Govt
Green,Kelvin T	3/22/2017	54	31	219.15	SDOT	Street Maint Supv
Gregory,Stuart	4/1/2017	62	4	86.72	VESTED	Elecl Pwr Sysys Engr
Hager,Vike F	4/5/2017	68	35	279.44	City Light	Line C CC
Hohn,Timothy Charles	4/1/2017	65	0	158.04	VESTED	Arboriculturist
Jain,Anita	3/8/2017	63	28	38.76	Municipal Court	Admin Spec I-MC
Johnson,Roy E	3/8/2017	68	31	31.35	City Light	Comms Elctn II
Kase,Kunio	4/5/2017	64	40	265.72	City Light	Cblspl-Net Area
Kirkness,Patricia L	2/24/2017	66	35	170.35	Information	Info Technol Prof A,Exempt
Lund,Cindy L	4/5/2017	60	33	63.58	Parks	Plumber,Sr
Maichel,Lyle Lee	4/5/2017	58	12	358.58	City Light	Credit Rep,Sr
Meier,Dennis C	3/8/2017	64	36	299.96	Planning	StratAdvsr1,Engrng&Plans Rev
Meyer,Thomas S	3/22/2017	62	18	53.55	SDOT	Bridge Maint Mechanic
Nelson,Marcia M	3/2/2017	67	33	55.22	Law	City Attorney,Asst
Newsome,Jan A	3/8/2017	60	23	117.06	SPU	Personnel Spec,Sr
Nowkhasteh,Saeed	4/5/2017	66	9	155.23	SDOT	Civil Engrng Spec Supv
Ogi,Irving S	3/2/2017	60	32	96.69	City Light	Elecl Pwr Sysys Engr,Prin
Palmer,Mary E	4/5/2017	68	21	142.64	Library	Librn
Paston,Cheryl Nakata	3/16/2017	55	25	235.32	VESTED	Manager3,Engrng&Plans Rev
Pullen,Margaret A	4/5/2017	63	29	277.73	Parks	Parks Maint CC
Reisner,Fritzie	3/9/2017	62	2	249	VESTED	Legislative Anlyst
Schiantarelli,Vicky	4/5/2017	62	5	357.99	SPU	StratAdvsr2 *
Sernius,Sharon A	3/15/2017	64	5	26.57	Municipal Court	Admin Spec III
Sims, Beverly	4/3/2017	67	19	19.67	VESTED	Vested Member
St Louis,Glenda A	4/5/2017	70	28	11.9	SPU	Util Act Rep II

Stockholm,Andrew Ronald	4/1/2017	61	23	327.7	FAS	Plumber
Straley,Judylyayne	4/5/2017	71	18	110.19	SPU	Admin Spec II-BU
Talamaivao, Jacinta	4/5/2017	65	18	134.68	Parks	Admin Spec I
Tamez,Rick	4/5/2017	58	10	90.52	SPU	Drainage&Wstwr Coll Wkr
Tan,Yan Yi	4/4/2017	61	13	142.61	VESTED	Janitor-FAS/CL
Thoma,Valerie J	4/4/2017	64	31	283.09	SPU	Envrnmntl Anlyst,Assoc *
Thompson, Matt S.	3/8/2017	64	36	271.01	Information	Info Technol Prof A,Exempt
Thompson,Joanne Marie	3/10/2017	66	25	273.02	City Light	Maint Laborer
Thurman,Michele E	4/5/2017	60	30	113.81	SDHR	Personnel Anlyst Supv
To,Tuoi Thi	3/8/2017	65	27	130.41	FAS	Remittance Proc Tech
Tokunaga,Bryon J	3/22/2017	51	30	6.28	FAS	Executive2
Walker,Richard W	3/2/2017	69	12	30.62	SDOT	Elctn
West, Theautries	2/24/2017	57	10	17.23	VESTED	VESTED

For the month of April 2017: 38 new Members entered the System, 37 terminations, 53 Members retired in the System, 24 Members removed (\$28,953.50), 2 D/E Option, 4 F Option, and 15 over 60% benefit.

Bold/italized entries (if any) above indicate 2x match.

Motion: Upon motion by Tim Burgess, seconded by Lou Walter, the Board of Administration accepted and approved the Administrative Consent Agenda. The motion passed unanimously (5-0).

Administrative Committee Report – April 27, 2017

Jeff Davis reported on the April 27, 2017 Administrative Committee (AC) meeting.

AC discussed what is coming up for the remainder of 2017 and began work on the AC workplan.

Items for the work plan include:

- Retiree Health Benefits
- SCERS website update
- Charter and policy reviews
- Revisions of SCERS dashboard and board information packets
- Board education
- Executive Director performance evaluation template
- Strategic Plan

Towards the end of 2017, the AC will began work on strategic planning efforts.

Investment Committee Report – April 27, 2017

Jason Malinowski reported on the April 27, 2017 Investment Committee meeting and said there were no recommendations coming out of the IC.

Staff and IC members reviewed the investment team's activity in 2016 and planning for 2017. There was also discussion on developing an investment risk framework which was recommended from the Investment Advisory Committee in its 2016 Annual Report. Staff are in the preliminary stages of developing the plan with feedback from IAC. Staff hopes to present the initial results of the framework in the 4th quarter of 2017 or 1st quarter of 2018, then present annually on an ongoing basis.

Executive Director Report

Mr. Davis reported that there are two candidates for the Retired seat on the Board of Administration. The candidates are Mary Pat DiLeva and incumbent Louis Walter. The Trustee Election closes at 5:00 p.m. on Monday, June 5, 2017. Members may vote on-line or with a paper ballot. Election results will be announced at the June 8, 2017 board meeting.

The Chief Finance/Operations Officer hiring process has been completed. Paige Alderete has been offered and accepted the position. Ms. Alderete is currently the deputy controller for the City of Oakland and held a similar position with the City of San Francisco. Ms. Alderete worked for the City of Seattle in the auditor's office. She begins on May 31, 2017.

The dashboard and workplan were discussed. There are two new items on the work plan: the investment risk framework project and private equity assessment.

Adams Street was hired in 2014 and it is nearing the end of their contract period. Staff will come back to the Board later in the year with a recommendation on whether to retain their services.

Adjourn Meeting

The meeting was adjourned at 9:08 a.m.

Susan Coskey, Board Secretary



Seattle City Employees' Retirement System

Board of Administration Meeting
Pacific Building, 720 3rd Avenue, Suite 900, Seattle, WA
(206) 386-1293

Minutes, Thursday, June 8, 2017

Board Members Present: Tim Burgess (Chair), Lou Walter (arrived at 9:24 a.m.), Jean Becker, Robert Harvey, Jr (arrived at 9:31 a.m.), Glen Lee, Sherri Crawford, Susan Coskey (via conference call)

SCERS Staff Present: Jeff Davis, Paige Alderete, Jason Malinowski, Tony Smith, Jill Johnson, Claire Foster

Others Present: Mike Monaco (MMPR PLLC)

Call to Order

Tim Burgess, Board Chair, called the meeting to order at 9:00 a.m.

Public Comment:

There was no public comment.

Administrative Consent Agenda

Provided in the Retirement Board packet were the minutes from the May 11, 2017 Retirement Board regular meeting.

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

Service Beneficiary Disability Pension Payroll – PPE May 2017	\$13,777,979.11 971,627.40 <u>73,782.86</u> \$14,823,389.37
Office Payroll – PPE May 2, 16, and 30, 2017	\$ 360,176.03
Vouchers Processed –May 2017	
• Expert and Consultant Services	\$ 325,572.93
• Investment Management Fees	\$ 75,042.07
• Interdepartmental Charges	\$ 51,584.41
• Miscellaneous	\$ 153,460.81

Immediate Withdrawals for the Month of May 2017:

NAME	Department Name	Job Title
Baker,Lisa M	SPU	Utility Acct Rep
Baker,Michael E	City Light	Passenger & Tugboat Op, Sr.
Barlow,Rebecca J	Beneficiary	Beneficiary
Bernhardt,Nur D	SCL	Power Marketer
Brazalovich,Sharon R	Police	Latent Print Examiner
Choi,Jessica S	Parks	Cashier
Cook,Sharmina	FAS	Cust Svc Rep
Davis,Margaret A	SPU	Admin Spec III
Frank,Erica L	FAS	Tax Auditor
George,Alberta	FAS	Capital Project Coordinator
Giles,Danielle M	Law	Admin Spec I
Gribble,Grant C	Parks	Golf Course Groundskeeper I
Hood,Nancy S	Seattle Center	Usher
Huffaker,Le	Police	Info Tech Prof A
Knien,Patricia P	Seattle Center	Stage Tech
Lieb,Frederick C	SCL	Mgmt. Sysys Anlyst, Sr.
Mc Gill,Jared R	Beneficiary	Beneficiary
Mc Gill,Tobias J	Beneficiary	Beneficiary
Micheli,Allison L	SPU	Strategic Advisor I
Miller,Lisa M	Seattle Center	Usher

Murtaza,Shah G	Seattle Center	Usher
Phillips,Lynn N	SDOT	Radio Dispatcher
Ramirez,Pastor	Seattle Center	Usher
Rodriguez,Maria L	Civil Rights	Admin Spec I
Schear,Brendyn B	Police	Admin Spec III
Senas,Edmondo Q	SPU	Meter Reader
Sui,James	City Light	Carpenter
Villao,Daniel J	FAS	Strategic Advisor II

\$387,994.03

c. Ratification of Service Retirements

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

Retiree	RetireDt	Age	Yrs	Days	DeptName	Position
Alderman,Kerri L	5/3/2017	58	25	36.35	SDHR	HRIS Spec
Anderson,Doris J	4/27/2017	60	14	213.23	SCL	Actg Tech III-BU
Anton,Joanne T	4/19/2017	67	25	308.94	SDHR	Trng&Ed Coord,Sr *
Butterfield,Marlene K	5/2/2017	62	10	153.99	SPD	Pol Comms Dispatcher I
Chan,Wing-Lai	5/3/2017	60	21	93.51	SCL	Prot&Cntrl Elctn CC
Dalzell,Mary L	5/3/2017	62	39	107.35	Parks	Rec Prgm Spec
Dozier,Lillian Marie Alexander	4/15/2017	63	37	354.23	FAS	Actg Tech II
El-Amin,Raushanah K	5/3/2017	69	37	341.38	Planning	Admin Spec II-BU
Elder, Carolyn E.	4/8/2017	65	29	277.94	KC Public Health	Application Worker
Faletogo,Mane leti	5/3/2017	65	18	281.96	SCL	CbIspl-Jrnywkr In Chg
Griffith,Connie L	4/8/2017	64	3	72.01	Vested Member	Executive2
Harvey, Cassandra D.	4/13/2017	61	31	205.71	SPU	Manager2,Info Technol
Hell,Jane Marie	4/11/2017	65	17	49.17	SPD	Parking Enf Ofcr
Herfindahl, Henry C.	5/3/2017	66	26	174.25	SCL	Prot&Cntrl Elctn II
Kennedy,Julia E	5/3/2017	64	29	76.25	SPL	Library Assoc II
Klunder,Robin Lee	4/8/2017	60	19	247.54	FAS	Manager1,General Govt
Knorr,Katherine C	4/22/2017	68	44	22.81	SPL	Library Assoc II

Knutson,Mark A	5/3/2017	62	8	132.86	Seattle IT	Info Technol Prof A,Exempt
Lawson,Mathew L	5/1/2017	57	15	125.52	Vested Member	Elecl PwrSystsEngr-Mrt
Leung,Bayard Pok-Man	5/3/2017	64	32	120.78	Seattle IT	Info Technol Prof B-BU
Maidesil,James Ngirbau	5/3/2017	65	21	72.49	FAS	Equip Svcr
McCoy,Harold A	5/3/2017	65	27	174.29	SeattleIT	Info Technol Prof B-BU
Nelson,Jim M	5/3/2017	63	19	76.83	SCL	Meter Reader
Paine,Susan M	5/3/2017	55	10	265.98	SCL	StratAdvsr1,Utills
Payne,Bradley N	5/3/2017	66	31	294.85	SCL	Warehouser-BU
Ramsey,Joyce Ann	5/3/2017	66	34	260.83	LAW	Personnel Spec,Sr
Robinson,Randall Frank	5/3/2017	60	19	174.03	Parks	Landscape Architect,Sr
Scott Jr,Sylvester G	4/22/2017	65	30	335.07	SCL	Pole Yard CC
Spisak,Edward P	5/3/2017	64	36	184.91	SCL	MatSup,Elec-Asg
Treener,Mylor E	5/1/2017	67	8	105.48	Vested Member	Mgr V
Waleryszak,Judith A	5/3/2017	65	37	124.14	Fire	Admin Staff Asst
Welding,Patrick L	5/3/2017	63	33	272	FAS	Auto Mechanic,Sr
White,Ron Harris	4/29/2017	65	15	42.52	Vested Member	StratAdvsr2,CSPI&P
Wilson,Joni Rae	5/3/2017	62	26	162.21	Muni	Manager1,Exempt
Young,Frederick E	5/3/2017	66	29	59.71	Seattle Center	HVAC Tech

For the month of May 2017: 27 new Members entered the System, 26 terminations, 35 Members retired in the System, 20 Members removed (\$32,584.07), 5 D/E Option, 2 F Option, and 8 over 60% benefit.

Bold/italized entries (if any) above indicate 2x match.

Motion: Upon motion by Tim Burgess, seconded by Glen Lee, the Board of Administration accepted and approved the Administrative Consent Agenda. The motion passed unanimously (5-0).

Introduction of Paige Alderete

Jeff Davis introduced Paige Alderete who has joined SCERS as the new Chief Finance/Operations Officer. Ms. Alderete remarked that she relocated from the Bay Area where she was the Deputy Controller for the City of Oakland. She had earlier worked for the City of Seattle in the City Auditor's Office.

Incumbency Certificate and Authorized Parties Form

Mr. Davis said that staff has updated and the Board needs to approve certain forms to allow Ms. Alderete to act on SCERS's behalf.

Motion: Upon motion by Tim Burgess, seconded by Sherri Crawford, the Board of Administration approved the Incumbency Certificate and Authorized Parties Form effective June 8, 2017. The motion passed unanimously (5-0).

Pension Administration System Update

Claire Foster provided an update on the Pension Administration System (PAS). There has been considerable progress with the project now halfway through design and implementation. The expected launch date remains November 2018.

Jean Becker asked about the project's pinch points. Ms. Foster responded that there are some resource constraints that internal staff are facing. Mr. Burgess asked Ms. Foster to come back to the Board if these resource constraints jeopardize the project being completed on time.

Environmental, Social and Governance (ESG) Update

Jason Malinowski and Jill Johnson provided the quarterly ESG update.

Mr. Malinowski mentioned a letter that the SCERS Board had received from Mayor Murray in April regarding SCERS's holdings in fossil fuel companies. The Board has requested reports from the Investment Advisory Committee, staff and legal counsel that will be reviewed at the Board meeting on July 13, 2017. Mr. Malinowski provided developments in the industry, including President Trump's stated intention to withdraw from the Paris Climate Agreement.

Ms. Johnson reviewed SCERS's activity in membership organizations. Ms. Johnson and Mr. Malinowski attended the Ceres Investor Network meeting in San Francisco.

Ms. Johnson provided an update on the proactive ESG strategy. There were several actions and positive developments with respect to SCERS's corporate engagement at Southern Company, JP Morgan and BlackRock. JP Morgan and BlackRock made changes to their corporate governance procedures to become more environmentally supportive in response to shareholder proposals in which SCERS was a co-filer. Shareholder resolutions were successful at Exxon Mobil and Occidental Petroleum to require greater climate change disclosure. BlackRock voted for both resolutions in a reversal from how they had voted in prior years. This change is a welcome development that SCERS may have contributed to by having placed BlackRock on watch in December 2016 due to ESG concerns.

Ms. Becker commented that she is pleased with the progress of SCERS's ESG efforts.

Investment Committee Report

Mr. Malinowski stated the Investment Committee's recommendation that the Board commit up to \$15 million to Stonepeak Infrastructure Fund III. SCERS is already invested in Stonepeak's second fund. Stonepeak is an infrastructure manager focused in North America. The Investment Committee also included a deep dive of the public equity allocation and an educational presentation by NEPC on emerging market equity.

Motion: Upon motion of Tim Burgess, seconded by Sherri Crawford, the Board of Administration approved the Investment Committee's recommendation to commit up to \$15 million to Stonepeak Infrastructure Fund III, pending satisfactory legal review. The motion passed unanimously (6-0).

Executive Director Report

Mr. Davis announced the results of the Trustee Election where Louis Walter was reelected with 79.6% of the vote.

Motion: Upon motion of Tim Burgess, seconded by Susan Coskey, the Board of Administration ratified the certification of election results as provided by Election Services Co. for the 2017 Board of Administration election for the retired member seat; electing Louis Walter to the Board of Administration for a three-year term (July 1, 2017 – June 30, 2020). The motion passed 5-0-1 with Louis Walter abstaining.

Mr. Davis stated that the at-large member's term was ending and that Robert Harvey, Jr. had expressed an interest in remaining on the Board.

Motion: Upon motion of Louis Walter, seconded by Jean Becker, the Board of Administration appointed Robert Harvey, Jr. to serve as the at-large member on the Board of Administration for a three-year term (July 1, 2017 – June 30, 2020). The motion passed unanimously 6-0.

Mr. Davis stated that there are no changes to the workplan. Mr. Malinowski reviewed investment performance on the dashboard.

Executive Session for a Disability Retirement Application

The Board entered into Executive Session at 9:35 a.m. to discuss making a determination on a disability retirement application, with the Chair stating that the executive session would extend to 10:30 a.m. unless concluded earlier.

The Executive Session closed at 9:40 a.m.

Motion: Upon motion by Tim Burgess, seconded by Louis Walter, the Board of Administration approved the retirement disability application of Ms. Susan Adams in accordance with the determination of the independent medical examination. The motion passed unanimously (6-0).

Adjourn Meeting

The meeting was adjourned at 9:42 a.m.

Susan Coskey, Board Secretary



Seattle City Employees' Retirement System

Board of Administration Meeting
Pacific Building, 720 3rd Avenue, Suite 900, Seattle, WA
(206) 386-1293

Minutes, Thursday, July 13, 2017

Board Members Present: Tim Burgess (Chair), Robert Harvey, Jr., Jean Becker, Glen Lee, Sherri Crawford

SCERS Staff Present: Jeff Davis, Paige Alderete, Jason Malinowski, Jill Johnson, Cecelia Chen, Nina Melencio

Others Present: Mike Monaco (MMPL PLLC), Carlton Seu (City Attorney's Office), George Emerson (FAS), Rachel Hogan, Cove Allen, Scott Turner, Rachel Turner, Hayat Normine, Kimberly Wogahn, Andrea Faste, Sheryl Feldman, Brittney Bollay, Liz Spoerri, Kevin Schofield, Rachel Heaton, Bruce Flory, Council Member Mike O'Brien, Council Member Lisa Herbold, former Mayor Mike McGinn, Jon Brebner, Lois Eulberg, Alec Connon, Lucas Zepettello, Lauren Worley, Lisa Reising, Stacy Oaks, Shawn Hosford, Joanna Schoettler, Madeleine Sosin, Rebekah LaSala

Call to Order

Tim Burgess, Board Chair, called the meeting to order at 9:01 a.m.

Public Comment:

The Board received public comment from members of 350 Seattle, City of Seattle employees and retirees requesting that the Seattle City Employees' Retirement System (SCERS) divest from fossil fuel investments.

Testimony was read on behalf of Rachel Heaton who was not able to attend the meeting.

Bruce Flory, Councilmember Mike O'Brien, Councilmember Lisa Herbold, former Mayor Mike McGinn, Jon Brebner, Lois Eulberg, Andrea Faste, Alec Connon, Lucas Zepettello, Scott Turner, Stacy Oaks, Shawn Hosford, Joanna Schoettler, Rebekah LaSalla, and Brittany Bollay, urged the Board to divest from SCERS's investments in fossil fuel companies for moral and financial reasons. Some speakers also asked the Board to replace their investment advisor, NEPC, with an advisor willing to consider divestment.

Administrative Consent Agenda

Provided in the Retirement Board packet were the minutes from the May 11, 2017 Retirement Board regular meeting.

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

Service	\$13,812,503.43
Beneficiary	967,527.23
Disability	<u>74,884.39</u>
Pension Payroll – PPE June 2017	\$14,854,915.05

Office Payroll – PPE June 13 and 27, 2017 \$ 251,293.94

Vouchers Processed –June 2017

- Expert and Consultant Services \$ 170,604.00
- Investment Management Fees \$ 73,750.00*
- Interdepartmental Charges \$ 196,684.25
- Miscellaneous \$ 56,259.73

*Late posting of June 2017 Management Fee expenses will be reflected in the July 2017 Expenditure Report.

Immediate Withdrawals for the Month of June 2017:

NAME	Department Name	Job Title
Austin,Laurie A	Library	Audio/Video Tech Events Asst
Bogstie,Jennet A	SPU	Util Acct Rep Trne
Castro,Marisol	Police	Personnel Spec
Chan,Gerald	Seattle Center	Admin Spec. I
Cordova-Gallegos,Jason E	Library	Bldg Maint Wkr
Murray,Fran	Parks	Education Prog Asst
Scott,Elizabeth C	Police	Crime Prev Coor
Sharabi,Shuckri O	SPU	Civil Engineer Sr.
Stitz,Jonathan D	SPU	Meter Reader
Tu,Lam H	SCL	Meter Reader Sr.
Wyman,Michelle L	Muni Court	Court Clerk
Zwerin,Steven N	Civil Rights	Civil Rights Analyst

\$187,410.13

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
Armijo, Daniel	5/17/2017	52	29	100.01	Dept IT	Info Technol Prof A, Exempt
Batinchok, Judith E.	5/11/2017	71	28	327.32	Dept IT	Info Technol Prof
Bjerkness, Karen L	5/17/2017	58	28	111.62	SCL	Lnwkr
Gamble, Toni Jean	5/17/2017	57	29	11.28	SCL	Elecl Svc Rep, Supvsng
Graves, Larry Joe	5/20/2017	75	24	193.82	SCL	Elctn-Con-(OI)
Hutton, Margaret E	5/5/2017	63	29	142.35	SPD	Pol Comms Dispatcher I
Lanning, Karen Debra	5/9/2017	61	28	361.99	SPU	Manager 2, Utils
Long, Martin E	5/17/2017	59	32	10.66	SCL	MatSup, Elec-Asg OPVTCHBNSTR
Massie, Jeffrey D	5/11/2017	56	8	303.46	SPU	StratAdvsr1, Utils
McCaffrey, Anne Louise	6/1/2017	68	13	356.71	Vested Member	Cashier
Peterson, Paige E	5/13/2017	54	26	189.07	SPL	Actg Tech II-Library
Proff, O. Allen	5/13/2017	59	13	62.85	SPL	Bldg Maint Wkr
Sager, Bradley Allen	5/17/2017	58	22	248.93	SPU	Civil Engrng Spec, Sr
Schmidt, Brent M.	5/20/2017	63	21	292.8	SCL	Manager3, Utils-BU
Sullivan, Joann Marie	5/18/2017	65	7	39.49	Vested Member	
Toilolo, Marie K.	5/31/2017	65	17	256.79	SPD	Admin spec II
Wainscott, Stanley H	5/5/2017	74	26	54.09	SFD	Fire Svcs Spec

For the month of June 2017: 73 new Members entered the System, xx terminations, 17 Members retired in the System, 13 Members removed (\$17,778.83), 1 D/E Option, 7 F Option, and 1 over 60% benefit.

Bold/italized entries (if any) above indicate 2x match.

Motion: Upon motion by Tim Burgess, seconded by Robert Harvey, Jr., the Board of Administration accepted and approved the Administrative Consent Agenda. The motion passed unanimously (5-0).

Divestment Assessment, Legal Analysis, and Positive Action Strategy Review

Mike Monaco, outside counsel for SCERS, stated that Washington state law requires cities with retirement systems to have an Investment Advisory Committee (IAC) that is composed of individuals appointed by the Board who are knowledgeable about investment matters. The IAC's responsibility is to advise the Board regarding investment policies, procedures and issues.

Steve Hill, an IAC member, presented the IAC's report on fossil fuel divestment that had been requested by the Board in April. The IAC had reviewed the five reports produced over the past several years by SCERS staff and investment consultant, NEPC, that had each recommended against fossil fuel divestment. Mr. Hill stated that the IAC agrees with their conclusions that it would not be in the interest of SCERS members to divest. This was a consensus view of all five IAC members. The IAC does not see a need for further analysis, nor do they believe it is a "close call". Mr. Hill stated that six of the seven reasons given by staff and NEPC to not divest are well supported and consistent with disciplined investment management. The IAC did not attempt to verify the seventh reason given against divestment by NEPC, that divestment has not been adopted by any US public pension

system. Mr. Hill also pointed out that, in addition to divestment, the decision on how the funds are re-invested would have an impact on the portfolio's risk and return.

The IAC further recommended that the Board strengthen its ESG Policy so that staff and consulting resources are only applied to those activities that are consistent with SCERS's investment beliefs, the Board's fiduciary responsibilities and maximizing the expected risk-adjusted return. Mr. Hill referenced the policies of CalPERS and the Washington State Investment Board that disallow or greatly limit consideration of divestment proposals while supporting positive engagement.

Jason Malinowski presented on the SCERS positive action strategy that had been requested by the Board in April. The positive action strategy was established by the Board in February 2015 and is intended to have a beneficial impact on climate change by engaging as shareholders with corporations and other entities, considering sustainability investments and integrating climate change risk into the investment process. It draws from best practices that SCERS has learned from joining two investor organizations, the Ceres Investor Network on Climate Risk and Sustainability (INCR) and the Council of Institutional Investors.

Mr. Malinowski stated that SCERS has primarily focused its shareholder advocacy on influencing its investment managers given their far greater size and voting power. A key goal of organizations like INCR has been requiring fossil fuel companies, through shareholder proposals, to conduct climate risk assessments so that they adapt their business decisions for climate change. There has been recent progress in this area that has received broad investor support, including from BlackRock who SCERS had previously placed on watch status because they had not supported such shareholder resolutions in prior years.

Mr. Malinowski noted that staff has been evaluating various sustainability investments. Staff believes that renewable energy infrastructure has some promise due to its significant capital need and competitive expected return. Mr. Malinowski stated that SCERS has a 3% target allocation to infrastructure and that renewable energy is only one of the many sectors included in this asset class. SCERS would continue to prefer infrastructure managers with broad expertise across sectors, including renewable energy. Mr. Malinowski said that SCERS plans to further integrate climate risk into its investment process by performing an ESG assessment of its real estate managers and incorporate climate change scenarios into its next strategic asset allocation analysis.

Mr. Burgess asked if SCERS could increase the target allocation to the infrastructure asset class from 3% to 5%. Mr. Malinowski responded that it is possible and could be considered during the next strategic asset allocation study.

Mr. Burgess referred to statements made during public comment and asked if SCERS would find a consultant that recommends for fossil fuel divestment if it were to terminate NEPC. Mr. Malinowski responded that staff is not aware of any investment consultants who have advised any of their US public pension clients to divest from fossil fuel companies.

Mr. Burgess referred to statements made during public comment and asked if SCERS had lost \$100 million from its fossil fuel investments over the last ten years. Mr. Malinowski responded that SCERS has not lost \$100 million from its fossil fuel investments. The energy sector has had a positive return over the last 10 years, but has underperformed the broad stock market. Mr. Hill added that figures such as these are very sensitive to time horizon. Since 1994, the MSCI World Energy Index has outperformed the broad stock market.

Mr. Burgess requested that the Board waive attorney-client privilege related to a legal memo that Mr. Monaco had prepared for the Board, so that Mr. Monaco could speak freely. The Board had requested in April that legal counsel provide an analysis of the boundaries of the Board's fiduciary duties and ability to act as it relates to divestment.

Motion: Upon motion by Tim Burgess, seconded by Glen Lee, the Board of Administration waived the attorney-client privilege specifically to Mike Monaco's memo to the board dated July 13, 2017 on "Legal Permissibility of Environmental, Social and Governance ("ESG") Investment Proposals. The motion passed unanimously (5-0).

Copies of Mr. Monaco's memo were distributed to the audience.

Mr. Monaco provided background of the laws and legal precedents establishing the Board's fiduciary duties. He referred to a key Washington state Supreme Court case that dealt with obligations of trustees for public assets which required trustees to act with "undivided loyalty to the trust beneficiaries, to the exclusion of all other interests". This established a threshold beyond the basic duty of prudence required by state law. State law further requires that the Board act to diversify trust assets to minimize the risk of large losses.

Mr. Monaco referenced a Seattle City Attorney opinion in 1985 related to potential divestment from South Africa, which concluded that the Board "may not pursue a policy or practice, which reduces the financial return to the pension fund or significantly increases the risk to fund capital in order to further ethical or social considerations." The City Attorney's opinion has not changed. He also shared the US Department of Labor's guidance that the collateral ESG benefits of an investment action can only be considered as a tie-breaker amongst otherwise equivalent investment actions.

Mr. Monaco stated that there have been no changes adopted in the law establishing fiduciary duties by any legal authority and certainly not in Washington state. There are also no early court cases that indicate this is likely to change in the future.

Mr. Burgess asked how the Board was supposed to make judgments consistent with fiduciary responsibility when there are well-intentioned people from staff, citizens, and organizations that support divestment.

Mr. Monaco responded that under the legal standard the Board is to look at the question as a sophisticated investor would. Since members of the Board are not investment professionals, the way to discharge responsibility is to use qualified experts. It would be a breach of fiduciary duty not to get that investment expertise. Courts broadly accept that well-established investment principles, such as efficient markets theory, are valid and fiduciaries are not free to choose not to follow them. If those are the standards in the professional world, it would take something extraordinary to say you should do differently. He also commented that it is widely accepted that there is no breach of fiduciary duty if there is consent from the beneficiaries, but this is infeasible for a plan like SCERS that has thousands of members. If the Board does not have a well-informed vote with every single member consenting it is a breach of fiduciary duty to those who did not want divestment.

Mr. Burgess asked if the Board would be meeting their fiduciary responsibilities if they voted to divest.

Mr. Monaco replied that he is reluctant to give a direct answer during open session of the meeting. He offered a broad opinion that relates to boards in general who have similar fiduciary standards that it would be a difficult legal position if the Board chose not to follow the advice of staff, outside professionals and the IAC, particularly since state law requires the Board to have an IAC to advise on such issues.

There was discussion on whether any other US public funds have divested from fossil fuels. Mr. Malinowski stated that Cooperstown announced that it had divested its \$900,000 fund and there are reports that Somerville has divested, but that has not been confirmed. A California state bill was passed last year requiring CalPERS and CalSTRS to divest from dedicated thermal coal companies if it met the Board's fiduciary duty. It also granted the Board immunity from any actions related to the bill. CalSTRS has divested from these thermal coal companies and CalPERS has not officially responded. Mr. Malinowski added that SCERS has no direct investments in any dedicated thermal coal companies.

Mr. Burgess asked if a more limited form of divestment was an option, such as that proposed in the 350 Seattle report produced by Gang Chen. Mr. Malinowski responded that there would be a smaller but still negative impact on the portfolio if SCERS were to partially divest, so would appear impermissible based on the legal analysis. Mr. Malinowski also stated that the position action strategy is expected to reap greater benefits related to climate change than divestment since SCERS's shares in fossil fuel companies would be purchased almost instantaneously if it chose to sell.

Alec Connon of 350 Seattle requested to speak. Mr. Burgess approved his request. Mr. Connon stated that he spoke to someone from Divest Somerville who said that the board voted unanimously to divest. They are divesting gradually over time beginning with an index fund investment.

(11:06 a.m. – Sherri Crawford left the meeting)

Administrative Committee Report – June 29, 2017

Mr. Davis reported that the Administrative Committee met on June 29, 2017 to review charters and the process for the Executive Director evaluation process.

Ms. Becker said that they also began to talk about strategic planning for the new year.

Investment Committee Report

Mr. Malinowski stated the Investment Committee's recommendation to invest up to \$60 million in the City of London Investment Management Global Emerging Markets Fund, a strategy focused on emerging market equity closed-end funds. This represents approximately 2% of the total portfolio and approximately one-third of the total allocation to emerging markets within the public equity asset class.

Mr. Malinowski addressed questions raised during the Investment Committee on the structure and role of closed-end funds and on City of London's strategy and corporate governance approach. Following the Investment Committee meeting, staff had also received additional clarity from City of London on a regulatory review that provided further comfort.

Motion: Upon motion by Glen Lee, seconded by Jean Becker, the Board of Administration accepted the Investment Committee's recommendation to invest up to \$60 million in the City of London Investment Management Global Emerging Markets Fund, pending satisfactory legal review. The motion passed unanimously (4-0).

Executive Director Report

Mr. Davis stated that staff has received the final actuarial report from Milliman as well as the report on financials from CliftonLarsenAllen.

Representatives from both companies will be present at the August 10, 2017 Board meeting to give their assessments.

For the Pension Administration System (PAS), we are on pace to meet the revised go-live date in November 2018.

The only change to the Work Plan was to extend public equity emerging markets through September 2017.

Retirement estimates are now down to 75 open estimates with none longer than four weeks old. This is an all-time record and member services staff are to be commended.

Adjourn Meeting

The meeting was adjourned at 11:13 a.m.

Susan Coskey, Board Secretary



Seattle City Employees' Retirement System

Board of Administration Meeting
 Pacific Building, 720 3rd Avenue, Suite 900, Seattle, WA
 (206) 386-1293

Minutes, Thursday, August 10, 2017

Board Members Present: Tim Burgess (Chair), Robert Harvey, Jr., Jean Becker, Glen Lee, Sherri Crawford, Susan Coskey (at 9:05 a.m. via conference call), Lou Walter (at 9:02 a.m. via conference call)

SCERS Staff Present: Jeff Davis, Paige Alderete, Jason Malinowski, Jill Johnson, Cecelia Chen, Nina Melencio

Others Present: Mike Monaco (MMPL PLLC), Jeff Slayton (City Attorney's Office), Brittany Smith (CliftonLarsonAllen), Nick Collier (Milliman), Daniel Wade (Milliman), Julie Smith (Milliman)

Call to Order

Tim Burgess, Board Chair, called the meeting to order at 9:01 a.m.

Public Comment:

There was no public comment.

Administrative Consent Agenda

Provided in the Retirement Board packet were the minutes from the July 13, 2017 Retirement Board regular meeting.

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

Service Beneficiary Disability	\$13,848,501.89
	950,647.52
	<u>75,267.53</u>
Pension Payroll – PPE July 2017	\$14,874,416.94
 Office Payroll – PPE July 11 and 25, 2017	 \$ 134,831.32
 Vouchers Processed –July 2017*	
• Expert and Consultant Services	\$ 123,231.02
• Investment Management Fees	\$ 000.00
• Interdepartmental Charges	\$ 141,116.29
• Miscellaneous	\$ 42,202.02

*Summit transactions for July 2017 close on August 11, 2017. These are preliminary numbers which are subject to change.

Immediate Withdrawals for the Month of July 2017:

NAME	DEPT NAME	JOBTITLE
Brown,Theautrey M	Parks	Rec Attendant
Delgado,Francesca A	Muni Court	Probation Counselor I
Delich,Jeremy T	Civil Rights	Civil Rights Analyst
Dharmarajah,Yajnesa	Labor Relations	Strategic Advisor 3
Dolan,Elaine T	Help Desk	Help Desk Specialist
Fegan,Andrew G	SDOT	Civil Engineer
Kelly,Kaleb R	Parks	Laborer
Martin,Tyler	Parks	Lifeguard
McGill,Katharyn B (beneficiary of Jayla McGill)	Parks	Rec Attendant
Moore,Jason R	SPU	Drainage& Wastewater Coll Lead Wkr
Perry,Lauren R	Law	Admin Spec I
Proff,O Allen	Library	Maint Wkr
Schoentrup Jr.,William J	CTO/Exec Team	Executive 3
Walker,Robert F	SPU	Util Acct Rep
West,Josephine L	SPU	Gardener

\$568,292.70

c. Ratification of Service Retirements

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

Retiree	RetireDt	Age	Yrs	Days	DeptName	Position
Andrus, Myrna L.	6/1/2017	60	24	3.47	Vested Member	Manager3,P&FM
Choi,Chang Gyu	7/1/2017	54	10	68.51	Vested Member	Elecl Engr,Sr

<i>Dickens, Juliet D</i>	<i>6/14/2017</i>	<i>65</i>	<i>33</i>	<i>280.83</i>	<i>SMC</i>	<i>Admin Spec II-MC</i>
Flack, Katherine M	6/14/2017	65	8	320.94	ETHICS	StratAdvsr1, Exempt
<i>Goldstein, Robert M</i>	<i>6/16/2017</i>	<i>62</i>	<i>11</i>	<i>181</i>	<i>Vested Member</i>	<i>Executive2-Library</i>
Kent, Brenda L	6/14/2017	56	23	363.07	SCL	Admin Spec II-BU
<i>Knapp, James P</i>	<i>7/6/2017</i>	<i>65</i>	<i>7</i>	<i>266.49</i>	<i>Vested Member</i>	<i>Metal Fabricator</i>
<i>Lacey, Janet Marie R</i>	<i>6/27/2017</i>	<i>61</i>	<i>16</i>	<i>225.94</i>	<i>Vested Member</i>	<i>Court Clerk</i>
<i>McCrury, Gerald</i>	<i>6/2/2017</i>	<i>71</i>	<i>17</i>	<i>356.6</i>	<i>Seattle IT</i>	<i>Info Technol Prof C-BU</i>
<i>Orcutt, David R</i>	<i>6/8/2017</i>	<i>65</i>	<i>10</i>	<i>229.15</i>	<i>Vested Member</i>	<i>Labor Relations Coord</i>
Phillips, James H	6/2/2017	61	10	73.44	SCL	Hydroelec Op II
Reonal, Reynaldo	6/27/2017	63	31	60.44	SEATTLE IT	Info Technol Systs Anlyst
<i>Rogers, Dennis A</i>	<i>6/27/2017</i>	<i>67</i>	<i>14</i>	<i>288.09</i>	<i>SEATTLE IT</i>	<i>Info Technol Prof B-BU</i>
<i>Sam, Rouen</i>	<i>5/3/2017</i>	<i>54</i>	<i>25</i>	<i>40.15</i>	<i>King County</i>	<i>King County</i>
<i>Schmitz, Leo C</i>	<i>6/2/2017</i>	<i>69</i>	<i>44</i>	<i>16.97</i>	<i>SCL</i>	<i>Line C CC</i>
Schy Berg, Kathleen M	6/28/2017	67	13	331.75	FAS	Manager1, General Govt
<i>Stoltey, Catherine M.</i>	<i>6/14/2017</i>	<i>73</i>	<i>10</i>	<i>31.12</i>	<i>DPD</i>	<i>Actg Tech II-BU</i>
<i>Ticeson, Steven Dewayne</i>	<i>6/7/2017</i>	<i>68</i>	<i>30</i>	<i>188.02</i>	<i>SPU</i>	<i>Real Property Agent, SR.</i>
<i>Turpin, E Katharine</i>	<i>6/24/2017</i>	<i>62</i>	<i>8</i>	<i>67.12</i>	<i>Vested Member</i>	<i>Admin Staff Asst *</i>
<i>Wanwig, Nancy Ann</i>	<i>6/2/2017</i>	<i>65</i>	<i>28</i>	<i>169.25</i>	<i>SDOT</i>	<i>Admin Spec I-BU</i>
<i>Watson, Wendy J</i>	<i>6/2/2017</i>	<i>62</i>	<i>17</i>	<i>252.18</i>	<i>DON</i>	<i>Admin Spec II-BU</i>
Wong, Vern Tyler	6/7/2017	54	26	135.49	SEATTLE IT	Info Technol Prof B-BU
York, Karen	6/3/2017	69	23	187.03	SPU	Civil Engr, Sr

For the month of July 2017: 11 new Members entered the System, 41 terminations, xx Members retired in the System, 18 Members removed (\$18,032.25), 1 D/E Option, 4 F Option, and 5 over 60% benefit.

Bold/italized entries (if any) above indicate 2x match.

Motion: Upon motion by Tim Burgess, seconded by Robert Harvey, Jr., the Board of Administration accepted and approved the Administrative Consent Agenda. The motion passed unanimously (5-0).

Final Audit Report

(9:02 a.m. – Lou Walter joined the meeting via conference call)

Brittany Smith of CliftonLarsonAllen (CLA) presented SCERS's Final Audit Report to the Board for the year ended December 31, 2016.

CliftonLarsonAllen's responsibility is to express an opinion on financial statements. There were no significant audit findings for 2016.

(9:05 a.m. – Susan Coskey joined the meeting via conference call)

SCERS implemented the provisions of GASB 72 during audit year 2016 for "Fair Value Measurement and Application". GASB 72 provides guidance for determining a fair value measure for financial purposes which includes a hierarchy of three levels used to measure fair value. The levels range from 1-3 with level 3 being more difficult to determine value of an asset.

The 2016 audit year was not as easy as previous years due to the transition of not having a Chief Finance/Operations Officer for part of the year and the switch from paper to electronic records as part of the new

Pension Administration System (PAS). Neither situation impacted the results of the audit. Susan Coskey requested that CLA, in general, clarify that the transitions did not impact the audit results.

Ms. Smith reviewed internal control related matters. CLA did not identify any deficiencies in internal control that they consider to be a material weakness. There was a significant deficiency in which account reconciliations, primarily related to investments, were not performed timely and entries for investment transactions were not posted timely, although the entries were made correctly and posted correctly in total.

Ms. Smith discussed several items related to census data. Actual wages should be used rather than budgeted wages because it may impact the determination of the contribution rate. Other items mentioned such as service credits will be corrected when the PAS is implemented in November 2018.

CLA recommended that SCERS staff work with the Health Care Authority to obtain notification of member deaths since the data is more accurate and quicker than subscription services.

There was a discussion on overpayments which is normal in any pension system. Mike Monaco discussed an overpayment policy which is like what the Internal Revenue Service would do.

Staff is working on identifying the overpayments quicker. Once the PAS is implemented, the notifications due to overpayment can be automated through the PAS.

Mr. Burgess commended the staff on the work they do.

Motion: Upon motion by Tim Burgess, seconded by Jean Becker, the Board of Administration accepted the 2016 Year-End Audited Financial Statements as presented by Seattle City Employees' Retirement System Staff and CliftonLarsonAllen, LLP. The motion passed unanimously (7-0).

Valuation Study and 2018 Actuarial Contribution Rate (ARC)

Nick Collier, Julie Smith, and Daniel Wade of Milliman presented SCERS Valuation Study as of January 1, 2017.

SCERS had a main change with adding Plan 2 but the addition will not affect the valuation until next year.

The funding ratio increased from 66.5% (2016) to 68.1% (2017) and there has been steady growth in the last five valuations. The unfunded actuarial liability has been extremely steady at \$1.2 billion each year. The average annual salary has increased about 2.5% since last year (\$79,288 for 2017).

There has been a 3% increase in the number of active members and the average monthly benefits. The actuarial value of assets has increased from \$2.4 billion to \$2.56 billion.

The market value of assets returned was around 8.4% in 2016. Mr. Malinowski stated that the current 2017 year-to-date return is between 9-10%.

There have been no changes to assumptions or benefits for current valuation. The last experience study was in 2014 and the next one is scheduled for 2018 in which they will look at demographic, as well as economic assumptions.

The current assumptions are as follows:

- 7.5% investment return
- 3.25% price inflation
- 4% general wage increases
- 0.5% membership growth

The City of Seattle continues to contribute the actuarially determined rate each year.

There has been no asset gain/loss on the actuarial value. The contribution rate of 25.32% will decrease to 25% for 2018. The biggest item is the membership growth factor which increased. As a result, there is a bigger payroll.

SCERS's funding ratio and employer contribution rate is like other pension plans across the country. SCERS is projected to achieve 100% funding ratio in 2043.

Milliman has projected moderate increases in employer contribution rates for the next few years. The calculated employer contribution rate is projected to decrease in 2018 and then increase in future years.

Milliman likes to be fiscally conservative and to recognize growth as it happens rather than project it. They are currently using 0.5% for growth. The payroll growth includes employee population as well as wages.

Milliman recommended maintaining the 2017 actuarial contribution rate (ARC). There was general agreement among the Board members to retain the 2017 Actuarial Contribution Rate for 2018.

Motion: Upon motion by Tim Burgess, seconded by Glen Lee, the Board of Administration accepted the January 1, 2017 Actuarial Valuation Report as presented by Milliman. The motion passed unanimously (7-0).

Credit Interest

Jeff Davis presented on Credit Interest. The policy is for all contributions made after December 31, 2011. The new credited interest rate for contributions after December 31, 2011 is calculated by taking the average daily rate of the thirty-year treasury bonds. The credit interest is 2.73%, down from 2.86% in the current year.

Motion: Upon motion by Glen Lee, seconded by Robert Harvey, Jr., the Board of Administration set the 2018 credit interest on all employee contribution into the pension trust after December 31, 2011 at 2.73%. The motion passed 6-1 with Lou Walter voting nay.

Investment Committee Report

Mr. Malinowski reported on the July 27, 2017 Investment Committee meeting.

There was public comment from members of UNITE HERE who work for a Brookfield-owned hotel in Portland regarding a union organizing effort at a separate hotel in California. SCERS is not directly invested in the California hotel. Staff subsequently spoke to Brookfield's head of hospitality regarding their approach to labor organizing. Staff's take-away from the discussion was that Brookfield has a collegial relationship with labor unions and does not act to prevent organizing. It was brought to Brookfield's attention a month ago that their employees at the California hotel wanted to unionize and the vote is scheduled for this week.

The main area that was discussed during the Investment Committee meeting was real assets. Mr. Malinowski and Cecelia Chen did a deep dive on real assets and NEPC walked through the pacing plan.

Staff and NEPC are recommending a commitment of \$15 million to Carlyle Realty Partners VIII. Carlyle is a non-core real estate strategy focused on the U.S. Staff was attracted to Carlyle's team size, longevity, and track record. There were also discussions on their work force diversity at the Investment Committee meeting. Included

in the board packet was Carlyle's "Diversity & Inclusion" material which described steps that Carlyle has taken to increase workforce diversity and their associated key performance indicators.

Motion: Upon motion by Tim Burgess, seconded by Jean Becker, the Board of Administration accepted the Investment Committee's recommendation to commit \$15 million to Carlyle Realty Partners VIII, pending satisfactory legal review. The motion passed unanimously (7-0).

Executive Director Report

Mr. Davis talked about the pension "City Summit" which was a meeting held on August 8, 2017 with SCERS staff and members of the Cities of Spokane and Tacoma pension staff, including their Executive Directors. The summit was for knowledge sharing. There was good dialogue and sharing of ideas.

A communications consultant, Marianne Bichsel, completed a study of SCERS's messaging to the community. She interviewed retired and active members, staff, a consultant, and board members. She will be attending the September 14, 2017 Board meeting to report on her findings.

The work plan and dashboard are relatively unchanged. The PAS is still on schedule for November 2018. The volumes on service estimates are steady despite the team being down on staff due to leaves and vacations.

The second quarter performance report will be reviewed at the August 31, 2017 Investment Committee meeting.

Mr. Burgess had a motion that he would like to make because of the July 13, 2017 Board meeting's staff report on the SCERS's positive strategy program.

The motion was made and seconded. The Board discussed the language in the motion. There were no amendments to the motion.

Motion: Upon motion by Tim Burgess, seconded by Robert Harvey, Jr., the Board of Administration reaffirmed its support for the positive action strategy related to climate change, as presented by staff on July 13, 2017, that includes engaging as shareholders with corporations and other entities, considering sustainability investments, and integrating climate change risk into the investment process. The Board concluded that the positive action strategy is the most effective means for Seattle City Employees' Retirement System (SCERS) to beneficially impact climate change while meeting its paramount fiduciary duties to the members of SCERS. The motion passed 6-0-1 with Susan Coskey abstaining.

Adjourn Meeting

The meeting was adjourned at 10:31 a.m.

Susan Coskey, Board Secretary



Seattle City Employees' Retirement System

Board of Administration Meeting
 Pacific Building, 720 3rd Avenue, Suite 900, Seattle, WA
 (206) 386-1293

Minutes, Thursday, September 14, 2017

Board Members Present: Tim Burgess (Chair), Robert Harvey, Jr., Jean Becker, Glen Lee, Sherri Crawford

SCERS Staff Present: Jeff Davis, Paige Alderete, Jason Malinowski, Tony Smith, Cecelia Chen, Nina Melencio

Others Present: Mike Monaco (MMPL PLLC), Marianne Bichsel (Bichsel Public Affairs), John Masterjohn (ARSCE), George Emerson (FAS)

Call to Order

Tim Burgess, Board Chair, called the meeting to order at 9:02 a.m.

Public Comment:

There was no public comment.

Administrative Consent Agenda

Provided in the Retirement Board packet were the minutes from the August 10, 2017 Retirement Board regular meeting.

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

Service	\$13,969,310.79
Beneficiary	955,117.74
Disability	<u>75,267.53</u>
Pension Payroll – PPE August 2017	\$14,666,695.94
Office Payroll – PPE August 8 and 22, 2017	\$ 236,931.39
Vouchers Processed – August 2017	
• Expert and Consultant Services	\$ 209,560.69
• Investment Management Fees	\$ 679,846.95
• Interdepartmental Charges	\$ 154,598.73
• Miscellaneous	\$ 37,825.55

Immediate Withdrawals for the Month of August 2017:

NAME	DEPT NAME	JOB TITLE
Akalu,Bereket T	Parks	Rec Attendant
Bensch,John A	SPU	Heavy Truck Driver
Clark,Jennifer L	Police	Strategic Advisor 2
Coppin,Katelyn P	Human Services	Planning and Dev. Spec 1
Crane,Robert L	FAS	Auto Mechanic
Fromm,Paige E	LIBRARY	Acct Tech II
Gissendanner,Angela F	Seattle Center	Janitor
Gutierrez,Vanesa	Neighborhoods	Admin Spec II
Hamilton,Sephir D	SCL	Executive 3
Heimerman,Anthony P	SCL	Personnel Spec
Martini,Elizabeth A	Dept. of Planning and Development	Graphic Arts Designer
McNamee,Heather L	LIBRARY	Supervising Librarian
M'thini,Jennifer M	SPU	Utility Acct Rep
Putnam,Edwin M	SPU	Info Tech Prof B
Rice,Mian A	Office of Sustainability and Environment	Strategic Advisor 2
Rogers,Stephanie L	FAS	Admin Staff Asst
Vega,Carmen G	SDOT	Sr. Transportation Planner
Walsh,Brian L	Parks	Golf Course Groundskeeper 1
Wells,Donald J	Police	Admin Spec I
Zayas,Carrie H	Police	Police Comm Dispatcher I

\$ 548,103.39

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
Ames,William Edward	7/12/2017	62	28	36.28	SDOT	Civil Engrng Spec,Sr
<i>Bentley,Mark S</i>	<i>7/26/2017</i>	<i>63</i>	<i>39</i>	<i>316.31</i>	<i>Parks</i>	<i>Metal Fabricator</i>
<i>Bryan,Michele A</i>	<i>7/8/2017</i>	<i>62</i>	<i>9</i>	<i>80.12</i>	<i>Vested Member</i>	<i>Process Server</i>
<i>Chin,Amy Shiu Yin</i>	<i>7/26/2017</i>	<i>66</i>	<i>38</i>	<i>115.38</i>	<i>FAS</i>	<i>Actg Tech II-BU</i>
<i>Cunniff,Charles L</i>	<i>6/29/2017</i>	<i>62</i>	<i>5</i>	<i>322.55</i>	<i>Vested Member</i>	<i>StratAdvsr2,General Govt</i>
<i>Dahle,John C</i>	<i>7/18/2017</i>	<i>65</i>	<i>36</i>	<i>361.68</i>	<i>SDOT</i>	<i>Civil Engrng Spec,Assoc</i>
Davis,Wanda L	7/12/2017	59	31	332.88	SCL	Elecl Constr&Maint Supv-BU
Geis, Karey L.	7/6/2017	62	32	0	King County	Public Health Nurse
Honeyman, Dwight Laverne	7/26/2017	62	10	69.92	SeattleIT	Info Technol Spec
<i>Kain,Elizabeth C</i>	<i>7/14/2017</i>	<i>66</i>	<i>37</i>	<i>184.07</i>	<i>SPU</i>	<i>Grants&Contracts Spec</i>
Kelly,Robert D	7/12/2017	68	13	27.89	Fire	Warehouser,Chief
Lim,Vann R	7/12/2017	56	30	255.39	Law	Accountant,Prin
Linehan,Maureen B	7/6/2017	59	17	308.72	Human Services	StratAdvsr1 *
Locke,Nancy M	7/21/2017	58	23	171.81	FAS	Executive2 *
<i>Lockridge,Alice A</i>	<i>7/7/2017</i>	<i>66</i>	<i>24</i>	<i>307.62</i>	<i>SCL</i>	<i>Trng&Ed Coord</i>
Long, Jill	7/3/2017	65	0	97.32	Vested Member	Vested Member
Macdonald,Richard	7/6/2017	60	22	32.7	Neighborhoods	Plng&Dev Spec,Supvsng
<i>Moimoi,Lasike T</i>	<i>7/12/2017</i>	<i>66</i>	<i>24</i>	<i>212.1</i>	<i>Parks</i>	<i>Maint Laborer</i>
Morris,Jane E	7/6/2017	64	30	48.95	Arts	Manager1,Exempt
Morrison,Steven R	7/7/2017	63	26	41.79	SCL	Carpenter CC
Mundy,Eldon R	7/22/2017	69	28	264.66	Police	Pol Comms Dispatcher III
<i>Murphy,Kurt B</i>	<i>7/12/2017</i>	<i>65</i>	<i>38</i>	<i>263.75</i>	<i>SPU</i>	<i>Capital Prjts Coord</i>
<i>O'Kelley,Steven Michael</i>	<i>7/12/2017</i>	<i>62</i>	<i>38</i>	<i>150.34</i>	<i>SCL</i>	<i>Comms Elctn II</i>
Patriarca,Fe L	7/26/2017	64	32	240.02	Fire	Accountant
<i>Perry,William L</i>	<i>7/7/2017</i>	<i>65</i>	<i>5</i>	<i>206.26</i>	<i>Vested Member</i>	<i>Envrnmtl Fld Spec</i>
Phillips,Patrick D	7/12/2017	65	19	141.95	SCL	Elecl Engrng Spec,Sr
Raymundo,Angelita P	7/24/2017	62	8	143.59	Vested Member	Accountant,Sr
<i>Reyes,Vivian Vogtsberger</i>	<i>7/26/2017</i>	<i>59</i>	<i>13</i>	<i>293.5</i>	<i>SeattleIT</i>	<i>Admin Spec II-BU</i>
Schoenfeld,Robert M	7/28/2017	57	25	54.09	Vested Member	Meter Elctn
Spahr, Susan M.	7/6/2017	63	38	102.2	King County	King County
Stephens, Lorraine	7/6/2017	66	27	101.1	SCL	Installation Maint Wkr
Stone,Diane K	7/6/2017	64	5	131.36	Police	Victim Advocate
<i>Thompson,Donna Lynn</i>	<i>8/3/2017</i>	<i>65</i>	<i>3</i>	<i>271.67</i>	<i>Vested Member</i>	<i>Capital Prjts Coord</i>
<i>Villalon,Romulo</i>	<i>7/12/2017</i>	<i>65</i>	<i>38</i>	<i>187.57</i>	<i>FAS</i>	<i>Licenses&Standards Inspector</i>
Wrice, Cynthia M.	7/8/2017	67	9	8.19	SPU	Admin Spec I - BU

For the month of August 2017: 67 new Members entered the System, 55 terminations, 35 Members retired in the System, 23 Members removed (\$33,936.15), 5 D/E Option, 5 F Option, and 11 over 60% benefit.

Bold/italized entries (if any) above indicate 2x match.

Motion: Upon motion by Tim Burgess, seconded by Robert Harvey, Jr., the Board of Administration accepted and approved the Administrative Consent Agenda. The motion passed unanimously (5-0).

Communications Report – Bichsel Public Affairs

Marianne Bichsel of Bichsel Public Affairs presented her report on how SCERS is viewed by its customers and others. SCERS's reputation has been steadily improving over the past five years and is viewed as helpful, accurate, and trustworthy. Ms. Bichsel conducted interviews with active and retired SCERS members, board of administration members, City of Seattle benefit managers, as well as members of the SCERS leadership team and a hiring consultant.

Every group had a clear understanding that SCERS primary role is managing the fund and distributing retirement checks which aligns with SCERS's mission, vision, and values. Customer service is seen as a core value to that mission.

SCERS's retirement specialists are highly valued and provide peace of mind to those going through the retirement process.

People think SCERS is not visible enough, particularly with active members. Active members would like more information through their careers. The website is widely used and people find the information on it helpful. The changes to the website are more structural than substantive.

Nearly every person interviewed said that SCERS manages the retirement fund well and that customer service is solid. Based on the interviews, SCERS should: develop a communication plan that includes surveying active members on how they get and receive information from SCERS, create a regular newsletter, create a messaging framework for consistency of messaging.

Ms. Bichsel is finishing a communication plan for SCERS that will be ready by the end of September which includes improving the navigation of the SCERS's website.

Annual Report

Paige Alderete presented the 2016 Annual Report which consists of three sections: Financial, Actuarial, and Statistical. The Financial and Actuarial information was presented at the August 10, 2017 Board of Administration meeting. The statistical information was used to update this month's dashboard.

Motion: Upon motion by Tim Burgess, seconded by Jean Becker, the Board of Administration accepted the 2016 Annual Report as presented by Seattle City Employees' Retirement System Staff. The motion passed unanimously (5-0).

Administrative Committee Report – August 31, 2017

Mike Monaco reviewed the changes to the charters as recommended by the Administrative Committee at its August 31, 2017. The Administrative Committee recommended revisions to the Board Chair, Board of Administration, Executive Director, Secretary of the Board, and Treasurer of the Board Charters.

a. Board Chair Charter

Motion: Upon motion by Jean Becker, seconded by Robert Harvey, Jr., the Board of Administration accepted the Administrative Committee's recommendation to adopt the revised Board Chair Charter. The motion passed unanimously (5-0).

b. Board of Administration Charter

Motion: Upon motion by Sherri Crawford, seconded by Jean Becker, the Board of Administration accepted the Administrative Committee's recommendation to adopt the revised Board of Administration Charter. The motion passed unanimously (5-0).

c. Executive Director Charter

Motion: Upon motion by Glen Lee, seconded by Robert Harvey, Jr., the Board of Administration accepted the Administrative Committee's recommendation to adopt the revised Executive Director Charter. The motion passed unanimously (5-0).

d. Secretary of the Board Charter

Motion: Upon motion by Tim Burgess, seconded by Jean Becker, the Board of Administration accepted the Administrative Committee's recommendation to adopt the revised Secretary of the Board Charter. The motion passed unanimously (5-0).

e. Treasurer of the Board Charter

Motion: Upon motion by Glen Lee, seconded by Tim Burgess, the Board of Administration accepted the Administrative Committee's recommendation to adopt the revised Treasurer of the Board Charter. The motion passed unanimously (5-0).

Investment Committee Report -August 31, 2017

Tony Smith reported on the August 31, 2017 Investment Committee meeting.

The Investment Committee accepted staff and NEPC's recommendation to place Russell Investments on the Watch list. Russell Investments is used for overlay and transition services. Russell Investments was purchased last year and there have been organizational changes and turnover that has impacted the department responsible for overlay. SCERS will review Russell Investment's status in 12 months to see if things have stabilized and/or for operational issues. NEPC has also put Russell Investments on watch.

Staff and NEPC provided a deep dive on the portfolio's fixed income asset class. Mary Pugh, founder of Pugh Capital, gave an overview on the current market environment.

NEPC presented SCERS's investment performance for the period that ended June 30, 2017.

a. Russell Investments Watch List

Motion: Upon motion by Tim Burgess, seconded by Robert Harvey, Jr., the Board of Administration accepted the Investment Committee's recommendation to place Russell Investments on Watch status due to organizational concerns. The motion passed unanimously (5-0).

Seattle Retirement Savings Plan

Mr. Burgess introduced the Seattle Retirement Savings Plan. Jason Malinowski and Jeff Davis have provided consultative help in its development, but the plan does not directly impact SCERS.

It is very likely that the City Council will introduce an ordinance soon that will mandate employers, who do not already offer a pension program or 401K, etc., some type of retirement savings plan for their employees. The plan requires that employers inform their employees of the plan and automatically enroll them. Employees do have the option to opt out. An IRA account will be established in the employee's name and it is portable for the employee.

If it is adopted in Seattle, there are potentially 200,000 workers inside the city who have no workplace retirement savings and would therefore benefit from the plan. The proposed ordinance authorizes the City to develop the plan and appoint a board of oversight to spend 2018 confirming legal analysis, doing a feasibility study that the plan can be launched and is financially viable; and then running an RFP for an administrator of the plan.

This plan would be similar to the City's deferred compensation plan. The City's cost would be recovered with a small administrative fee built in. It is ultimately a cost savings for the government since the government has to pay less if more people are financially secure.

The state of Oregon has passed a similar program and has already started a pilot program with a small number of employers. The state of California passed a similar law but is further behind in implementation.

Executive Director Report

Jeff Davis provided information on SCERS's potential plan to remain in its current location rather than moving to Seattle Municipal Tower. Due to the upcoming implementation of the Pension Administration System, all member files have been scanned. The paper documents will be inventoried and then stored off-site. The space that is currently being used for file storage can be converted to office and meeting spaces. Staff are reviewing proposed conceptual spaces.

The resolution for the 2018 contribution rate will be going to City Council. The contribution rate recommended will be higher than what is in Milliman's Valuation Report. There was general agreement with the Board to leave it at the higher level. It would help to match the budgeted rate the City has. Rather than keeping it at 15.29%, reduce it to 15.23%, which is what is budgeted.

The only thing added to the Work Plan was the actuarial experience study which will start early in 2018. Milliman will look at actual experience and discuss economic assumptions. This will impact the 2019 required contributions.

The dashboard was updated to include 2016 annual figures from the annual report.

Adjourn Meeting

The meeting was adjourned at 10:00 a.m. by Tim Burgess, Chair.

Susan Coskey, Board Secretary



Seattle City Employees' Retirement System

Board of Administration Meeting
Pacific Building, 720 3rd Avenue, Suite 900, Seattle, WA
(206) 386-1293

Minutes, Thursday, October 12, 2017

Board Members Present: Robert Harvey, Jr. (Chair), Jean Becker, Glen Lee (arrived at 9:05 am), Sherri Crawford, Susan Coskey (called in), Lou Walter (called in at 9:05 am)

SCERS Staff Present: Jeff Davis, Paige Alderete, Jason Malinowski, Tony Smith, Jill Johnson, Cecelia Chen, Nina Melencio

Others Present: Gavin Parr (MMPL PLLC), Andrea Faste

Call to Order

Robert Harvey, Jr., Board Chair, called the meeting to order at 9:04 a.m.

Public Comment:

Andrea Faste, a retiree, had questions about the progress towards green investing. She is concerned because she worked for the City helping people reduce their carbon footprint.

(9:05 a.m. – Lou Walter called in, Glen Lee arrived at the meeting)

Administrative Consent Agenda

Provided in the Retirement Board packet were the minutes from the September 14, 2017 Retirement Board regular meeting.

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

Service Beneficiary Disability	\$14,021,718.42
	939,098.17
	<u>75,267.53</u>
Pension Payroll – PPE September 2017	\$15,036,084.12
Office Payroll – PPE September 5 and 19, 2017	\$ 240,213.02
Vouchers Processed – September 2017	
• Expert and Consultant Services	\$ 172,276.88
• Investment Management Fees	\$2,621,295.78
• Interdepartmental Charges	\$ 154,428.12
• Miscellaneous	\$ 62,814.65

Immediate Withdrawals for the Month of September 2017:

NAME	Dept Name	JOBTITLE
Mateo,Valeriano F	Parks	Recreation Leader
Cola,Leanne	City Light	Personnel Spec
Mercier,Holly Z	SDOT	Civil Engineer Spec Assoc.
Shiroyama,Sylvia A	Police	Executive 2
Malone,Erin A	Seattle Center	Admin Spec II
Huggins,Mary R	FAS	Contract Analyst
Printz,David C	City Light	Lineworker
Brown,Jimmy L	Human Services	Counselor
DeMaggio,Michael D	Library	Building Maint Worker
Hurd,Blake A	Parks	Sr Lifeguard
Roberts,Thomas J	FAS	Strategic Advisor 2
Dean,Kimberly M	SPU	Utility Account Repre Trne
Johnson,Hillary A	SDOT	Admin Spec III
Petty,Deionte C	Parks	Recreation Attendant

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
Ames, Laurie L.	9/2/2017	62	24	310.25	Planning	Plng&Dev Spec,Sr
Aminian,Kaveh	9/6/2017	64	29	253.35	Planning	Strucl Plans Engr Supv
Armstrong,Kenneth	8/13/2017	62	9	131.47	Vested Member	Executive2
Balcom,Dennis R	9/6/2017	63	30	13.8	Parks	Manager1,General Govt
Bronstein,Elliott Hart	9/6/2017	65	17	79.02	Civil Rights	StratAdvsr1,General Govt
Burns,Robert K	9/6/2017	65	24	333.72	SDOT	Civil Engrng Spec,Assoc
Canda,Steven R	9/6/2017	64	32	66.8	SDOT	Civil Engrng Spec,Assoc
Collins,Patricia A	8/9/2017	66	28	235.24	Seattle IT	Admin Spec II-BU

Duncan,Michael R	9/6/2017	55	24	302	Parks	Maint Laborer
Dunn,James A	8/12/2017	53	28	7.12	SPU	Wtr Quality Anlyst,Supv
Fajardo,Helen B	8/11/2017	68	26	244.44	FAS	Admin Spec II-BU
Finn,Donald L	9/8/2017	59	22	136.36	Vested Member	Lnwkr
Fisher, Billie J.	8/9/2017	67	14	229.95	Planning	Plng&Dev Spec,Sr
Flores, Teresa Christine	8/9/2017	62	20	310.25	SPU	Admin Spec I-BU
Friend, Stephen T.	9/6/2017	62	32	273.75	SPU	StratAdvsr2, Utils
Genson,Leonard L	9/6/2017	68	36	45.52	City Light	Comms Elctn II
Goncalves,Maria	9/6/2017	65	11	141.55	Housing	Admin Spec II-BU
Gulas,Arthur C	8/9/2017	63	39	15.66	SPU	Wtr Pipe Wkr
Herrera Sr,Vincent Leo	9/6/2017	71	19	181.95	Seattle Center (CEN)	Laborer
Higashiyama, Dennis	8/20/2017	65	4	358.8	Vested Member	Rec Program Spec, Sr.
Holmes,Mark	9/6/2017	58	24	102.09	SPU	Act Exec
Hughes,Amy L	9/6/2017	58	9	165.02	Seattle IT	Manager3,Info Technol
Johnston,Terrie L	9/6/2017	62	30	211.41	SPD	Crime Prev Coord
Jolk,Donald A	7/30/2017	63	14	20.08	SPU	Wtrshd Inspector
Kelson,Mary Ann	9/6/2017	58	35	192.46	Seattle IT	StratAdvsr2,General Govt
Kling,Joyce Carolyn	8/9/2017	71	30	51.87	SDOT	StratAdvsr2,General Govt
Kochhar,Rajinderpal S	9/6/2017	66	36	344.71	City Light	Elecl Pwr Sysys Engr
Larson,Mary George	9/5/2017	62	8	262.58	Vested Member	Personnel Spec,Sr
Leisy,Craig Alan	9/6/2017	66	21	230.75	FAS	Manager3,General Govt
Ma,Binh	9/6/2017	75	31	104.65	SDOT	Parking Pay Stat Tech
Martin,Dan L	9/6/2017	63	25	348.87	City Light	Meter Reader
McCudden,Mathew Patrick	8/9/2017	63	5	64.35	City Light	Executive2
Miller,Robert R	9/6/2017	72	38	224.44	SPD	Fleet Mgmt Anlyst
Mitchell, Melba D.	7/10/2017	56	28	33.94	SPD	Admin Support Supv-BU
Monillas,Normita E	8/17/2017	62	15	227.47	Vested Member	Admin Spec I-BU
Myers,Robert James	8/9/2017	62	17	351.53	City Light	Gardener,Sr
Novak,Laura L	8/2/2017	59	23	296.38	City Light	Mat Suplr-Asg Leo/Pdm/Hb
Ortiz,Sonny	8/9/2017	60	30	112.42	FAS	Licenses&Standards Inspector
Rowley, Frederic Fleming	8/17/2017	65	17	105.12	SPU IT Initiatives	Info technol Prof A
Rutherford,Mary S	9/6/2017	66	10	89.5	SDOT	Executive2
Sheehy II,William D	8/9/2017	59	11	324.81	FAS	Facility Techl Supv
Sink, Shelley Janette	9/6/2017	65	28	99.64	Seattle Center (CEN)	Manager1, CSPI&P
Snyder,John H	8/9/2017	62	8	151.73	City Light	Line CC-Asg C Coord
Sovern,Dennis J	9/6/2017	65	37	357.88	City Light	Line C CC
Tat,Lena	9/6/2017	64	30	269.55	City Light	Manager3,Engrng&Plans Rev-BU
Tawney,Everette Anthony	8/1/2017	74	18	160.02	Vested Member	Sfty&Hlth Spec,Sr
Tonkin,Shawn M	9/6/2017	61	25	339.01	SPD	Plng&Dev Spec,Sr

Ulrey, Shirley M	9/6/2017	65	40	95.08	SPU	Library Assoc IV
Whitman, Kathleen L	8/2/2017	66	42	146.11	Parks	Manager2, Parks&Rec
Yund, Carolyn	7/31/2017	70	2	103	Vested Member	Admin Spec I
Zoulas, Mary Ellen	8/2/2017	71	34	68.66	FAS	Manager1, General Govt

For the month of September 2017: 64 new Members entered the System, 46 terminations, 51 Members retired in the System, 21 Members removed (\$32,718.91), 5 D/E Option, 5 F Option, and 15 over 60% benefit. ***Bold/italized*** entries (if any) above indicate 2x match.

Motion: Upon motion by Sherry Crawford, seconded by Glen Lee, the Board of Administration accepted and approved the Administrative Consent Agenda. The motion passed unanimously (6-0).

Administrative Committee Report – September 28, 2017

The Administrative Committee recommended that the Board of Administration adopt a new policy for the Executive Director Cost of Living Adjustment. The policy was introduced at the January 2017 Board of Administration meeting by the former Interim Executive Director, Ken Nakatsu. The adjustment would be made if the executive director received a satisfactory evaluation.

Susan Coskey stated that a cost of living adjustment (COLA) is not the same as the Annual Wage Increase (AWI) which is negotiated with the coalition of unions, although she would support something that was not an automatic increase.

Lou Walter expressed concern that the Board of Administration maintain SCERS as an independent department since SCERS is not part of the City's executive branch. The Board can implement a practice for the Executive Director COLA or AWI.

The executive director evaluation process is being reviewed in Administrative Committee. The executive director's pay change can be folded into that process and brought to the Board. It was clarified that there is no city policy on AWI and that a new memo instructing staff to implement the AWI is generated every year.

The recommendation to approve the Executive Director Cost of Living Adjustment was tabled.

Motion: Upon motion by Lou Walter, seconded by Susan Coskey, the Board of Administration tabled the Executive Director Cost of Living Adjustment Policy. The motion passed unanimously (6-0).

The Administrative Committee also discussed the executive director evaluation process. Mr. Harvey has background and experience in this area and will assist during a working session at the next administrative committee meeting.

The AC also discussed strategic planning and what's going to come up next year, i.e., new Board Chair.

Investment Committee Report -September 28, 2017

Jason Malinowski reported on the September 28, 2017 Investment Committee meeting.

The Investment Committee discussed a recommendation to restructure the emerging markets equity allocation. Staff provided reasons that, for this market segment, a fundamental investment process is preferred to a quantitative investment process and that country/regional specialists have somewhat more merit than generalist managers. Accordingly, the Investment Committee accepted staff and NEPC's recommendation to defund its investment in the JP Morgan GEM Diversified Fund, which is a quantitative and generalist emerging markets equity strategy. Staff had identified no material concerns with the JP Morgan strategy, but found that there are better opportunities in emerging markets equity to generate excess returns.

The Investment Committee also approved a concurrent recommendation by staff and NEPC to invest up to \$100 million in the ABS Emerging Markets Strategic Portfolio, pending satisfactory legal review. The ABS Emerging Markets Strategic Portfolio is a multi-manager strategy that is expected to allocate primarily to managers specializing in specific emerging markets countries or regions. SCERS would be the founding investor and, accordingly, benefit from reduced fees.

Staff and NEPC provided a deep dive on the portfolio's diversifying strategies class.

a. JP Morgan GEM Diversified Fund

Motion: Upon motion by Lou Walter, seconded by Glen Lee, the Board of Administration accepted the Investment Committee's recommendation to defund its investment in the JP Morgan GEM Diversified Fund. The motion passed unanimously (6-0).

b. ABS Emerging Markets Strategic Portfolio

Motion: Upon motion by Glen Lee, seconded by Jean Becker, the Board of Administration accepted the Investment Committee's recommendation to invest up to \$100 million in the ABS Emerging Markets Strategic Portfolio, pending satisfactory legal review. The motion passed unanimously (6-0).

Executive Director Report

Jeff Davis provided an update to the Pension Administration System (PAS) implementation. The PAS is nearing the end of the 3rd testing/validation phase and preparing for the 4th testing phase.

SCERS has not been notified of the new City's finance committee chair, who then becomes SCERS's Board of Administration Chair. The Finance committee is different than the Budget committee. Mr. Davis has reached out to City Council.

Mr. Harvey asked if Tim Burgess can help onboard the new chair after he retires from the City. Mr. Parr will need to research the answer.

Mr. Davis described the current onboarding process for new trustees which includes orientation with SCERS, the Investment Team, and legal counsel.

Mr. Lee noted that the City Council may not decide until the end of January 2018 or end of February who the new Finance Committee chair will be due to all the changes currently happening.

Adjourn Meeting

The meeting was adjourned at 9:29 a.m. by Robert Harvey, Jr., Board Chair.

Susan Coskey, Board Secretary



Seattle City Employees' Retirement System

Board of Administration Meeting
 Pacific Building, 720 3rd Avenue, Suite 900, Seattle, WA
 (206) 386-1293

Minutes, Thursday, November 9, 2017

Board Members Present: Lou Walter (Chair), Robert Harvey, Jr., Sherri Crawford, Susan Coskey (called in), Jean Becker (arrived at 9:06 a.m.)

SCERS Staff Present: Jeff Davis, Paige Alderete, Jason Malinowski, Tony Smith, Jill Johnson, Nina Melencio

Others Present: Mike Monaco (MMPL PLLC), John Masterjohn (ARSCE), Daniel Gilbert (the Seattle Times)

Call to Order

Lou Walter, Board Chair, called the meeting to order at 9:01 a.m.

Public Comment:

There was no public comment.

Administrative Consent Agenda

Provided in the Retirement Board packet were the minutes from the October 12, 2017 Retirement Board regular meeting.

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

Service Beneficiary Disability	\$13,057,734.24 942,514.93 <u>75,267.53</u>
Pension Payroll – PPE October 2017	\$15,075,516.70
Office Payroll – PPE October 3, 17, and 31, 2017	\$ 351,566.93
Vouchers Processed – October 2017	
• Expert and Consultant Services	\$ 26,212.83*
• Investment Management Fees	\$432,266.16*
• Interdepartmental Charges	\$153,493.37*
• Miscellaneous	\$ 45,901.59*

*Summit Financial transaction close date is 11/9/2017. The expenses shown are preliminary.

Immediate Withdrawals for the Month of October 2017:

NAME	Dept Name	Job Title
Cooper,Perry R	Seattle Center	Vested
Dorsey,Larry	City Light	Beneficiary
Dunlop,Daniel R	Public Utility	Pmp Stat Maint Wrker
Lowrey,Elizabeth M	Library	Librarian
Mauldin,Christopher C	FAS	Animal Control Officer II
Morseletto,Francisco G	Seattle Center	Janitor
Pendleton,Tyler F	Seattle Center	Laborer
Savala,Angelo	Parks	Seattle Conserv Corps Supv
Tan,Kheng M	Mayor's Office	Strat Adv 3
Woods,Jennifer N	Public Utility	MSA, Asst

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
Andrews,Stacey K	10/3/2017	58	12	0	Library	Library Assoc II
Aoki,Lanell Louise Crosser	10/3/2017	54	25	328.5	Seattle IT	Info Technol Prof B-BU
Challus,George E	10/4/2017	65	34	255.5	Seattle Department o	Cement Finisher
DeWitt,Sharon M	10/4/2017	67	10	0	Seattle Department o	Admin Spec II-BU
Dietlin,Claudette Blagsvedt	9/30/2017	65	8	73	Seattle Public Utili	Exec Asst,Sr
Doennebrink,Arlene F	9/16/2017	62	6	0	Vested Member	Manager1,Fin,Bud,&Actg
Franklin,Stephanie C	10/4/2017	68	30	0	Seattle City Light (Elecl Svc Rep,Sr
Gardner,Marilynne	10/4/2017	66	27	328.5	Seattle Public Libra	Dir, Admin Svcs
Hadlock,Joseph Ray	9/20/2017	63	25	182.5	Seattle Department o	Bridge Op,Sr
Howard,Sandra	10/3/2017	65	25	73	Seattle Department o	StratAdvsr3,Engrng&Plans Rev
Hoyt,Jan R.	10/4/2017	62	28	0	Seattle Police Depar	Pol Comms Anlyst
Hunt,Gayle M	10/2/2017	67	12	146	Seattle Public Libra	Page
Ishino,Eric L	9/2/2017	63	20	0	Legislative Departme	StratAdvsr-Legislative
Johnson,Kathy E	10/4/2017	55	37	109.5	Seattle Fire Departm	Payroll Supv
Kallies, Susan Augusta	9/15/2017	61	17	162.82	Seattle City Light (Civil Engrng Spec, Sr.

Knorr, Thomas T.	8/2/2017	65	16	119.7	Department of Parks	Maint Laborer
Lewis, Stephen M	9/23/2017	63	30	255.5	Seattle City Light (Pwr Structs Mechanic
Melton, Tanner S	8/2/2017	55	20	0	Seattle Public Utili	Info Technol Prof C-BU
Rossmann-Pablo, Sandra	10/4/2017	56	24	109.5	Department of Inform	Mgmt Sys Analyst, Sr
Rust, Susan G	9/14/2017	59	20	255.5	Educational and Deve	Exec Asst, Sr
Trudeau, Debra Jane D'Andrea	10/4/2017	65	14	217.07	Police Department	Paralegal
Westling, Jim R	10/4/2017	68	9	182.5	Department of Parks	Maint Laborer
Wilkinson, Paul C	9/6/2017	62	36	109.5	Department of Parks	Manager3, Exempt
Williams, Melvin E	10/4/2017	66	18	255.5	Department of Inform	Info Technol Prof B-BU
Woods, Diane D	10/4/2017	66	22	109.5	Seattle Center (CEN)	Contracts&Concass Asst

For the month of October 2017: 69 new Members entered the System, 42 terminations, 25 Members retired in the System, 17 Members removed (\$29,995.71), 3 D/E Option, 1 F Option, and 5 over 60% benefit. ***Bold/italized*** entries (if any) above indicate 2x match.

Motion: Upon motion by Robert Harvey, Jr., seconded by Sherri Crawford, the Board of Administration accepted and approved the Administrative Consent Agenda. The motion passed unanimously (5-0).

ESG Quarterly Report

Jason Malinowski and Jill Johnson provided the quarterly ESG update for third quarter 2017.

Mr. Malinowski mentioned UNITE HERE's public comments in past Investment Committee meetings regarding Brookfield Asset Management. Staff spoke to Brookfield about their approach to labor organizing at Brookfield-owned hotel properties. Staff found Brookfield's approach to be accommodative and reasonable.

Ms. Johnson reviewed industry developments which mostly occurred in California. CalSTRS' Investment Committee approved divesting all non-US thermal coal holdings by July 1, 2017. CalPERS completed its planned divestment from thermal coal companies that were not responsive to its engagement efforts. Ms. Johnson mentioned that SCERS does not have any direct investment in these thermal coal companies. San Francisco City and County Employees' Retirement System (SFERS) delayed discussion on fossil fuel divestment that had been planned for their August 2017 meeting.

(Jean Becker arrived at 9:06 a.m.)

Ms. Johnson reviewed staff activity for the quarter. SCERS became one of the first smaller pension plans to become a signatory to the UN Principles for Responsible Investment. Ms. Johnson participated in a panel at the US Markets Group PNW Institutional Investor Forum in Portland, OR, and shared ways in which a smaller pension plan can have a positive effect on ESG issues. Mr. Malinowski participated on a panel at the PRI Western Northern American Network event in Seattle on the topic of ESG integration for asset owners. SCERS joined other institutional investors in a letter to the world's largest banks calling for disclosure of the bank's responses to climate change risks and opportunities. There was discussion amongst the committee members on tax reform and a proposal in the House bill on unrelated business income tax that would have a negative impact on public pension plans. Mr. Malinowski stated that NCPERS and the Council of Institutional Investors are actively opposing this proposal. Tony Smith gave a brief overview on unrelated business income tax.

Ms. Johnson reviewed the watch list status of BlackRock. BlackRock had been initially placed on watch status in December 2016 due to ESG concerns regarding its proxy voting and other investment stewardship activities in its

role as manager of the BlackRock MSCI World ex-US Fund. These concerns included a reticence to oppose management, limited focus on environmental and social issues, inconsistency between their proxy voting record with their policies and public pronouncements and limited transparency on investment stewardship activities. Mercer conducted an analysis on behalf of SCERS following the 2017 proxy season and recommended keeping BlackRock on watch status. Staff concurred with Mercer's recommendation finding that while BlackRock had taken several positive steps since being placed on watch status, that it had not sufficiently address all four concerns that had been identified. SCERS will review BlackRock's watch list status again following the 2018 proxy season.

Motion: Upon motion by Jean Becker, seconded by Robert Harvey, Jr., the Board of Administration kept BlackRock on watch status due to ESG concerns in its role as manager of the BlackRock MSCI World ex-US fund. The motion passed unanimously (5-0).

Investment Committee Report – October 26, 2017.

Mr. Smith reported on the October 26, 2017 Investment Committee meeting.

John Gray, Saguna Mahlotra, and Jeffrey Burgis of Adams Street Partners (ASP) attended the meeting and presented the annual update on SCERS's private equity portfolio.

The Investment Committee discussed a recommendation by staff and NEPC to recommit to Adams Street Partners so that they may continue building a diversified multi-manager private equity portfolio for SCERS. Staff refreshed their understanding of the competitive universe in private equity to see if there had been any material changes since 2014 when Adams Street Partners was initially selected. Staff and NEPC found that Adams Street Partners remained the best firm to partner with on this mandate.

a. Private Equity Manager Recommitment – Adams Street Partners

Motion: Upon motion by Glen Lee, seconded by Sherri Crawford., the Board of Administration accepted the Investment Committee's recommendation to commit up to \$280 million to Adams Street Partners, pending satisfactory legal review. The motion passed unanimously (6-0).

Executive Director Report

Jeff Davis provided an update on member services staffing. Due to the member services manager's resignation, Mr. Davis and Paige Alderete will be assuming some of the workload of that position until a new manager is hired.

Funding ratio has increased to 71%.

Adjourn Meeting

The meeting was adjourned at 9:48 a.m. by Lou Walter, Board Chair.

Susan Coskey, Board Secretary



Seattle City Employees' Retirement System

Board of Administration Meeting
Pacific Building, 720 3rd Avenue, Suite 900, Seattle, WA
(206) 386-1293

Minutes, Thursday, December 14, 2017

Board Members Present: Lou Walter (Chair), Robert Harvey, Jr., Jean Becker, Susan Coskey

SCERS Staff Present: Jeff Davis, Paige Alderete, Tony Smith, Jill Johnson, Cecelia Chen

Call to Order

Lou Walter, Board Chair, called the meeting to order at 9:02 a.m.

Public Comment:

There was no public comment.

Administrative Consent Agenda

Provided in the Retirement Board packet were the minutes from the October 12, 2017 Retirement Board regular meeting.

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

Service	\$14,324,246.69
Beneficiary	990,490.40
Disability	<u>78,134.92</u>
Pension Payroll – PPE November 2017	\$15,392,872.01
Office Payroll – PPE November 14 and 28, 2017	\$ 228,001.90
Vouchers Processed – November 2017	
• Expert and Consultant Services	\$ 155,641.52
• Investment Management Fees	\$ 907,310.75
• Interdepartmental Charges	\$ 153,937.35
• Miscellaneous	\$ 42,362.41

Immediate Withdrawals for the Month of November 2017:

NAME	Dept Name	Position
Ali,Fouzia M	HSD	Prgm Intake Rep
Blaisdell,Brandon T	Police	Pol Comms Dispatcher
Cobbinah,Treva Lynn Harris	SPU	Accountant
Forsell,Nichole M	SPU	Util Act Rep
Gann,Christopher M	SCL	Meter Reader
Griffith,Nicholas E	SCL	Lnwkr Apprn
Harris,Karinda L	Intergovernment Relation	Mayoral Staff Asst
McVicker,Michael D	City Budget Office	Strt Adv 2
Murphy,Lewis P	Police	Executive 3
Ost,Janna L	Parks	Title Records Tech
Powell,Jason R	SPU	Warehouser, Sr
Quarles,Naomi I	FAS	Admin Spec I
White,Courtney N	Law	Admin Supp Supv

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
Brown,Calvin D	11/12/2017	62	5	1.06	Department of Parks	Electrician
Cantrell,Susan L	10/18/2017	63	20	110.49	Department of Inform	Info Technol Prof B-BU
Davidson,Nancy L	10/1/2017	60	7	203.3	Vested Member	Mgr XII
Kelley,Jerene L	10/18/2017	59	31	256.81	Seattle Department o	Personnel Spec *
Lau,Dorin	10/11/2017	58	14	149.8	Vested Member	Counslr
Leslie,Dori	10/28/2017	60	16	209.04	Department of Planni	Admin Staff Anlyst
Martin,Rosalyn Amelda	11/4/2017	63	14	304.01	Vested Member	Admin Spec II-BU
Miller,Karim L	9/15/2017	58	30	320.4	Seattle Police Depar	Manager3,CL&PS
Murray,Edward B	10/12/2017	62	3	255.68	Mayor's Office (MO)	Mayor
Sinner,Sandra G	10/31/2017	65	32	1.75	Seattle Public Libra	Librn

For the month of November 2017: 70 new Members entered the System, 38 terminations, 10 Members retired in the System, 17 Members removed (\$29,995.71), 3 D/E Option, 1 F Option, and 0 over 60% benefit.

Bold/italized entries (if any) above indicate 2x match.

Motion: Upon motion by Jean Becker seconded by Robert Harvey, Jr. the Board of Administration accepted and approved the Administrative Consent Agenda. The motion passed unanimously (4-0).

Investment Committee Report – November 16, 2017

Tony Smith reported on the November 16, 2017 Investment Committee meeting.

The Investment Committee discussed a recommendation by NEPC and staff to recommit up to \$25 million to Brookfield Strategic Real Estate Partners III, a global non-core real estate strategy. The Investment Committee accepted the recommendation pending satisfactory legal review.

Don Stracke (NEPC) presented SCERS's investment performance for the period that ended September 30, 2017. On a net-of-fee basis, the plan outpaced the Policy Benchmark by 33 basis points for Q3 2017 and by 45 basis points for the trailing 12 months. Security selection in Public Equity was the primary driver of the outperformance in both periods. The plan was ranked in the 17th and 54th percentiles in the Q3 and trailing 12-month comparisons, respectively, against public plans with assets of at least \$1 billion. Mr. Malinowski noted that SCERS will have an experience study conducted in 2018 by its actuary, Milliman. The results of this study could impact the plan's assumed rate of return.

Mr. Stracke and Dulari Pancholi (NEPC) attended the meeting and presented NEPC's ESG Annual Consultant Review. The review covered SCERS's current proactive ESG strategy, key trends in impact investing, a summary of public-plan ESG activity over the past year, best practices surrounding ESG policy formation, and a summary of impact-investing efforts underway at NEPC.

Motion: Upon motion by Robert Harvey, Jr., seconded by Jean Becker, the Board of Administration accepted the Investment Committee's recommendation to commit up to \$25 million to Brookfield Strategic Real Estate Partners III, pending satisfactory legal review. The motion passed unanimously (4-0).

Administrative Committee Report – November 16, 2017

Jean Becker reported on the Administrative Committee meeting held on November 16, 2017 at which committee members discussed the Executive Director evaluation process/timeline and reviewed the Strategic Planning Process.

Committee members scheduled an additional Administrative Committee meeting to be held after the December 14, 2017 Board of Administration Meeting to discuss the Executive Director evaluation and Strategic Plan.

As part of the strategic plan, there was discussion on possible outreach communications to keep members informed as well reviewing the demographics of the plan's participants and those who are not enrolled. Any outreach attempts would consider the City's racial equity toolkit.

There was also discussion on whether this is the right year for a full strategic planning reset versus identifying a few key areas and adding those areas to the workplan. The staff should be credited for a lot of improvements that have been made but the Board also needs to consider resource constraints and staff capacity.

The Board discussed the Executive Director Evaluation process. The goal is to have a clear process, goals that will be evaluated, and transparency so there are no surprises. The ED should propose the following year's goals.

The process going forward should use a consultant for input and facilitation. Mr. Davis will contact the previous consultant who can assess the process and bring a recommendation to the Board.

The Board will use the same evaluation process that was used on the interim Executive Director to evaluate Jeff Davis for work accomplished in 2017. The Board will hire a consultant in 2018 to establish a long-term process and to develop goals. The goals and expectations must be measurable.

Motion: Upon motion by Susan Coskey, seconded by Robert Harvey, Jr., the Board of Administration moved that for 2017, the previous evaluation process will be utilized to evaluate SCERS's Executive Director. Additionally, an external consultant will be retained to develop an evaluation process effective the 2018 evaluation cycle. This process will be completed during the first quarter of 2018. The motion passed unanimously (4-0).

Executive Director Report

(10:25 a.m. – Susan Coskey left the meeting)

Jeff Davis reported that Councilmember Sally Bagshaw will be the Board's new chair effective January 2, 2018.

For the January 11, 2018 board meeting, staff will have the 2017 SCERS's Accomplishments and updated work plan. The dashboard will begin to show larger numbers in turn-around times for retirement benefit estimates due to three vacant positions (retirement specialist and Member Services Manager). Interviews have been conducted for all the vacant positions and should be filled shortly.

Due to resource constraints, staff are reviewing whether the "go live" date of the new Pension Administration System must be moved.

Adjourn Meeting

The meeting was adjourned at 10:45 a.m. by Lou Walter, Board Chair.

Susan Coskey, Board Secretary