



Seattle City Employees' Retirement System

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

Minutes, Thursday, January 11, 2018

Board Members Present: Sally Bagshaw (Chair), Lou Walter (via conference call), Robert Harvey, Jr., Jean Becker (arrived at 9:13 a.m.), Glen Lee, Sherri Crawford, Melissa Beatty

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

Others Present: Mike Monaco, John Masterjohn (ARSCE), Daniel Gilbert (the Seattle Times), George Emerson (FAS)

Call to Order

Sally Bagshaw, 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 December 14, 2017 Retirement Board regular meeting.

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

Service	\$14,269,389.69
Beneficiary	982,907.07
Disability	<u>75,361.45</u>
Pension Payroll – PPE December 2017	\$15,327,658.21
Office Payroll – PPE December 12 and 26, 2017	\$ 224,668.14
Vouchers Processed – December 2017*	
• Expert and Consultant Services	\$ 159,431.42
• Investment Management Fees	\$ 865,503.50
• Interdepartmental Charges	\$ 153,523.35
• Miscellaneous	\$ 47,028.63

*December 2017 transaction data doesn't close until January 31, 2018. Information provided is as of January 5, 2018.

Immediate Withdrawals for the Month of December 2017:

NAME	Dept Name	Position
Crown,Susan K	Retirement	Ret Spec
Deherrera,Lucas J	City Budget Office	Land Use Plnr III
Lemus,Jennifer L	Seattle Police	Pol Comms Dispatcher
Nishi,Jill	Office of Economic Development	Exec III
Scarlett,Christine A	Human Services Dept	Manager 3, Exempt
Schabarum,Mikaela B	City Light	Beneficiary

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
Aviado,Juliet A	11/4/2017	67	17	292	Parks	Admin Spec I-BU
Burgess,Timothy L	11/29/2017	68	9	328.5	Mayor's Office (MO)	Mayor
Gaines,William Anderson	12/1/2017	62	1	73	Vested Member	Electric Util Exec 3,Ofcr
Geissinger,Laurie Gail	11/29/2017	66	27	109.5	City Light	StratAdvrs2,Utills-BU
George,Michelle Y	11/29/2017	66	5	73	Courts	Prob Counslr-Asg Pers Recog
Gillespie, Debora	11/20/2017	65	7	0	Vested Member	
Hansen,Sandra K	11/29/2017	59	15	182.5	FAS	Cust Svc Rep,Sr *
Helmets Jr,Frederick W	11/29/2017	62	26	292	Police	Evidence Warehouser,Sr
Kelly,Patricia B	11/2/2017	66	27	219	Library	Library Assoc IV
Nagy,Carolyn I	11/2/2017	66	17	109.5	Library	Library Assoc II
Nelson,Donald Thomas	11/29/2017	70	14	146	City Light	StratAdvrs2,Fin,Bud,&Actg-BU
Paine,Deborah	11/15/2017	67	11	36.5	Arts	Arts Prgm Spec,Sr
Sheehan,Patricia A	11/6/2017	66	29	36.5	Police	Identification Tech
Timbang,Ester P	11/15/2017	68	18	73	City Light	Admin Spec III-BU
Vales,Paige E	11/1/2017	53	13	328.5	Vested Member	Pol Comms Dispatcher II
Wills,Vicki N	11/29/2017	68	40	0	Info Tech	StratAdvrs3,Info Technol

For the month of December 2017: 35 new Members entered the System, 40 terminations, 16 Members retired in the System, 25 Members removed (\$40,863.74), 6 D/E Option, 2 F Option, and 2 over 60% benefit.

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

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

Introductions

Two new board of administration members were welcomed. Councilmember Sally Bagshaw is the new chair of the SCERS Board of Administration. Melissa Beatty is acting City of Seattle Human Resources Director and will be the Secretary of the Board until a permanent City of Seattle Human Resources Director is appointed.

Administrative Committee Report – December 14, 2017

Jeff Davis reported that at the December 14, 2017 Administrative Committee, the committee talked about the Executive Director (ED) evaluation process. The board members decided that for the ED's 2017 evaluation, they will use the previous year's evaluation process. The Board will take time in the first quarter of 2018 to build out a more permanent ongoing process with the help of a consultant. Mr. Davis has reached out to consultant Steve Boyd who will send in a proposal.

(9:13 a.m., Jean Becker arrived at the meeting)

The committee also talked about strategic planning. Rather than doing a full blow strategic planning process, the board will reaffirm the vision, mission, and values and will identify potential strategic issues that they would like information on. Part of the planning will include a communication plan with members around the benefits of a pension so that members can be prepared for retirement.

This communication plan can include the City's deferred compensation plan which is currently under the direction of Seattle Department of Human Resources (SDHR).

There was a question on why SCERS and Deferred Compensation were in two separate departments. Mike Monaco replied that one set of reasons is that state law requires it. There is a legal requirement on how the Board is set up and managed. There is always a separate if there is a 401K type plan. The two separate Board structures goes back to 1929 and the SCERS Board is well defined. The deferred compensation plan can be set up any way as long as it is compliant with federal law. They have a lot of latitude. There is complete flexibility to establish a deferred compensation board. For whatever reason, the City did not choose to have the SCERS Board take on the responsibility of deferred compensation.

Mr. Davis and Melissa Beatty will research this and get back to the Board. CM Bagshaw would like the board to consider looking at both SCERS and deferred compensation as a whole system.

SCERS and deferred compensation will be working on a better collaboration in 2018.

SCERS 2017 Accomplishments

Mr. Davis, Paige Alderete, and Tony Smith reviewed SCERS 2017 Accomplishments. 2017 was a year of change starting at the end of 2016 with the Executive Director search process in which Mr. Davis was selected and then appointed by the Board on January 12, 2017.

Other staffing changes included Paige Alderete being hired as Chief Finance/Operations Officer in May 2017 and SCERS's employee Ronda Iriarte promoted to Member Services Manager, replacing Cynthia Scheiderer who resigned December 2017. Ms. Iriarte has been a retirement specialist with SCERS for many years and has a great reputation with members.

Lou Walter won re-election for the retiree board seat and the Board re-appointed Robert Harvey Jr. the member at large.

The City implemented a 2nd tier retirement plan which was effective January 1, 2017. The implementation of the new plan involved a lot of work of SCERS's staff to ensure it was implemented correctly.

The accomplishments revolve around the four goals of SCERS:

1. Deliver outstanding customer service to members and beneficiaries.
2. Implement technology-based solutions that provide the accurate and timely information needed to advance business goals and that work in harmony with users.
3. Manage the fund to achieve and maintain a strong and secure financial position.
4. Foster an integrated organizational culture of trust, innovation and engagement that embodies our values.

Ms. Alderete reviewed the accomplishments under Goal 1 – Customer Service. Accomplishments included improvements made in SCERS’s reputation in providing customer service, updating the website to make it more user-friendly, and restructuring and consolidating member communication to the Member Services division.

The member services team, as part of planning for the Pension Administration System, updated and created over 60 retirement forms and templates with an emphasis on clarity and usability for staff and members. This created consistency for members. It is an intangible aspect for morale.

For Goal 2 – Technology, staff implemented the ECM in early 2017 in which all the paper files were scanned and put in electronic member files. There were 830,000 documents scanned as part of this project. The final process of inventorying the files and moving them to off site storage will be completed by the end of January.

There are four phases to the PAS, three of which were completed in 2017 with 13 service areas being designed. PAS is going to streamline all work processes, increase automation and consistency with accurate data and smoother work flows. The PAS will allow staff to be more proactive.

Mr. Smith reviewed Goal 3 – Investments. The estimated portfolio performance in 2017 was over 13%, which exceeds the actuarial rate of return by about 550 basis points. The estimated funding ratio of 71.3% for 2017 exceeds the 2016 funding ratio of 65.5% by 580 basis points. This is the largest year-over-year gain SCERS has had in the funding ratio since the end of the Great Financial Crisis. Assets have increased from \$2.5B in 2016 to \$2.8B in 2017.

Glen Lee stated that the Board needed to take a moment to appreciate the increase in the funding ratio and that due to the work of the Board and Staff, it is a material breakthrough. The funding ratio puts the City of Seattle in a very strong position financially.

Mr. Smith reviewed the 2017 activity of the Investment Advisory Committee (IAC). They attended four Investment Committee meetings during the year and provided ad hoc time as well. During 2017 the IAC assisted Staff with new mandates in fixed income and private equity. The IAC also assisted the Board in reviewing divestment from fossil fuels. The IAC ultimately recommended that SCERS not divest of fossil fuels. The IAC is currently working with Staff on a comprehensive assessment of risk in the portfolio. The IAC will present their 2017 Annual Report at the February Investment Committee meeting.

Lou Walter stated that adding professional investment staff has enhanced SCERS’s ability to evaluate opportunities. Mr. Smith also noted that SCERS did not have a general consultant until PCA was hired in 2008. NEPC was hired in 2014. Staff and NEPC advise the Investment Committee as well as the Board.

Mr. Davis reviewed Goal 4 – Culture of trust, innovation, and engagement. Accounting staff were engaged in the implementation of the City’s new financial system,

In 2017, SCERS transitioned the retiree medical benefits to SDHR Benefits Unit to leverage the expertise that group has. 2017 transitioned retiree medical benefits to SCERS to SDHR benefits unit to leverage expertise that benefits group has. They will help coordinate responses to retiree questions on their medical coverage. The City doesn’t subsidize retiree medical premiums, so the retiree is paying the entire premium. We want to see if there are other options for our retirees.

SCERS hosted a “City summit” with the Cities of Tacoma and Spokane. The Executive Directors and key staff from both pension plans came and spoke about operational issues that are common, as well as investments.

The staff, particularly Jason Malinowski, was involved working with former Mayor Tim Burgess on the Seattle Retirement Savings Plan (SRSP). The new City ordinance anticipates that the SCERS's executive director, the City's finance director, the Council Finance Chair, and others evaluate the feasibility of going forward with this plan. The other people identified are mainly appointees by the mayor.

Ms. Becker thanked Mr. Davis and SCERS's staff for completing heavy lifting this year as they are asked by the Board to wear many hats.

Executive Director Report

Mr. Davis stated that the work plan has not changed from the previous work plan. Mr. Davis and Ms. Alderete will be working with managers in developing a work plan for the work groups and departments going past 2018 which will include identifying metrics to hold ourselves accountable.

SCERS is in internal discussions on whether the PAS go live date of November 2018 or it needs to be moved to January 2019. We are seeking feedback from the project team and consultants. If we continue with the November 2018 go live date, we will need two mortality tables built into the system. The mortality tables will be part of the experience study that Milliman will be doing this year.

Every 4 years with Milliman does our experience study. They look at the history of the membership of the last 4 years, how many entered, exited, years of service, how long they lived. Milliman uses the data to make assumptions on what the future looks like. All that goes to assessing our liability. Liability compared to assets, factors into what level of contributions we need to have from the City to have 100% funding.

PAS holds all the business rules; the mortality tables are used to calculate pension amount. If we go live in November, we need to have 2018 tables in there but also need to build in new 2019 tables. There will be more complexity and more testing. If we go live January 2019, there is no need to build in 2018 tables.

Mr. Smith reviewed the investment information on the dashboard. SCERS has outpaced the actuarial rate of return over the last five years. This is welcome news for the Plan.

Adjourn Meeting

The meeting was adjourned at 10:47 a.m.

Melissa Beatty, 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 8, 2018

Board Members Present: Sally Bagshaw (Chair), Lou Walters, Robert Harvey, Jr., Jean Becker, Sherri Crawford, Melissa Beatty, Glen Lee (arrived at 9:17 a.m.)

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

Others Present: Mike Monaco (MMPL PLLC), Carlton Seu (City Attorney's Office), George Emerson (FAS), Daniel Gilbert (the Seattle Times)

Call to Order

Sally Bagshaw, Board Chair, called the meeting to order at 9:03 a.m.

Public Comment:

There was no public comment.

Administrative Consent Agenda

Provided in the Retirement Board packet were the minutes from the January 11, 2018 Retirement Board regular meeting.

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

The following items represent normal expenses*:

Service*	\$n/a
Beneficiary*	
Disability*	
Pension Payroll – PPE January 2018*	\$n/a
Office Payroll – PPE January 9 and 23, 2018	\$ 240,953.45
Vouchers Processed – January 2018	
• Expert and Consultant Services*	\$n/a
• Investment Management Fees*	\$n/a
• Interdepartmental Charges*	\$n/a
• Miscellaneous*	\$n/a

*Not available this month. Expenditures report in new system not ready.

Immediate Withdrawals for the Month of January 2018:

NAME	Department Name	Job Title
Bouier, Brandon E	Seattle Info Tech	Info Tech Prof B
Brodeen-Kuo, Elizabeth C	SPU	Strategic Advisor 1
Burbick, Kenneth C	FAS	Info Tech Prof A
Capeluoto, Isaac M	SPD	Parking Enforcement Officer
Carranza, Julio Vicente-Alfonso	Law	Asst City Attorney
Castillote, Rachel S	Parks	Cashier
Cochran, Jesse J	Parks	Laborer
Doucette, Michael D	SDHR	Strategic Advisor 3
Eckardt ,Laurie J	Housing	Comm Dev Spec
Faith, Daniel J	SPU	Acctng Tech III
Fast, Thomas M	Seattle Center	Security Officer
Fugate, Tyler D	SCL	Line C CC
Gault, Nichole L	Seattle Center	Usher
Ison, Brooke A	SPD	Parking Enforcement Officer
Kitch, Vincent E	ADM Tax	Executive 2
Locke, David A	Fire Dept	Fire Equip Tech
McLallin, Nathan D	SPU	Water Pipe Worker
McVicker, Michael D	CBO	Strategic Advisor 2
Nieman,Joan K	Planning	Admin Staff Asst
Omar,Ali R	Human Services	Counselor
Pestana,Daniel K	Library	Gardener
Phillips,Karen L	SPU	Util Acct Rep
Robison,Thomas P	Seattle Center	Adms Employee
Shakya,Padma	SPU	Sr. Mgmt. Sysys Anlyst
Soto,Lourdes	SPU	Personnel Spec
Veikoso,Siope	Parks	Park Maintenance 4
Wagner,Tanisha M	SPU	Util Acct Rep

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
<i>Bryant, Barbara F</i>	<i>12/2/2017</i>	<i>75</i>	<i>39</i>	<i>7.63</i>	<i>Seattle Center (CEN)</i>	<i>Manager1, CSPI&P</i>
<i>Carnevali, Nick</i>	<i>1/1/2018</i>	<i>63</i>	<i>7</i>	<i>134.43</i>	<i>Vested Member</i>	<i>Auditor</i>
Hamilton, Tracy Jo	12/6/2017	55	25	14.67	SPU	Util Act Rep II
<i>Hammer, Brian G</i>	<i>12/6/2017</i>	<i>72</i>	<i>36</i>	<i>5.15</i>	<i>Seattle Center (CEN)</i>	<i>Parking Attendant *</i>
<i>Johnson, Marlene E</i>	<i>12/7/2017</i>	<i>57</i>	<i>12</i>	<i>177.61</i>	<i>SPD</i>	<i>Pol Data Tech Supv</i>

Kovac, Steven A	12/22/2017	59	33	22.7	SCL	Elctn-Con
<i>Kunimatsu, Susan Yukie</i>	<i>1/2/2018</i>	<i>65</i>	<i>6</i>	<i>145.12</i>	<i>Vested Member</i>	<i>Com Dev Spec *</i>
<i>Leclare, Antoinette M</i>	<i>12/27/2017</i>	<i>66</i>	<i>34</i>	<i>264.3</i>	<i>SCL</i>	<i>Hydro Op, Chief</i>
<i>Leonard, Donald L</i>	<i>12/27/2017</i>	<i>65</i>	<i>36</i>	<i>289.99</i>	<i>SCL</i>	<i>Elctn-Con-(OI)</i>
Magbalot, Conrado	12/5/2017	64	25	69.24	FAS	Accountant, Sr
McClure, Caroline Idell	12/13/2017	57	18	162.17	SPU	Exec Asst, Sr
<i>Mosby, Anthony D</i>	<i>12/13/2017</i>	<i>67</i>	<i>25</i>	<i>228.56</i>	<i>Parks</i>	<i>Cashier</i>
<i>Ngo, Thuy T</i>	<i>12/13/2017</i>	<i>62</i>	<i>27</i>	<i>304.88</i>	<i>SCL</i>	<i>Actg Tech II-BU</i>
Padgett, Donald R	12/13/2017	60	10	85.3	Parks	Accountant, Prin
Pupo, Joanne	1/1/2018	59	18	66.94	Vested Member	Solid Wst Fld Rep II
<i>Silvers, Lisa Marie</i>	<i>1/1/2018</i>	<i>57</i>	<i>19</i>	<i>246.85</i>	<i>Vested Member</i>	<i>Admin Spec II *</i>
Stokely, Elizabeth	12/13/2017	67	5	211.52	Parks	Cashier
Washburn, Diane L	12/2/2017	63	3	216.81	SPU	Mgmt Sys Anlyst, Sr *
<i>Wilson, Regina</i>	<i>11/25/2017</i>	<i>69</i>	<i>41</i>	<i>251.01</i>	<i>Public Health (King)</i>	<i>Fiscal Specialist IV</i>
Yuen Leong, Linda S	12/2/2017	56	27	10.84	SDHR	Personnel Anlyst

For the month of January 2018: 41 new Members entered the System, 45 terminations, 20 Members retired in the System, 25 Members removed (\$43,125.39), 3 D/E Option, 3 F Option, and 6 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 (6-0).

Administrative Committee Report – January 25, 2018

Jeff Davis reported that at the January 25, 2018 Administrative Committee, the committee discussed three topics:

1. Board of Administration Election Policy
2. Process for Executive Director Evaluation
3. Strategic Planning

SCERS's practice is to review policies and charters every three years. The only change that was made to the Election Policy was to change the name of the committee that CM Bagshaw chairs to Finance and Neighborhoods. There were no other changes.

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 of Administration Election Policy. The motion passed unanimously (6-0).

Working on both the process for ED Evaluation and Strategic planning was a lot for both the Board and SCERS staff to tackle at the beginning of the year. The focus for the beginning of the year will be to formalize the ED evaluation process. The strategic planning process will begin mid-year.

Steve Boyd has submitted a proposal. The Administrative Committee has directed that Mr. Boyd be retained to assist the board in developing an ongoing ED evaluation process. Mr. Boyd will meet with both CM Bagshaw and Ms. Becker. He will also have research on best practices.

The Administrative Committee also would like a consultant to facilitate the strategic planning conversation and draft the plan. There was discussion about a potential board retreat. The final document would be completed by September. A consultant would be retained to meet with each board member for expectations and time commitment to the process.

For the previous strategic plan, the Board spent a lot of time on the current vision and mission. The overarching goals are the same. Board members are going to the NCPERS Annual Conference in May and may be bringing subject areas back for presentations to the Board.

It is important for the Board to be educated with basic trustee training. There is now a national accredited fiduciary training available. At this time, training for Board members is not mandated.

(9:17 a.m. – Glen Lee arrived at the meeting)

Mr. Walters would like to see mandated standard training for board members, particularly new board members.

If goals are set for SCERS, staff can use the work plan as deliverables for the goals. For staff, having some input on the strategic plan would clarify what the Board is expecting to see.

Goal #3 is specific to investments and maintaining a strong financial position. The investment beliefs found in the SCERS Investment Policy (IPS) are directly tied to this goal. It is critical that staff and the Board periodically revisit the beliefs to ensure that they remain relevant and continue to explicitly support this goal. The IPS, including its stated beliefs, is considered a living document that will evolve with the Plan's needs over time.

Mr. Davis will retain a consultant for strategic planning by the end of February.

Investment Committee Report – January 25, 2018

Tony Smith reported that at the January 25, 2018 Investment Committee meeting the Committee discussed the review of 2017 and preview of 2018 investment activities, as well as a potential commitment of up to \$35M to BlueBay Asset Management's Direct Lending Fund III.

For 2018, SCERS will continue its focus on investment expenses and maximizing the associated value. Staff will also enhance its existing investment manager monitoring process.

SCERS's first commitment to BlueBay was in Direct Lending Fund II. The commit was a result of the 2015 asset-liability study where the Board decided to create a dedicated allocation to credit within fixed income. BlueBay's role in the portfolio is to help the investment portfolio in terms of growth to get the plan's 7.5% actuarial rate of return.

Staff and NEPC are recommending a commitment up to \$35 million to BlueBay Direct Lending Fund III SLP, a private direct-lending strategy focused on European middle-market companies.

George Emerson and Mr. Smith have been building out the credit part of the portfolio since 2015. With the BlueBay funds being drawdown strategies, committing to DLF III will help SCERS maintain its desired allocation to private credit.

Public markets can at times be subjected to more pronounced volatility swings versus the private markets due to being priced daily (private markets are typically priced on a quarterly basis). This is one potentially helpful attribute when investing in private markets. SCERS is a long-term investor, looking out 30 years. BlueBay heavily scrutinizes a company's ability to pay back a loan during its underwriting process. Mr. Smith and Mr. Emerson have confidence in BlueBay.

Motion: Upon motion by Lou Walter, seconded by Sherri Crawford, the Board of Administration accepted the Investment Committee's recommendation to commit up to \$35 million to BlueBay Direct Lending Fund III, pending satisfactory legal review. The motion passed unanimously (7-0).

Executive Director Report

Mr. Davis informed the Board that Dr. Alan Hess has resigned from the Investment Advisory Committee. Dr. Hess has been a member of the IAC for 30 years. SCERS thanked him for his service. In his resignation letter, Dr. Hess stated that it was a good time for him to resign given the skills of SCERS staff, the active and informed participation of the members of the Investment Committee, and the financial knowledge of the other members of the IAC. Mr. Smith and Mr. Malinowski are working with people to identify some potential new members to the IAC.

SCERS has a trustee election this year for an active member seat which is currently held by Sherri Crawford. Members will be notified of the election in their annual member statements and retirees will be notified via postcard. The candidacy period will be from April 12-26, 2018. Elections will be held, if necessary, May 11, 2018 through June 4, 2018 with the election results presented to the Board at its June 14, 2016 Board meeting.

Paige Alderete reported on the Pension Administration System project schedule. A cost/benefit analysis was conducted on potentially extending the go live date to January 19, 2019 which is a recommendation of staff.

By extending the go live date by two months, SCERS will still be within the original Board-approved budget of \$15.314 million. To date, \$9.2 million of the budget has been spent. An additional \$5.3 million will be spend through November. There will be \$300,000 left for contingencies as of January 19, 2019.

The benefits of going live in January 2019, rather than November 2018, outweigh the costs. Phase 4, the final phase, is more complex. SCERS is also dealing with bank cutover and need more time for testing. SCERS also does not want to compromise on data integrity and design by going live earlier. The risk of the project will be minimized, and members will experience a smoother transition.

Ms. Alderete reported on the SCERS Budget. Staff have just completed closing the books for 2017. They are currently working with the City's budget office due to a \$1.9 million budget exception which was cost related to the Pension Administration System. When the PAS was implemented the funds should have carried over from year to year since 2015. Approximately \$3 million in project underspending from prior years did not carry over. In 2017, when there were more expenditures for resources and data conversion, the expenses hit. Staff and the City budget office are working on fixing it going forward.

According to Mr. Lee, this happens more often than not with IT capital projects. It is not a material financial issue but a capital carry-over taking the legal authority to spend the budget form one year to the next. It is not a budget overage.

Mr. Davis noted that there was nothing new on the work plan. Mr. Davis and staff will be working on a process for what the work plan will be for 2018.

For the dashboard, the volume on retirement estimates and turnaround time have spiked due to lower staffing. All vacant positions have been filled and staff are currently working on a plan to bring down the backlog.

At the March 8, 2018 Board meeting, the 2018 budget will be reflected on the system metrics on the dashboard.

Executive Session (disability retirement application and a personnel matter

The Board entered into an executive session at 10:02 a.m. to discuss a personnel matter. At approximately 10:20 a.m., the executive session was extended 15 minutes. The executive session concluded at 10:35 a.m.

(Glen Lee left the meeting following Executive Session).

Closed deliberations on a disability retirement application

The Board entered into a closed deliberation to discuss an application for disability retirement at 10:35 a.m. The deliberation ended at 10:55 a.m.

Motion: Upon motion by Lou Walter, seconded by Sherri Crawford the Board of Administration denied the retirement disability application that was presented in accordance with the determination of the independent medical examination. The motion passed unanimously (6-0).

Adjourn Meeting – 10:56 am

Motion: Upon motion by Lou Walter, seconded by Robert Harvey, Jr., the Board of Administration voted to adjourn the meeting at 10:56 a.m. The motion passed unanimously (7-0)

Melissa Beatty, 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 8, 2018

Board Members Present: Robert Harvey, Jr. (Chair), Jean Becker, Sherri Crawford, Lou Walter (by conference call until his arrival at 9:43 a.m.)

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

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

Call to Order

Robert Harvey, Jr., Board Chair, called the meeting to order at 9:06 a.m.

Public Comment:

There was no public comment.

Administrative Consent Agenda

Provide in the Retirement Board packet were the minutes from the February 8, 2018 Retirement Board regular meeting.

Ratification of Retired Payroll, Office Payroll, other payments and Withdrawals.

The following items represent normal expenses:*

Service Beneficiary Disability Pension Payroll – PPE February 2018		\$	
Office Payroll – PPE February 6 and 20, 2018		\$	254,753.42
Vouchers Processed – February 2018			
• Expert and Consultant Services*	\$		
• Investment Management Fees*	\$		
• Interdepartmental Charges		\$	
• Miscellaneous	\$		

*Information other than "Office Payroll" is not available for February 2018. The expenditures report is not ready in the new system.

Immediate Withdrawals for the Month of February 2018:

NAME	Department Name	Job Title
Ala,Nima	SDOT	Civil Eng Supv
Brehm,Brandon H	Seattle Police	Admin Spec I
Chang,Yee P (Beneficiary-Active Death)	FAS	Principal Accountant
Chapman,Morgan D (Beneficiary)	Parks	Maint Laborer
Collins,DeShawn L	Law	Paralegal
Fennelly,Caitlin B	SCL	Admin Spec II
Gardner,Jeremiah D	Human Services	Tree Trimmer, Lead
Gonzalez,Kelly R	Office of Housing	Admin Staff Analyst
Heston,Kristin L	Seattle Police	Pol Comms Dispatcher I
Hinson,Chaley V	Parks	Maint Laborer
Kosmann,Cynthia A	Law	Legal Asst
Lane,Paula A	FAS	Cust Svc Repre
Maggi,October J	SCL	Capital Projects Coord, Sr
McCarthy III,Walter T (Beneficiary)	Parks	Maint Laborer
Nguyen,Loan T	City Counsel	Legislative Asst
Parks,James G	SPU	Water Pipe, CC-WDM II
Williams,Jerry L	Human Services	Maint Laborer

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
Baguin,George A	2/1/2018	61	16	73	Vested Member	Wtr Laboratory Tech
Baratuci,Eileen Mary	2/1/2018	62	5	73	Vested Member	City Attorney,Asst
Battiste,Alvin J	1/10/2018	58	12	146	Parks	Util Laborer
Bell,George E	1/10/2018	65	30	328.5	Seattle Department o	Civil Engrng Spec,Assoc
Brochet,Arthur Wagner	2/1/2018	62	5	0	Vested Member	Capital Prjts Coord
Clark,James G	1/20/2018	60	16	0	Seattle Department o	Civil Engrng Spec,Sr

Graf, Harry S	1/11/2018	58	22	182.5	City Light	Cblspl CC-Net Area
Grimm, Steven P	1/10/2018	67	32	36.5	Parks	Maint Laborer
Hallauer, Teresa A	1/10/2018	65	21	255.5	SPU	Real Property Agent, Sr
Hodge, Sarah Amanda	12/30/2017	65	4	146	Vested Member	Info Technol Prof B-BU
Jeffords, William A	1/24/2018	69	10	146	SPU	Drainage&Wstwr Coll Wkr CI
Kaye, Robert P	1/24/2018	64	23	292	FAS	Info Technol Prof A, Exempt
Kronau, Mary C	1/6/2018	61	23	146	City Light	Elecl Work Rev CC
Kurfurst, Kenneth M	1/27/2018	64	8	146	Vested Member	Wtrshd Inspector
Lopez, Maria Del Rosario	1/14/2018	70	7	182.5	Vested Member	Admin Spec I
Mah, Shirley W	1/3/2018	59	27	219	City Light	Manager2, Fin, Bud, & Actg- BU
McGrath, Doreen A	1/10/2018	61	32	182.5	DoIT	Info Technol Prof B-BU
Metz, James L	1/6/2018	71	16	36.5	Planning	Housing/Zoning Inspector Supv
Morgan, Matilda J	1/10/2018	80	36	146	DoIT	Admin Spec II
Robbins, Jeffrey J	1/10/2018	68	9	146	City Light	Cust Svc Rep
RUTZ, RICHARD E.	2/2/2018	65	6	182.5	Vested Member	Associate Environmental Analyst
Sanchez, Juan A	1/9/2018	66	34	73	SeattleTer	Metal Fabricator
Schantz, Patricia M	1/10/2018	63	40	182.5	City Light	Admin Spec II-BU
Valenti, Francis P	1/10/2018	69	10	36.5	Mayor's Office (MO)	Prgm Intake Rep
Vincent, Michael S	1/24/2018	63	31	182.5	FAS	Manager1, P&FM

For the month of February 2018: 40 new Members entered the System, 49 terminations, 25 Members retired in the System, 29 Members removed (\$40,225.46), 4 D/E Option, 3 F Option, and 6 over 60% benefit.

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

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

Quarterly ESG Report

Jason Malinowski and Jill Johnson provided the quarterly ESG update for first quarter 2018.

Mr. Malinowski noted that the ESG quarterly report format was changed to help people follow the discussion and provide background. The ESG updates are also posted on the SCERS's website. Mr. Malinowski reviewed the past ESG-related Board motions, the three main elements of the positive action strategy and the ESG investor organizations that SCERS has joined.

Ms. Johnson provided an update to the positive action strategy.

SCERS sent a letter to ExxonMobil that was joined by two other institutional investors, requesting that shareholders be able to interact directly with ExxonMobil's board and raising other board concerns. SCERS also

signed on as a partner of the Climate Action 100+ initiative that calls on investors to engage with the world's largest corporate greenhouse gas emitters.

Ms. Johnson met with BlackRock to perform ongoing due diligence of their investment stewardship approach. BlackRock remains on SCERS's watch list, but they have been making positive strides. Staff will reevaluate their status following the 2018 proxy voting season. Staff also had discussions with Dimensional Fund Advisors regarding their proxy voting and investor stewardship approach, following an analysis that Mercer had conducted on SCERS's behalf.

Ms. Johnson reported that she attended the Investor Summit on Climate Risk sponsored by Ceres and the United Nations which included an invitation-only CIO/CEO Roundtable. SCERS was the smallest U.S. public pension plan invited and our efforts were well-received by the other investors.

Mr. Malinowski stated that one of the challenges for staff is to where to spend its time, given the many ESG-related initiatives and organizations.

Mr. Harvey asked about the sources of energy in the U.S. Mr. Malinowski stated that a high percentage of growth is in renewables, but it is still a small component. Coal has plateaued and is starting to decline, and natural gas has been growing. Ms. Chen stated that battery technology is not there yet to support a world of only renewables. Renewables only work when the sun is out, and the wind is blowing, so there needs to be another source that people can count on for peak energy. Natural gas has generally been this source and it has half the carbon emissions of coal.

Ms. Johnson stated that SCERS participated in a shareholder claim against 21st Century Fox for failing to provide adequate oversight concerning settlements paid for sexual harassment accusations against Roger Ailes and Bill O'Reilly. The shareholders reached a settlement for \$90M and 21st Century Fox also agreed to governance changes.

Administrative Committee Report – February 22, 2018

Jeff Davis reported at the February 22, 2018 Administrative Committee, the committee discussed two topics:

1. Process for Executive Director (ED) Evaluation
2. Strategic Planning

MacDonald Boyd and Associates was retained as the consultant to assist in the ED Evaluation process. Galen Brody, of MacDonald Boyd and Associates, was present to review next steps for the process and obtain feedback from the committee.

Mr. Davis is in the process of interviewing three firms to facilitate the Strategic Planning Process

(9:43 a.m. – Lou Walter arrived to the meeting).

Mr. Davis reported that there will be a new Interim Human Resources Director for the City beginning March 26, 2018, Susan McNab. Ms. McNab will replace Melissa Beatty on the Board.

Investment Committee Report – February 22, 2018

Tony Smith reported at the February 22, 2018 Investment Committee, the committee discussed four topics:

1. Investment Advisory Committee (IAC) 2017 Annual Report
2. San Francisco Pension Plan's Board Meeting
3. NEPC Investment Outlook for 2018 and Risk Return Assumptions.
4. Q4 2017 Performance Report

Joseph Boateng, Dwight McRae, and Dr. Cathy Cao of the IAC attended the meeting. Mr. Boateng reported that Dr. Alan Hess resigned from the IAC as of January 2018 after 30 years on the committee. Mr. Boateng presented the IAC 2017 Annual Report. The IAC had five recommendations for 2018:

1. SCERS should continue to evaluate the impact of achieving a return that is likely to be less than the assumed rate of return given the prospective low return environment.
2. Staff should refine and recommend a risk management framework for the Investment Committee to consider.
3. Continue to monitor payments to vendors, compensation of plan fiduciaries, and accruals in respect of future payments such as carried interest for efficiencies.
4. The IAC should meet with the Executive Director to review and possibly update the Bylaws and review other operational matters.
5. Search for additional IAC members with applicable experience and knowledge.

Allan Martin, of NEPC, gave an update on the San Francisco Pension Plan's January 24, 2018 board meeting to discuss the possibility of divesting from San Francisco's holdings in fossil fuels.

Mr. Martin and Don Stracke, of NEPC, provided NEPC's investment outlook for 2018 and capital market assumptions. NEPC is lowering their expected returns both for the 5-7 years and 30 years' time frame relative to the prior year, but the impact to SCERS's portfolio is not significant.

Mr. Stracke provided the quarterly performance report. SCERS returned 15.8% on a net of fees basis in 2017.

Mr. Harvey asked if SCERS's portfolio would be at risk if there was a trade war. Mr. Smith replied that is difficult to determine. The initial tariffs that were announced had been somewhat softened with the exclusions of Mexico and Canada.

Executive Director Report

Mr. Davis reported that there will be an article on SCERS in the Seattle Times in the next few weeks. The article will be written by Daniel Gilbert, who has attended some of the Board of Administration, as well as the Investment Committee meetings. Based on conversations with Mr. Gilbert, the article will be looking back at past leadership of SCERS and the impact on investments made and impacts on funding status.

The Trustee Election for Sherri Crawford's active member seat will be this year. The application period for candidates will be April 12-26, 2018. The names of candidates will be reported to the Board at the May 10, 2018 meeting and the results of the election will be announced at the June 14, 2018 Board meeting. Information announcing the election will be on the member statements that will be sent out the week of March 12, 2018 and postcards will be sent to retirees. The announcement will also appear in the Daily Journal of Commerce on three separate dates. SCERS's website will provide information on the election on its front page.

Ms. Alderete gave an update on the Pension Administration System implementation. This week is the last week of design. After the design is completed, staff will move into testing. The "go live" date is January 2019.

Mr. Davis reported that SCERS is beginning to see a positive impact on retirement estimates due to new staff getting up to speed.

The dashboard still has information based on year end 2017 data because staff are unable to pull expenditures from the new City financial system. It is anticipated that City departments will receive their financial reports in May.

Mr. Davis reported that the work plan has been reoriented to focus on the goals that the Board established as part of the strategic plan:

Goal 1: Deliver outstanding customer service to members and beneficiaries.

Goal 2: Implement technology based solutions that provide the accurate and timely information needed to advance SCERS business goals and that work in harmony with users.

Goal 3: Manage the fund to achieve and maintain a strong and secure financial position.
Goal 4: Foster an integrated organizational culture of trust, innovation and engagement that embodies our values.

For Goal 4, the strategic plan and operations were added for transparency.

There will be specific initiatives added to each one. When a milestone is hit, or a project completed, that will be reported to the Board.

Executive Session

The Board entered into an executive session at 10:23 a.m. for approximately 30 minutes to discuss the legal risk of a proposed action. The Executive Session concluded at 10:51 a.m.

Closed deliberations on a disability retirement appeal

The Board entered into a closed deliberation at 10:51 a.m. to discuss an appeal for disability retirement. The deliberation ended at 10:56 a.m.

Regular Session

Carlton Seu stated that Daniel Gilbert, of the Seattle Times, made a request to waive attorney-client privilege in documents that he had requested and were produced to him in two separate public records requests. Many of the documents were redacted and some were withheld due to attorney-client privilege.

No action was taken by the Board regarding Mr. Gilbert's request.

The Board then took action on the appeal for disability retirement.

Motion: Upon motion by Lou Walter, seconded by Sherri Crawford, the Board of Administration moved to request the Panel of Consultants to re-review the disability application and provide comment to the Board. The motion passed unanimously (4-0).

Adjourn Meeting – 10:59 a.m.



Seattle City Employees' Retirement System

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

Minutes, Thursday, April 12, 2018

Board Members Present: Robert Harvey, Jr. (Chair), Jean Becker, Sherri Crawford, Lou Walter (via conference call)

Staff Present: Jeff Davis, Paige Alderete, Jason Malinowski, Jill Johnson, Deontrae Sherrard, Nina Melencio

Others Present: Mike Monaco (MMPL PLLC), Carlton Seu (City Attorney's Office), Hank Kim (NCPERS), Nick Collier (Milliman), Daniel Wade (Milliman), Julie Smith (Milliman), Helen Smith (CliftonLarsonAllen), Brittany Smith (CliftonLarsonAllen), Daniel Gilbert (the Seattle Times), George Emerson (FAS)

Call to Order

Robert Harvey, Jr. Chair, called the meeting to order at 9:02 am

Public Comment:

There was no public comment.

Administrative Consent Agenda

Provided in the Retirement Board packet were the minutes from the March 8, 2018 Retirement Board regular meeting.

Ratification of Retired Payroll, Office Payroll, and other payments and Withdrawals.

Service	\$14,407,455.77
Beneficiary	961,093.83
Disability	<u>73,232.86</u>
Pension Payroll – PPE March 2018	\$15,441,782.46
 Office Payroll – PPE March 6 and 20, 2018	 \$ 254,697.60

Vouchers Processed – March 2018

- Expert and Consultant Services*
- Investment Management Fees*
- Interdepartmental Charges*
- Miscellaneous*

Vouchers Processed is not available for March 2018. The expenditures report is not ready in the new system.

Immediate Withdrawals for the Month of March 2018:

NAME	Department Name	Job Title
Bechtold-Wright,Jon E	Seattle Center	Admin Spec I-BU
Buchanan,Christopher D	FAS	Real Property Agent
Burton,Mark S	SCL	Strucl Pntr
Chadwick,Amy Y	SDOT	Accountant,Sr
Coskey,Susan L	SDHR	Executive4
Descargar,Melville Aquino	Seattle Center	HVAC Tech
Eby,Jamie L	SCL	Technical Writer
Fordice Jr.,Robert D	SCL	Plng&Dev Spec,Sr
Johnson,Patrick T	SPU	StratAdvsr1,Utills
Jones,Michael D	SCL	Electric Util Exec 3,Ofcr
Rahshahid,Jameelah N	SPU	Util Act Rep Trne
Robertson,Onya	Dept. of Neighborhoods	Admin Spec III-BU

Bold entries (if any) above indicate refund payment made to beneficiary of a member dying while in active status.

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
Benton,Michael L	2/20/2018	64	8	215.72	Vested Member	Admin Spec II-MC
Birden, Raymond J	2/21/2018	65	9	175.53	Finance and Administ	Janitor-FAS/CL
Bleiler, Robert Frank	2/7/2018	65	10	358.36	Department of Inform	Info Technol Prof B
Brady, Diane M	2/2/2018	61	28	351.57	Department of Inform	Info Technol Prof A, Exempt
DeCaro, Barbara	2/21/2018	63	30	267.98	Department of Parks	Envrnmntl Anlyst, Sr
Dimanlig, Rogelio	2/21/2018	67	24	62.93	Department of Inform	Info Technol Sysys Anlyst
Ellison, Cynthia	2/2/2018	63	31	182.79	Human Services Depar	Prgrm Intake Rep
Enger, William O	2/21/2018	62	22	339.45	Department of Inform	Info Technol Prof C-BU
Higgins, David William	2/1/2018	66	30	313.86	Seattle Center (CEN)	Security Ofcr, Sr
Hodges, Norman P	2/2/2018	67	18	82.67	Seattle City Light (Civil Engr, Sr
Holter, Randy I	2/2/2018	62	30	212.87	Seattle City Light (Strucl Iron Wkr
Humphrie, Charles H	2/6/2018	54	26	9.53	Department of Parks	Manager1, Parks&Rec
Hurtado, Betty Pon	3/1/2018	69	0	62.31	Vested Member	Staff Asst
Ingham, David Keith	2/7/2018	60	35	232.91	Seattle City Light (Lnwkr

<i>Irving Jr,Donald H</i>	<i>2/7/2018</i>	<i>66</i>	<i>27</i>	<i>48.65</i>	<i>Seattle City Light (</i>	<i>Civil Engrng Spec,Assoc</i>
<i>Joslin,Lisa M</i>	<i>2/2/2018</i>	<i>59</i>	<i>11</i>	<i>318.21</i>	<i>Seattle Center (CEN)</i>	<i>Public Relations Spec</i>
<i>Magraw-Mickelson,Mark A</i>	<i>2/2/2018</i>	<i>66</i>	<i>20</i>	<i>45.66</i>	<i>Department of Parks</i>	<i>Util Laborer</i>
<i>McKernon,Michael J</i>	<i>2/21/2018</i>	<i>70</i>	<i>39</i>	<i>326.24</i>	<i>Department of Inform</i>	<i>Info Technol Prof B-BU</i>
<i>Olsen,Margaret P Mcdougall</i>	<i>2/7/2018</i>	<i>66</i>	<i>37</i>	<i>138.15</i>	<i>Seattle Police Depar</i>	<i>Plng&Dev Spec II</i>
Oman,Karla Jean	3/11/2018	63	4	16.68	Vested Member	Info Technol Prof B-BU
<i>Ritch,Richard E</i>	<i>3/8/2018</i>	<i>66</i>	<i>15</i>	<i>334.01</i>	<i>Vested Member</i>	<i>Space Plnr</i>
<i>Sharma,Ashwani Kumar</i>	<i>3/1/2018</i>	<i>57</i>	<i>10</i>	<i>204.18</i>	<i>Vested Member</i>	<i>Eiecl Pwr Svsts Engr,Prin</i>
<i>Shimomura,Patricia J</i>	<i>2/21/2018</i>	<i>64</i>	<i>22</i>	<i>31.46</i>	<i>Seattle City Light (</i>	<i>Exec Asst</i>
<i>Steinmetz,Ming Hsien</i>	<i>2/20/2018</i>	<i>52</i>	<i>23</i>	<i>212.87</i>	<i>Seattle Police Depar</i>	<i>Parking Enf Ofcr</i>
<i>Taiwo-Ogunyemi,Olayinka</i>	<i>2/7/2018</i>	<i>65</i>	<i>20</i>	<i>270.46</i>	<i>Department of Inform</i>	<i>Personnel Spec</i>
Tomchak,Daphne Ann	2/16/2018	65	5	61.54	Vested Member	Capital Prjts Coord,Sr
<i>Uno,Vivian M</i>	<i>2/21/2018</i>	<i>71</i>	<i>48</i>	<i>110.96</i>	<i>Finance and Administ</i>	<i>StratAdvsr2,PC&RM</i>
Wander,Nick E	2/7/2018	69	5	7.99	Seattle Department o	Parking Pay Stat Tech
<i>Weis,Larry</i>	<i>2/26/2018</i>	<i>63</i>	<i>1</i>	<i>334.01</i>	<i>Vested Member</i>	<i>City Light General Mgr&CEO</i>
West,Nina L	2/18/2018	62	5	323.72	Vested Member	Librn
<i>Yasutake,Michael</i>	<i>2/7/2018</i>	<i>69</i>	<i>20</i>	<i>283.75</i>	<i>Seattle Police Depar</i>	<i>Parking Enf Ofcr</i>

For the month of March 2018: 76 new Members entered the System, 69 terminations, 31 Members retired in the System, 15 Members removed (\$22,631.04), 7 D/E Option, 6 F Option, and 7 over 60% benefit.

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

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

NCPERS Presentation – Hank Kim, Executive Director

Hank Kim, Executive Director and Counsel for the National Conference on Public Employee Retirement Systems (NCPERS), presented on Public Pension Trends.

NCPERS is the largest trade organization for public sector pensions with over 500 of the largest public-sector plans as members. NCPERS is an advocate for public pension plans at the federal and state level. They conduct research and provide education to its members in the form of conferences.

Mr. Kim discussed the methodology and responses of the 2017 NCPERS Public Retirement Systems Study. NCPERS received valid responses from 164 plans of which 86 participated in the survey in 2016. Fund confidence was up significantly from the first year of the survey in 2011. In 2017, it was the first year that market valuation exceeds actuarial valuation. The average employee contribution was 8.4% and the average employer contribution was 21.8% for a total of 30.2% of payroll.

In 2017, the aggregate funded status was 71.3% which is slightly down from 74.7% in 2016. According to FITCH, a plan is adequately funded at 70%. The larger plans and those plans that cover non-eligible Social Security eligible employees tended to have lower funding levels.

The top two trends in plan changes are lowering the actuarial assumed rate of return and raising the benefit age/service requirements. 64% of plans lowered their rate of return and 21% are considering it.

The top two trends in business practices are conducting a death audit and having a third party conduct an actuarial audit.

Funds continue to tighten assumptions and the trend of public funds becoming more cost effective continues.

Milliman Experience Study Introduction

Nick Collier and Daniel Wade, of Milliman, discussed the upcoming experience study. The formal presentation will occur at the June 14, 2018 Board meeting.

SCERS's current assumption is 7.5% net of investment expenses. NEPC expects SCERS's 30-year return to be 7.6% before expenses which is 0.4% higher than other investment consultants.

Milliman will likely recommend that SCERS lower the investment return assumption. As the plan becomes more mature, the assets are greater in relation to payroll. Any loss will require a bigger increase as a percentage of payroll. The median for other systems is 7.5% and is trending down. CalSTRS has reduced their assumption to 7.0%. CalPERS will be at 7.0% within three years.

Other assumptions to consider are mortality rates and active membership growth. More recent mortality assumptions have projected greater increase. If the mortality is changed to a more recent table, SCERS can expect the contribution rate to increase. SCERS's current active membership growth assumption is that the number of active members will increase by 0.5% per year. Lowering the assumption would increase short-term contribution rates.

Executive Session

The Board entered into Executive Session at 10:11 a.m. for approximately 25 minutes to discuss the legal risk of a proposed action. The Executive Session concluded at 10:45 a.m.

Regular Session

Motion: Upon motion by Jean Becker, seconded by Sherri Crawford, the Board of Administration denied the request to waive attorney-client privilege. The motion passed unanimously (4-0).

Closed deliberations on a disability retirement appeal

The Board entered into closed deliberations at 10:47 a.m. for approximately 5 minutes to discuss an appeal for disability retirement. The deliberation ended at 10:51 a.m.

Regular Session

Motion: Upon motion by Jean Becker, seconded by Sherri Crawford, the Board of Administration voted to refer the disability application back to the Panel of Consultants for an opinion on whether the applicant is totally and permanently disabled for the performance of any City service based on a mental or physical disability. The motion passed unanimously (4-0).

Executive Director Report

Committee Meetings:

Jeff Davis stated that the preliminary draft of the Executive Director evaluation process is in the board packet. The Administrative Committee has been working with the consultants on the process. The consultants will be presenting the process at the May 10, 2018 Board meeting.

Mr. Davis and Ms. Becker met with a potential consultant for strategic planning. They will review the consultant's proposal and report back to the Board.

There will be no April Investment Committee meeting and the April Administrative Committee will be moved up to 12:00 p.m. from its regular time of 2:00 p.m.

Trustee Election:

The 2018 Trustee Election candidacy period opened today and will close at 5:00 p.m. April 26, 2018.

Pension Administration System:

Staff are on the last round of validation testing. They will perform more system testing, then user acceptance testing.

Work plan and Dashboard

For the work plan, the total fund risk discussion was extended to May 2018 so that the Investment Advisory Committee could be present for the discussion.

The dashboard shows that staff are beginning to see a turn around on the retirement estimate backlog.

Other:

The office remodel has begun and is anticipated to be completed by the end of May 2018.

Executive Session

The Board entered into Executive Session at 11:05 a.m. for approximately 10 minutes to discuss a personnel issue. Executive Session ended at 11:35 a.m.

Regular Session

The meeting was adjourned at 11:35 a.m.

Adjourn Meeting – 11:35 am



Seattle City Employees' Retirement System

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

Minutes, Thursday, May 10, 2018

Board Members Present: Sally Bagshaw (Chair), Jean Becker, Robert Harvey, Jr., Glen Lee, Sherri Crawford (arrived at 9:04 am), Susan McNab

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

Others Present: Mike Monaco (MPL PLLC), Carlton Seu (City Attorney's Office), Galen Brody and Steve Boyd of MacDonald, Boyd, and Associates

Call to Order

Sally Bagshaw, Chair, called the meeting to order at 9:00 am.

Public Comment

There was no public comment.

Administrative Consent Agenda

Provided in the Retirement Board packet were the minutes from the April 12, 2018 Retirement Board regular meeting.

Ratification of Retired Payroll, Office Payroll, and other payments and withdrawals:

Service	\$14,639,527.12
Beneficiary	1,015,858.68
Disability	73,232.86
Pension Payroll – PPE April 2018	\$15,728,618.66
Office Payroll – PPE April 3 and 17, 2018	\$ 246,998.67
Vouchers Processed – April 2018	
• Expert and Consultant Services	1,053,447.57
• Investment Management Fees	73,750.00
• Interdepartmental Charges	296,498.09
• Miscellaneous	361,284.16

Immediate Withdrawals for the Month of April 2018:

NAME	Department Name	Job Title
Crofford,Kristi M	Dept. of Construction and Inspection	Permit Spec. II
Gala,Robert A	SPU	Strategic Advisor 2
Galfano,Jacob L	SDOT	Admin Spec II
Houston,Amanda D	Human Resources	HRIS Specialist
Jackson-Chun,Theresa B	SCL	Material Supplier
Johns,Debbie L - beneficiary of Kenneth Johns	Parks & Recreation	Painter
Kelley,Guy A	Dept. of Construction and Inspection	Noise Control Program Specialist
Langley,Mitchell M	SCL	Structure Painter
Lanphere,Margaret M	SCL	Cust Service Rep
Lazenby,Camelia J	Arts, Recreation & Literature	Page
Nelson,Steven F - beneficiary of Frank R. Nelson	SDOT	Sr. Civil Engineer
Rowe,Robert E	SPU	Sr. Management System Analyst
Vukusic,Zoran	Parks & Recreation	Tree Trimmer
Wagner,Rebecca L	SPU	Manager 1
White,Jasper	SPU	Drainage & Wastewater Worker
Worthley,Joelle J	Library	Library Assoc I

Bold entries (if any) above indicate refund payment made to beneficiary of a member dying while in active status.

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
Albergine,David L	3/21/2018	59	20	36.5	City Light	StratAdvsr2,Utills-BU
Altman,Kathryn L	3/7/2018	66	42	255.5	SPU	Admin Staff Anlyst

Apodaca,Dana Jean	3/3/2018	52	30	73	City Light	Elecl Engrng Spec,Assoc
Arledge,Christina V	3/14/2018	60	31	36.5	City Light	Actg Tech II-BU
Atencio,John Michael	3/21/2018	70	19	109.5	SPU	Civil Engrng Spec,Sr
Authers,Alan J	3/21/2018	58	35	328.5	SPU	Util Act Rep Supv II
Brooks,Donald J	3/7/2018	67	31	182.5	Parks	Gardener,Sr
Carver,Lonnie Lynn	3/7/2018	58	28	36.5	Police	Gardener,Sr
Cayetano,Rosauro A	3/7/2018	68	30	328.5	City Light	Warehouser,Chief
Chan,Ben Man-Bung	3/3/2018	65	38	146	IT	Info Technol Prof B-BU
Chan,Finnie J	4/4/2018	57	34	36.5	Fire	Accountant,Prin
Chu,Edward R	4/4/2018	67	39	255.5	City Light	Mech Engr,Assoc
Clark,Dale L	4/4/2018	61	14	328.5	Vested Member	Security Prgms Spec
Corrigan,Milissa Marie	3/3/2018	61	36	255.5	City Light	Cblspl-Net Area
Cowles,Diane M	4/4/2018	66	28	146	Library	Librn
Davis,Mark	4/4/2018	59	23	182.5	SPU	Util Act Rep I
Deutscher,Carey L	3/2/2018	63	37	146	City Light	Elecl Engrng Spec,Sr
Devoto,Erin L	3/2/2018	61	14	36.5	Vested Member	Executive4
Dickerson,Kenneth K	4/4/2018	66	12	73	Parks	Elctn
Dorcy,Michael Morgan	3/3/2018	78	18	219	Construction	Land Use Plnr III
Eng,Bernadine	4/4/2018	75	18	182.5	Police	Admin Spec I-BU
Ford,Paul L	4/4/2018	66	27	109.5	SPU	Prjt Fund&Agreemts Coord,Sr
Frerichs,Kristine G	2/21/2018	68	9	73	Police	Personnel Spec,Asst
Graham-Walton,Glenda J	3/21/2018	62	9	109.5	Vested Member	StratAdvsr2,Exempt
High,Jeffery J	4/4/2018	62	35	328.5	City Light	Strucl Iron Wkr
Hobert,Terrell D	3/7/2018	66	15	109.5	City Light	Info Technol Prof B-BU
Howell,Colin R	3/7/2018	59	21	328.5	City Light	Carpenter
Joubert,Moya M	3/7/2018	57	30	73	SPU	Wtr Quality Anlyst,Sr
Kemp-Boyd, Gloria M	3/10/2018	67	38	321.2	Pub Health	Contract Specialist II
Key,Larry	3/7/2018	67	30	328.5	Construction	Permit Process Leader
KIRK, JANE E.	3/27/2018	65	1	109.5	Vested Member	Admin Support Asst
Knipple,Wayne J	4/4/2018	57	21	109.5	City Light	Enrgy Mgmt Anlyst
Law,Sara Y	3/8/2018	60	35	146	Library	Asst Mgr-Library
Lewis,Beverly A	4/4/2018	62	35	219	City Light	Mat Suplr,Elec-Asg Equip Cust
Mar,Marilyn J	3/7/2018	65	39	109.5	City Light	Admin Staff Anlyst
McDonald,Scott S	3/21/2018	65	11	255.5	IT	Info Technol Prof B-BU

Mills, Kimberly	3/3/2018	64	7	292	LAW	StratAdvsr1, Exempt
Mociulski, Michael M	3/2/2018	62	24	0	SPU	Mgmt Sys Analyst, Sr
Moore, George E	4/4/2018	71	27	182.5	City Light	Warehouser, Sr-BU
Moore, Lynne Frances	4/4/2018	66	33	219	City Light	Strucl Iron Wkr CC
Moreland, Rebra J	2/24/2018	67	21	182.5	SPU	Util Act Rep Supv II
Nickelson, Sally A	4/4/2018	63	17	109.5	SPU	Envrmtl Anlyst, Sr
Nishimura, Dean F	3/17/2018	63	37	328.5	Library	Business Ofc&Actg Mgr
Pavloff, Martin	3/11/2018	64	12	109.5	Vested Member	Stage CC
Petrie, Terry Lee	3/3/2018	68	25	146	SPU	Truck Drvr, Heavy
Richards, Edward Albert	3/21/2018	56	24	182.5	City Light	Elec-Con-Wkg CC-Asg C Coord
Scott, Anthony L.	3/7/2018	64	26	328.5	City Light	Credit&Colls Supv-BU
Steenberg, William C	4/4/2018	66	14	219	SPU	Civil Engr, Asst III
Tanner, Sue A	3/22/2018	66	14	146	Hearing Examiner	Hearing Examiner
Uhlar-Heffner, Gabriella	4/4/2018	65	19	36.5	SPU	Plng&Dev Spec, Sr
Versage, Linda Jeanne	4/1/2018	62	6	182.5	Vested Member	Public Ed Prgm Supv
Whitnah, Victoria A	4/4/2018	66	37	0	Library	Lead Page
Wong, Miu San	3/2/2018	62	37	36.5	City Light	Actg Tech III-BU
	Averages	63.8	24.774	166.52		Average Monthly Pension
						Median Monthly Pension

For the month of April 2018: 81 new Members entered the System, 49 terminations, 53 Members retired in the System, 27 Members removed (\$25,821.46), 10 D/E Option, 8 F Option, and 19 over 60% benefit. **Bold/italized** entries (if any) above indicate 2x match.

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

Executive Director Evaluation Process – MacDonald, Boyd, and Associates

Steve Boyd and Galen Brody of MacDonald, Boyd, and Associates presented the draft Executive Director Evaluation Process.

The Administrative Committee Charter requires an annual review process of the Executive Director. The Board requested a regular way of evaluating the Executive Director's performance against several different measures

(9:04 am – Sherri Crawford arrived at the meeting)

The Board currently has regular updates on how well the department is working. SCERS would be adding to the annual work plan review a 360 review against executive leadership criteria. Also, some type of 180 review would be conducted, every three years, that would engage staff with a highly regarded leadership inventory based on "The Leadership Challenge".

Ms. Brody reviewed the timeline of the review which would start in January of the following year. Mr. Boyd stated that the evaluation process will give a more in-depth view of the Executive Director's performance. The ED should be in full partnership with board in shaping the process.

Sue McNab stated that from a Human Resources perspective, the process presented is excellent. The City of Seattle has no real standard evaluation for a director at this level, but the SCERS ED evaluation process fits perfectly in what the City is looking at.

CM Bagshaw stated that it is critical for the Board to appreciate and support the Executive Director and his team as part of their responsibilities. CM Bagshaw liked the evaluation process that was presented. She would like to keep the process clear and up to date as possible and not let the process draft on five months into the year.

Motion: Upon motion by Sally Bagshaw, seconded by Jean Becker, the Board of Administration approved the Seattle City Employees' Retirement System Executive Director Evaluation process. The motion passed unanimously (6-0).

2018 Budget Amendment – Paige Alderete

Paige Alderete reviewed the 2018 Budget Amendment. Staff is proposing that the Board amend the 2018 budget to more accurately reflect expenses, including the already approved Pension Administration System (PAS) project expenses, investment manager fees, and current operations.

In February 2018, staff came to the Board to discuss budget and expenditures. Unspent funds from the PAS budget hadn't been rolled forward. Staff will be bringing the 2019-2020 budget to the Board at the June 14, 2018 meeting.

Staff is proposing amending the 2018 budget from \$19.2M to \$25.8M. The difference is for unspent PAS funds and to increase investment manager fees. Higher returns mean fees go up since it is on a percentage.

There was a discussion about manager fees. The Investment Team is continuously looking at fees. Last year staff reduced fees for one equity manager. Fee discussion is conducted annually during Investment Committee meetings. Mike Monaco stated that all fees are locked in under contract. Fees cost more money because SCERS has more assets. If the investment manager hits a certain performance, SCERS is getting excess returns. A portion of the excess returns go to the manager. Each manager contract is re-evaluated with each renewal and negotiated with the Investment Team, NEPC, and attorneys.

Ms. Alderete stated that SCERS wants to formalize structure changes in the department to include a full-time Member Services Lead and an equity alignment within the Investment team.

There is also a one-time resource expense to include the full Dexter Horton space rental that was not updated in previous budgets. When the PAS project is completed at Dexter Horton, permanent staff have a work station at Pacific Building.

At the June Board meeting, staff will show expenses that are expected to decrease. For 2019, the budget will decrease from \$25M to \$22M and for 2020, the budget will decrease from \$22M to \$20M.

The 2018 budget amendment also reflects one-time resource staffing. There is data clean-up that must be completed for the PAS implementation. SCERS has been utilizing temporary staffing. The amendment reflects what the needs were for the project.

There are currently 21 permanent positions. The amendment proposes an increase to 23 permanent positions. The two positions consist of converting a temporary Member Services Representative and an ITP-B professional to permanent and to make one Retirement Specialist a Member Services Lead.

Motion: Upon motion by Sally Bagshaw, seconded by Jean Becker, the Board of Administration accepted the amendments to the 2018 Seattle City Employees' Retirement System budget for submission to the City Budget Office. The motion passed unanimously (6-0).

Administrative Committee Report – April 26, 2018

Jeff Davis reported that at the April 26, 2018 Administrative Committee meeting, they talked about the timeline for the strategic planning effort. The committee gave approval to go forward with contracting with the consultant.

Jason Malinowski presented the bio and application of a candidate for Investment Advisory Committee. SCERS is under no obligation to add new members but there was a desire to add someone with institutional investment experience. The candidate, Keith Traverse, oversees portfolio analysis, portfolio risk and asset allocation at BMGI, the investment manager for the Bill & Melinda Gates Foundation Trust and Cascade Investment, LLC. Mr. Malinowski is on the Seattle University Investment Committee with Mr. Traverse and spoke highly of him. In addition, Joseph Boateng, SCERS IAC Chair, knows Mr. Traverse well and holds him in high regard.

Motion: Upon motion by Sally Bagshaw, seconded by Glen Lee, the Board of Administration accepted the Administrative Committee's recommendation and appoints Keith Traverse as a member of the Investment Advisory Committee effective May 10, 2018. The motion passed unanimously (6-0).

Investment Committee Report – March 29, 2018

Jason Malinowski stated that there was no Investment Committee meeting in April.

At the March 29, 2018 Investment Committee meeting the discussion focused on the investment return assumption that is used in the experience study to discount future liabilities. NEPC walked through their assumptions earlier this year and are forecasting a 7.6% return over the next 30 years, which would suggest that SCERS's current investment return assumption of 7.5% is defensible. Staff shared that NEPC's return expectations are generally higher than other consultants and asset managers and that there has been a downward trend in the return assumptions for public funds. These other perspectives suggest that the return assumption should be revised lower during the next experience study. Chris Brightman, Chief Investment Officer for Research Affiliates, also presented their capital market expectations to the Committee. He reinforced that returns are likely to be lower going forward than they have been historically because of the low yield environment that exists across asset classes.

Milliman will be presenting the experience study and underlying assumptions at the June 14, 2018 Board of Administration meeting. They will likely recommend a reduction in the investment return assumption.

Executive Director Report

Jeff Davis updated the Board on the 2018 Trustee Election. There are two candidates on the ballot for the Active Member Seat. The candidates are Sherri Crawford, the incumbent, and Bruce Flory. Ballots will be mailed out this week and eligible voters will be able to vote either on-line or by mail. All ballots are due no later than 5:00 p.m. on Monday, June 4, 2018.

Paige Alderete reported on the Pension Administration System. Staff and consultants are in the final phase on validation testing. They will then move into training and user acceptance training.

Mr. Davis stated that Milliman, SCERS' actuaries, will be at the June 14, 2018 Board of Administration meeting to talk about the experience study. They will also attend the July 12, 2018 Board of Administration meeting to discuss the valuation report. SCERS's auditors, Clifton Larson Allen, will also be at the July 12, 2018 Board of Administration meeting to discuss SCERS's annual audit.

There has been slow steady progress at outstanding retirement estimates and turnaround time. For May 2018, staff retired over 50 members.

Mr. Davis reported on SCERS staffing. The Member Services Manager position was filled internally with Ronda Iriarte. Charles Bernal has accepted the position that Ms. Iriarte vacated to accept the manager position.

Executive Session to Discuss Legal Risks of a Proposed Action

The Board entered into Executive Session at 9:59 a.m. for approximately 20 minutes to discuss legal risks of a proposed action. The Executive Session concluded at 10:45 a.m.

Adjourn Meeting

The meeting adjourned at 10:45 a.m.



Seattle City Employees' Retirement System

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

Minutes, Thursday, June 14, 2018

Board: Sally Bagshaw (Chair), Lou Walter, Jean Becker, Robert Harvey Jr. (arrived at 9:29 a.m.), Glen Lee

Staff: Jeff Davis, Paige Alderete, Tony Smith, Nina Melencio, Ronda Iriarte

Other: Mike Monaco, Carolyn Boies (in for Carlton Seu), Nick Collier and Julie Smith of Milliman, George Emerson (FAS), Erik Sund (LEG), Tom Kirn (CBO), Bill Alves (Deferred Comp Board), Eric Belfi and Marco Duenas (Labaton Sucharow)

Call to Order

Sally Bagshaw, Chair, called the meeting to order at 9:00 am.

Public Comment:

There is no public comment.

Administrative Consent Agenda

Provided in the Retirement Board packet were the minutes from the May 10, 2018 Retirement Board regular meeting.

Ratification of Retired Payroll, Office Payroll, and other payments and withdrawals:

Service	\$14,719,017.62
Beneficiary	973,921.81
Disability	<u>73,232.86</u>
Pension Payroll – PPE May 2018	\$15,766,172.29
Office Payroll – PPE May 1, 15, and 29, 2018	\$ 364,663.60
Vouchers Processed – May 2018	
• Expert and Consultant Services	\$ 346,301.00
• Investment Management Fees	523,765.00
• Interdepartmental Charges	104,732.00
• Miscellaneous	29,866.00

Immediate Withdrawals for the Month of May 2018:

NAME	Department Name	Job Title
Abusailik, Salah E	SPU	Sr. Civil Engineer
Anderson Jr., Raymond E	Seattle Center	Usher
Anderson, Jamie L	Library	Admin Secretary
Cox, Douglas C	SDOT	Transportation Planner
Drakos, Peter N	SDOT	Environmental Analyst Associate
Hiller, David R	Mayor's Office	Strategic Advisor 2
Kim, Alice S	Seattle Fire	Sr. Public Relations Spec
Martin, Tanya L	SPU	Utility Account Rep
Stubblefield, Adrian R	Library	Security Officer
Bell, Shannon M	SPU	Strategic Advisor 1
Calhoun, John P	Seattle Police	Evidence Warehouser
Cronholm, Andrew	SDOT	Project Fund & Agreements Coordinator
Gonzalez, Jose R	SCL	Manager 3
Graham, Isaiah P	Seattle Police	Police Officer-Student
Huynh, Holly H	Parks & Recreation	Cashier
Inagi, Candace G	Mayor's Office	Strategic Advisor 2
Jackson, LaJerald K	FAS	Sr. Capital Projects Coord
Juneyd, Amier S	Library	Library Associate II
Lamm, Eric D	SPU	Office Maintenance Aide
Liner-Sanders, Autumn N	Law	City Prosecutor
Mattmiller, Michael A	Seattle Info Tech	Executive 4
McIntosh, Richard B	Seattle Info Tech	Info Technol Sys Analyst
Nam, Frank K	Dept of Neighborhoods	Planning & Development Spec, Supvsng
Nguyen, Thao P	FAS	Customer Service Rep
O'Connell, Briana F	Seattle Police	Pol Comms Dispatcher II
Phillips, Aarin W	Seattle Info Tech	Info Technol Prof B-BU
Reamy, Aaron M	Dept of Construction and Inspection	Mech Inspector
Reilly, Nancy J - beneficiary of Claudia Corson	SPU	Civil Engineer

Sam, Tino	SDOT	Sr. Accountant
Song, Jian	Seattle Info Tech	Info Technol Prof B-BU

\$ 936,242.66

Bold entries (if any) above indicate refund payment made to beneficiary of a member dying while in active status.

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, Dana R	5/2/2018	58	17	205.86	LAW	Executive2
Aramaki, Noboru Gregory	5/2/2018	63	33	295.5	SCL	Real Property Agent, Sr
Bates, Andrew William	5/2/2018	65	17	38.51	Library	Librn, Supvsng
Bates, Tawny Cheri	5/2/2018	64	30	6.31	SCL	Enrgy Mgmt Anlyst, Sr
Bingisser, Michael D	4/28/2018	61	4	55.99	Library	Bldg Maint Supp Lead
Brumbaugh, Cherie L	5/2/2018	60	28	161.51	SCL	Elctn-Con
Carlson, Paul H	5/1/2018	65	2	204	Vested Member	StratAdvsr2, Human Svcs
Chance, Jenny L	5/2/2018	63	28	287.51	FAS	Spay&Neuter Tech
Duncan, Margaret I	5/2/2018	74	6	188.01	SCL	Envrnmntl Anlyst, Sr
Han, Dong K	5/2/2018	69	14	274.12	Parks	Maint Laborer
Harris-White, Paula	4/21/2018	68	1	268.02	Vested Member	Plng&Dev Spec I
Hitchcock, Marion E	5/2/2018	62	26	65.66	Transportation	Fin Anlyst, Sr
Horne, Karl E	5/2/2018	65	36	76.54	SCL	Meter Elctn Working CC
Huff, Vickie M	5/2/2018	66	24	176.22	Police	Admin Staff Anlyst
Jackson, Edward L	5/2/2018	62	20	2.52	Planning	Pressure Svsts Inspector(J)
Komotios, Reine D	4/4/2018	61	37	303.64	FAS	Admin Spec I-BU
Lester, Joseph A	5/2/2018	61	30	77.82	Transportation	Cement Finisher
Maki, Thomas A	4/4/2018	65	12	277.07	Seattle IT	Info Technol Prof C-BU
Masover, Laurie	5/2/2018	57	25	238.13	SPU	Mgmt Svsts Anlyst, Sr
McCombs, Thomas J	5/2/2018	66	23	23.72	FAS	Mgmt Svsts Anlyst, Asst
McHenry, Virginia E	5/2/2018	67	29	267.14	Human Resources	Trng&Ed Coord, Asst
Penman, Kathleen	5/2/2018	59	38	146.15	SCL	Elecl Svc Rep
Pera, Lynn E	4/13/2018	63	10	205.57	Transportation	Civil Engr Supv
Perez, John A	4/18/2018	65	17	176.22	Seattle IT	Manager2, Exempt
Protis, Maria	5/2/2018	63	25	5.26	SPU	Civil Engrng Spec, Asst III
Rafael, Benjamin A	3/29/2018	65	18	86.03	Vested Member	Drainage&Wstwtr Lead Wkr CII
Reichelt, Edward J	5/2/2018	62	41	249.99	SPU	Wtr Pipe Wkr, Sr
Roberts, Scott L	5/2/2018	67	20	185.31	Parks	Maint Laborer
Rockey, Keller E	5/1/2018	62	5	134.79	Planning	Site Dev Insp
Sawyer, Robert L	5/2/2018	68	32	304.7	SCL	Enrgy Mgmt Anlyst, Sr
Settle, Eileen M	5/2/2018	57	27	305.87	SCL	Pwr Dispatcher, Sr
Terfa, Senait	5/2/2018	61	24	58.04	Courts	Actg Tech II-MC
Valencia, Conrado L	5/2/2018	58	30	278.46	SPU	Drainage&Wstwtr Coll Lead Wkr

Vitz,Kathleen Bess	5/2/2018	65	11	93.26	Library	Library Assoc II
Wagoner,Leslie N	5/2/2018	64	24	85.3	SCL	Enrgy Mgmt Anlyst,Asst
<i>Wells,Linda C.</i>	<i>4/21/2018</i>	<i>66</i>	<i>12</i>	<i>352.01</i>	<i>Vested Member</i>	<i>Plng&Dev Spec II</i>
Whitehead,Patti J	5/2/2018	55	25	150.16	Police	Pol Comms Dispatcher Supv
Widuschek,Herbert	4/18/2018	66	10	345.44	Human Services	StratAdvsr1,CSPI&P
<i>Witter,Diahann B</i>	<i>4/4/2018</i>	<i>60</i>	<i>10</i>	<i>330.01</i>	<i>Seattle IT</i>	<i>Info Technol Prof B-BU</i>

For the month of May 2018: 68 new Members entered the System, 64 terminations, 39 Members retired in the System, 23 Members removed (\$34,768.26), 1 D/E Option, 2 F Option, and 7 over 60% benefit.

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

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

Experience Study Report and Adoption of Assumptions - Milliman

Nick Collier and Julie Smith of Milliman presented the 2014-2017 Investigation of Experience. The purpose of the report is for the Board to adopt assumptions that are to be used in the January 2018 Actuarial Valuation.

Milliman studied the period from January 1, 2014 through December 31, 2017. There are two types of assumptions:

- Demographic
- Economic

Estimates for future results are based on experience; future expectations; and professional judgment. Milliman can't be overly optimistic or pessimistic and there is no one right answer. The demographics will be based on recent experience.

The only change in demographics with material impact is an increase in life expectancies (how long members are living and receiving benefits). There are slightly more than expected deaths for healthy retired males and less than expected for females. There is no significant change in turnover.

This is the first valuation that reflects Plan 2 members although there is not much experience on these members yet.

(9:29 am – Robert Harvey, Jr. arrived at the meeting)

The improvement in morbidity impacts SCERS's future liabilities. Milliman recommended updating the mortality assumption to be based on adjusted RP-2014 mortality tables published by the Society of Actuaries.

With demographic assumptions applied, contributions would increase from 25% to 25.65% and funded ratio would decrease from 68.1 to 66.8%

Membership growth does not affect liability. Funding is based on a percentage of payroll. Historically, membership growth has been 0.5% for the last ten years. Milliman is recommending that membership growth be lowered to 0.0% for funding purposes even though 0.5% is viewed as reasonable.

Mr. Lee stated that since the recession, the City of Seattle's population has grown by 100,000. It will take years for the City government to catch up to service demand. The reality is that many more people are using city programs. It is hard to imagine that no growth makes sense. Seattle is unique economically because it is one of

the IT centers in North America and it is still relatively inexpensive compared to Boston, San Francisco, and other IT hubs.

Mr. Collier stated that after a discussion with the finance department, Milliman has gained higher comfort level with 0.5% membership growth although it is uncommon to have this growth assumption. They are concerned about membership growth if the city starts outsourcing since it would hurt growth.

CM Bagshaw replied that outsourcing is not likely.

Mr. Davis stated that there seems to be a general consensus to leave the growth assumption at 0.5%.

There was a discussion on administrative expense and staffing. Milliman reflected an increase in administrative expenses but they recognize that the Pension Administration System does not represent a long-term cost.

Mr. Collier said that the investment return assumption is generally the most critical assumption to pension funding. The primary basis for setting the assumption is expected return based on asset allocation and forecasts of returns by asset classes.

SCERS's investment expenses are relatively low. SCERS is largely passive which is a big driver on expenses. The investment staff is small, although more in line with systems of similar size. Ms. Bagshaw asked for confirmation of this. A Milliman client of comparable size has 20-25 staff with a similar sized investment staff.

SCERS has restructured its staff in the last five years. Ms. Walter stated that there is a cost not to have staff and SCERS has paid that cost previously.

Milliman bases their expected return on assets on capital market assumptions. NEPC tends to be optimistic while Milliman tends to be pessimistic. It is not an exact science, more opinion.

Milliman is recommending 7.0% for the investment return assumption. The current investment return assumption of 7.5% is more aggressive than other systems.

Hank Kim, Executive Director from NCPERS, Research Affiliates, and SCERS's Investment Advisory Committee also recommended reducing the assumption.

Milliman recommended reducing the following assumptions:

- Investment Return Assumption
- Consumer Price Inflation
- Wage Growth
- Active Membership Growth
- Payroll Growth
- Interest on Post-2011 Contributions

The Board needed more time to review the information provided by Milliman before a decision could be made on the assumption recommendations. The motion was deferred to the July 12, 2018 Board meeting.

Executive Session to Discuss the Legal Risk of a Proposed Action

The Board entered into Executive Session at 10:54 a.m. for approximately 30 minutes to discuss the legal risk of a proposed action. Executive session ended at 11:31 a.m.

Administrative Committee Report – May 31, 2018

The May 31, 2018 Administrative Committee Report was deferred until the July 12, 2018 meeting due to lack of time.

Investment Committee Report – May 31, 2018

The May 31, 2018 Investment Committee Report was deferred until the July 12, 2018 meeting due to lack of time.

Executive Director Report

- a. 2018 Trustee Election (Active Member Seat)

Motion: Upon motion of Lou Walter, seconded by Glen Lee, the Board of Administration ratified the certification of election results as provided by Election Services Co. for the 2018 Board of Administration election for the active member seat; electing Sherri Crawford to the Board of Administration for a three-year term (July 1, 2018 – June 30, 2021). The motion passed unanimously (5-0).

- b. ESG Quarterly Update
- c. Pension Administration System Update
- d. Operations/Finance Report
- e. SCERS Work Plan
- f. SCERS Dashboard

(11:32 a.m. – Sally Bagshaw and Glen Lee left the meeting. There is no longer a quorum for the meeting.)

2019-2020 SCERS Budget

Paige Alderete reported on the 2019-2020 SCERS Budget.

The budget will significantly decrease due to the completion of the Pension Administration System (PAS) implementation. SCERS is proposing a budget of \$20.95 million which is a decrease from the 2018 budget.

There will be a reduction of \$50,000 for overtime that was needed for staff during the PAS implementation. SCERS proposes offsetting that budget with salary alignment. The retirement specialist is paid less than the benefit specialist who work at Seattle Municipal Tower although the responsibilities are similar. The Retirement Specialists' salaries are more in line with a benefit assistant.

Ongoing operations will be reduced by \$4.5 million to the PAS being completed. There may be further reduction depending on what the City overhead allocation will be reduced to.

SCERS won't be sending retiree checks through the City system. It will be done by a bank. The cost allocation methodology is based on number of checks.

SCERS has temporary project staff working on the PAS to go live. We anticipate keeping the temporary staff for several months in 2019 for a smooth transition and for stabilization. This is best practice.

Once the project is handed over to the operational staff, we anticipate needing 2 FTE temporary staff to support the new system, an assistant retirement specialist and a business analyst. We would be able to keep up services while the system is stabilized.

There will also be one-time cost to decommission the space at Dexter Horton.

SCERS is proposing \$20.7 million budget for 2020 which is a further decrease from the 2019 proposed budget. Much of that reduction is that one-time cost will be decreasing. There will be an actual decrease in almost \$900,000 in operational costs. If the market continues to do well, there will be a slight increase in investment manager fees.

Also, we need to look at whether the investment manager fees belong in the budget since they are an offset to investment earnings. We do need to track and report investment expenses, but do they need budget authority, or can they be treated like benefit payments.

The motion to accept the 2019-2020 Biennium budget was deferred to the July 12, 2018 meeting since the Board did not have a quorum to act.

Adjourn Meeting – 12:02 p.m.



Seattle City Employees' Retirement System

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

Minutes, Thursday, July 12, 2018

Board Members Present: Sally Bagshaw (Chair), Lou Walter, Glen Lee, Sherri Crawford (arrived at 9:04 a.m.), Susan McNab (arrived at 9:05 a.m.), Jean Becker (via conference call)

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

Others present: Gavin Parr (MMPL), John Masterjohn (ARSCE), Nick Collier and Julie Smith of Milliman, Tom Kirn (CBO), Daniel Gilbert (the Seattle Times), George Emerson (FAS)

Call to Order:

Sally Bagshaw, chair, called the meeting to order at 9:01 am.

Public Comment:

There was no public comment.

Administrative Consent Agenda

Provided in the Retirement Board packet were the minutes from the June 14, 2018 Retirement Board regular meeting.

Ratification of Retired Payroll, Office Payroll, and other payments and withdrawals:

Service	\$14,659,113.49
Beneficiary	996,139.71
Disability	<u>73,232.86</u>
Pension Payroll – PPE June 2018	\$15,728,486.06
Office Payroll – PPE June 12 and 26, 2018	\$ 236,941.16
Vouchers Processed – June 2018	
• Expert and Consultant Services	\$ 130,447.29
• Investment Management Fees	2,003,149.88
• Interdepartmental Charges	198,350.26
• Miscellaneous	166,984.00

Immediate Withdrawals for the Month of June 2018:

NAME	Department Name	Job Title
Brown, Senait C	Civil Rights	Planning & Development Spec I
Castro, Danniell G - beneficiary of Sonja D Larsen	Seattle Center	Admissions Employee
Damasse-Nguyen, Natasha	Seattle Municipal Court	Admin Spec I
Flores, Joseph K	Seattle Info Tech	Info Technol Prof B
Hall, Caitlyn L	SDOT	Financial Analyst
Hou, Chia Chi	City Light	Principal Accountant
Kilgore, Suzanne	Seattle Info Tech	Accounting Tech II
McVay, Laurie L	FAS	Admin Spec II
O'Donnell, Elizabeth A	SPU	Meter Reader
Osborne, Carmen L	SPU	Strategic Advisor 2
Ramirez, Angie	Parks & Recreation	Recreation Center Coordinator
Taylor-Reed, Yvonne	SPU	Utility Account Rep I
Tsunekawa, Jeffrey M	Seattle Municipal Court	Manager 2
Vo, Tuan T	Parks & Recreation	Maintenance Laborer
Widner, Daniel P	Human Services	Counselor

Bold entries (if any) above indicate refund payment made to beneficiary of a member dying while in active status.

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
Arreola, Fe E	5/30/2018	54	28	216.77	Vested Member	Grants&Contracts Spec, Sr
Boneham, David F	5/6/2018	66	10	184.25	Seattle City Light (Engrng Aide
Haythorne, June A	5/30/2018	66	16	123.84	Seattle Public Utili	Util Act Rep II
Jackson, Robin J M	5/25/2018	61	24	276.3	Seattle Public Utili	Admin Spec II-BU
Jacobs III, John P	5/17/2018	74	46	199	Seattle Public Utili	Meter Reader, Sr
Jones, Linda	5/30/2018	53	27	310.76	Seattle Public Utili	Manager2, Utils
Jordan, Glenn D	4/6/2018	67	32	28.51	Seattle Municipal Co	Prob Counslr I
Kefgen, Ralph N	5/3/2018	65	31	225.13	Seattle City Light (Cblspl CC-Net Area
Looney, Larry W	5/8/2018	62	19	263.31	Department of Inform	Info Technol Prof C-BU
Mah, Jennifer Lynn Geddes	6/1/2018	56	6	16.5	Vested Member	Parking Enforcement Officer
Miles, Prudence A	5/16/2018	64	8	335.29	Department of Parks	Sfty&Hlth Spec, Sr
Mulford, Steven Jeffrey	5/30/2018	69	22	304.88	Department of Inform	Info Technol Prof C-BU
Parker, Carrie Lynn	5/30/2018	56	33	56.98	Seattle Public Utili	Manager3, Utils
Pham, Be Van	5/6/2018	66	28	180.13	Seattle City Light (Jrnywkr Asg Streetlighting
Richards, Thomas Kent	5/22/2018	62	5	14.45	Vested Member	Librn
Rodgers-Yates, Donna D.	5/13/2018	57	30	160.6	King County-Health	Admin Spec II, FT CHCL

<i>Stevens, Lawrence D</i>	<i>5/30/2018</i>	<i>71</i>	<i>27</i>	<i>45.92</i>	<i>Seattle Public Utili</i>	<i>Civil Engrng Spec, Asst II</i>
<i>West, Frank N</i>	<i>5/12/2018</i>	<i>61</i>	<i>28</i>	<i>52.67</i>	<i>Department of Parks</i>	<i>Maint Laborer</i>
<i>Wilson Jr, Richard A</i>	<i>5/13/2018</i>	<i>63</i>	<i>31</i>	<i>86.29</i>	<i>Seattle Public Utili</i>	<i>Truck Drvr, Heavy</i>

For the month of June 2018: 60 new Members entered the System, 24 terminations, 19 Members retired in the System, 13 Members removed (\$34,768.26), 1 D/E Option, 2 F Option, and 7 over 60% benefit.

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

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

2019-2020 SCERS Budget

Paige Alderete reported on the 2019-2020 SCERS Budget.

Staff is proposing a 2019 and 2020 budget that will result in a budget decrease of \$4.86 million in 2019 (a 18.8% reduction) and \$182,400 in 2020 (a 0.8% reduction) and is primarily resulting from the completion of the Pension Administration System (PAS) project.

(9:04 a.m. – Sherri Crawford arrived at the meeting)

There will be significant reduction in overtime due to the completion of the Pension Administration System implementation, although that reduction will be offset with a proposal to do a salary alignment for the retirement specialists to be more equitable with other positions in the City with similar responsibilities. The retirement specialists' responsibilities are more in line with the SDHR Benefit Analyst position, but currently compensated at the Benefit Assistant level.

(9:05 a.m. – Susan McNab arrived at the meeting)

The budget incorporates a 6% increase in investment manager fees based on the assumption that the investment portfolio will grow by 6% annually. Investment manager fees are primarily charged as a percentage of assets, so fees will vary from this budgeted amount depending on actual investment performance. A conversation for the future is whether investment manager fees need to be budgeted since SCERS incorporates them when initially hiring investment managers and has limited ability to make changes once contracts have been finalized. SCERS would still report investment manager fees, but not budget for it.

Motion: Upon motion by Glen Lee, seconded by Lou Walter, the Board of Administration accepted the Seattle City Employees' Retirement System 2019-2020 Biennium Budget for submission to the City Budget Office. The motion passed unanimously (6-0).

Experience Study Report and Adoption of Assumptions

Jeff Davis stated that Milliman was requested to come up with a new scenario based on discussion at the June 14, 2018 Board of Administration meeting. This scenario would decrease the inflation rate from 3.25% to 2.75% and decrease the investment return assumption from 7.5% to 7.25%.

Nick Collier and Julie Smith of Milliman reviewed the summary handout. Milliman is recommending a reduction in the consumer price inflation (CPI) rate from 3.25% to 2.75%. There is a significant trend in other systems lowering their investment return assumption. The median assumption for large statewide systems is 7.4%.

Milliman is recommending a reduction in the investment return assumption from the current 7.5% to 7.0%, although it is reasonable to have it at 7.25%. SCERS's investment consultant, NEPC, expects a 7.5% long-term return for the SCERS investment portfolio.

There was a discussion on the City's responsibility versus the responsibility of the SCERS's Board in phasing in any changes. The responsibility of the Board is to set the assumptions and the effective date of the changes. The sponsor's (City's) decision is whether to phase in the assumptions.

There was further discussion on whether to implement the assumption changes January 1, 2019 or January 1, 2020. Typically, when the experience study is done, the assumptions go into effect January 1st the year following the study. There was discussion on deferring the effective date of the change to January 1, 2020 because SCERS is going live with the new Pension Administration System in January 2019 and adding new mortality tables would add a complicating factor to its roll-out. SCERS staff would also like to communicate with members who are near retirement on how the assumption changes will impact their pension.

CM Bagshaw concurred that the PAS implementation is an important factor for the Board to consider. Mr. Walter expressed concern over causing additional burden on staff while they are implementing the new PAS. Mr. Lee commented that deferring implementation from 2019 to 2020 should not influence the City's credit rating. Ms. Becker added her support to stabilize the PAS before implementing the assumptions.

There was a discussion on the proposed CPI rate. Milliman's economist is projecting 2.3%, Social Security assumes 2.6%, NEPC assumes 2.75% and the median retirement system is at 3%. The board concurs with Milliman's recommendation to reduce the CPI rate from 3.25% to 2.75%.

There was continued discussion on the investment return assumption with the options being a reduction from 7.5% to either 7.0% or 7.25%. 7.25% would be in-line with other retirement systems and 7.0% would be ahead of the curve. The group of employees who would be eligible for the 2x match would have a meaningfully lower pension benefit if 7.0% is adopted. The benefits of gradualism were discussed given that the pension system is a long-term proposition. Four years ago, during the last experience study, SCERS went from 7.75% to 7.5%. The Board felt that reducing the investment return assumption from 7.5% to 7.25% was appropriate.

Milliman will present the 2018 Valuation Report with the estimate of the impact of the assumptions at the August 9, 2018 Board of Administration meeting.

Motion: Upon motion by Lou Walter, seconded by Susan McNab, the Board of Administration accepted the assumption recommendation in Milliman's 2014-2017 Investigation of Experience with the following modifications to assumptions: 1) Investment return of 7.25%; 2) Consumer Price Inflation of 2.75%; and 3) Active membership growth of 0.5%. The effective date of these changed assumptions will be January 1, 2020. The motion passed unanimously (6-0).

Administrative Committee Report – May 31, 2018 and June 28, 2018

Mr. Davis reported on the May 31, 2018 and June 28, 2018 Administrative Committee meetings.

The Committee has been having conversations about the strategic planning process. The consultant that was retained, the Athena Group, did a series of interviews with the Board and leadership team.

At the June 28, 2018 meeting, the AC reviewed the draft agenda for the retreat and suggested more focused conversation during the retreat which is scheduled for August 8, 2018.

Investment Committee Report – May 31, 2018 and June 28, 2018

Jason Malinowski reported on the May 31, 2018 and June 28, 2018 Investment Committee meetings.

At the May meeting there was a staff presentation on investment risk. The intent is to have an annual risk discussion with the IC and Investment Advisory Committee going forward at the May meeting.

At the June meeting Paige Alderete, Tony Smith, and Mike Malchenko (NEPC) updated the committee on SCERS's relationship with BNY Mellon, SCERS's custodial bank since 1984. Ms. Alderete, Mr. Smith, and Mr. Malchenko met with the BNY Mellon team at their Pittsburgh office in May to discuss the custodial relationship. Mr. Smith stated that staff are beginning to see more responsiveness from BNY Mellon. There will be a formalization of the governance structure with a service level agreement. Additionally, NEPC reviewed the Q1 2018 performance report which was deferred from the May IC meeting.

Executive Director Report

Ms. Alderete reported that the PAS is still on schedule to go live January 2019. Staff are wrapping up testing and about to move into User Acceptance Testing which is a big phase. More staff will be involved and there will be training and a hands-on approach. In late summer, staff will hit the ground running with the system.

Mr. Davis stated that the work plan has been modified to add the dates that the Investment Advisory Committee attends the Investment Committee meetings (quarterly) and added different phases of the PAS.

The dashboard reflects the work that member services staff has been doing in reducing the backlog of retirement estimates. They are averaging 49 days to complete, which is down from approximately 75 days. Mr. Malinowski stated that the investment dashboard has been updated with performance through the first quarter.

Mr. Walter provided a list of potential trustee trainings to Mr. Davis which would be beneficial to the overall performance of the Board.

Adjourn Meeting

Motion: Upon motion by Susan McNab, seconded by Sherri Crawford, the Board of Administration voted to adjourn the meeting at 10:33 a.m. The motion passed unanimously (6-0).



Seattle City Employees' Retirement System

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

Minutes, Thursday, August 9, 2018

Board Members Present: Sally Bagshaw (Chair), Glen Lee, Sherri Crawford, Susan McNab, Lou Walter (via conference call), Jean Becker (via conference call)

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

Others Present: Mike Monaco (MMPL), Carlton Seu (City Attorney's Office), Helen Smith and Thomas Ray (CliftonLarsonAllen), Nick Collier and Julie Smith (Milliman), Jeff Slayton (City Attorney's Office), Tom Kirn (CBO), George Emerson (FAS)

Call to Order

Sally Bagshaw, Chair, called the meeting to order at 9:00 am.

Public Comment:

There was no public comment.

Administrative Consent Agenda

Provided in the Retirement Board packet were the minutes from the July 12, 2018 Retirement Board regular meeting.

Ratification of Retired Payroll, Office Payroll, and other payments and withdrawals:

Service	\$17,793,006.65
Beneficiary	991,987.52
Disability	73,232.86
Death Benefit	<u>23,000.00</u>
Pension Payroll – PPE July 2018	\$18,881,227.03
Office Payroll – PPE July 10 and 24, 2018	\$ 297,155.90*
Vouchers Processed – July 2018	
• Expert and Consultant Services	\$ 874,329.80
• Investment Management Fees	312,271.27
• Interdepartmental Charges	201,893.74
• Miscellaneous	66,819.97

**includes estimated benefit costs*

Immediate Withdrawals for the Month of July 2018:

NAME	Department Name	Job Title
Brees,Nicole C	Planning & Community Development	Admin Spec III
Butler IV,Joseph E	Parks & Recreation	Laborer
Calloway Jr.,Terry J	Parks & Recreation	Rec Leader
Dunmore,Statial C	SPU	Operations Response Center Op
Hansen,Marlene F	Seattle Municipal Court	Admin Spec I-MC
Mendez,Albert	Seattle Center	Stage Tech
Roncek,Crystal A	Seattle Dept of Human Resources	Senior Personnel Analyst
Bankson,Rudolph J	Seattle Info Tech	Info Technol Prof B-BU
Benenati,Blake B	Seattle Police	Parking Enforcement Officer
Calhoun,Frederick D	SPU	Laborer
Colin,Domingo M	Seattle Center	Janitor
Flores,Bernadette D	Human Services	Counselor
Garland,Kelly A	Seattle Center	Stage Tech
Grant,Lorraine M	Human Services	Counselor
James,LaVerne A - beneficiary of Michael L. James	FAS	Plumber
Keogh,Timothy J	Seattle Municipal Court	Admin Support Supv-MC
Long,Fenita T	FAS	Strategic Advisor 2
Lopez,Michele L - beneficiary of Phillip M. Lopez	Parks & Recreation	Plumber
Montgomery,Mahogany D	SPU	Utility Account Rep I
Oakley,Allyson L	SCL	Passenger & Tugboat Op
Pilon,Joel N	Parks & Recreation	Maintenance Laborer
Quiambao,Christinne	Seattle Center	Dining Room Attendant
Remtulla,Vicki R	Law	Senior Personnel Spec
Rood,Robert L	Parks & Recreation	Rec Attendant
Sawyer,Gregory E	SCL	Admin Spec III
Straley,Richard L - beneficiary of Judylayne Straley	SPU	Admin Spec II-BU
Tagoai,Leuea P	SPU	Laborer

Bold entries (if any) above indicate refund payment made to beneficiary of a member dying while in active status.

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
<i>Arnesen,John A</i>	<i>6/6/2018</i>	<i>56</i>	<i>38</i>	<i>52.23</i>	<i>Transp</i>	<i>StratAdvrsr2,General Govt</i>
<i>Chi,Lin Fa</i>	<i>6/13/2018</i>	<i>71</i>	<i>24</i>	<i>239.84</i>	<i>SCL</i>	<i>Elecl Engrng Spec,Sr</i>
<i>CHOU, JOHN C L</i>	<i>6/8/2018</i>	<i>66</i>	<i>6</i>	<i>44.49</i>	<i>Vested Member</i>	<i>Struct Plans Engr Assoc</i>
Conrad,Arthur K	6/2/2018	62	7	210.39	SCL	Engry Plng Anlyst

Corr,Owen C	6/13/2018	63	3	33.22	Vested Member	StratAdvsr3,Exempt
Crooks,Michale Rene	6/13/2018	64	28	339.12	FAS	Licenses&Standards Inspector
Davis,Marcus	6/16/2018	59	37	328.9	Const&Insp	Permit Spec Supv
Dickson,Robert D	6/2/2018	67	25	192.98	SPD	Equip&Facilities Coord
Dorsey,Judith C	6/13/2018	66	16	146.84	SPU	Util Act Rep II
Elliott,Paul	6/13/2018	66	17	207.14	Transp	Capital Prjts Coord
Espinoza-Hernandez,Arturo	6/13/2018	58	24	291.53	SCL	Maint Laborer
Finnell,Melissa Jane	6/2/2018	53	30	16.1	SCL	Jrnywkr In Chg
Funderburg,Leslie M	6/27/2018	69	13	93.7	SPD	Equip&Facilities Coord
Gabriel-Hess,Mary P	7/6/2018	72	11	26.94	Vested Member	Registered Nurse Consultant
George,David P	6/19/2018	70	10	286.52	Seattle Center	Security Ofcr,Sr
Hauger,Thomas	6/16/2018	68	29	205.57	Const&Insp	StratAdvsr2,General Govt
Hood,Diane M.	6/7/2018	66	27	69.24	Parks	Admin Spec II-BU
Jones,Toni L	6/7/2018	60	30	309.74	SPU	Util Act Rep II
Kinney,Dinah J	6/2/2018	62	33	249.33	Transp	Civil Engrng Spec,Sr
Kissee, James B.	6/14/2018	62	4	193.45	Seattle Public Health	Health Educator
Kopperstad,Cynthia L	6/9/2018	60	27	241.92	SCL	Prjt Fund&Agreemts Coord
Kurle,Samuel D	6/13/2018	53	28	303.46	Seattle IT	Info Technol Prof A,Exempt
LaBorde,Pamela E	6/14/2018	67	17	151.73	Library	Librn
Maxfield,Deborah L	6/2/2018	54	29	217.43	SPU	Manager3,Utills
McMahan,Cynthia D	6/2/2018	65	23	3.36	ED&Early Lrng	Manager2,Human Svcs
Mezich,Cheryl L	6/2/2018	66	15	206.99	LAW	Victim Advocate
Montemayor,Richard D	6/2/2018	63	32	263.64	SCL	Elecl Work Rev CC
Morter,Wayne L	6/9/2018	62	6	136.98	SCL	Electric Util Exec 3,Dir
Mount,Sandra S	6/27/2018	66	12	95.08	SPD	Admin Staff Asst
Nishimura,Betty P	6/3/2018	74	23	85.48	Library	Library Assoc II
Putnam,Susan G	6/2/2018	60	31	49.64	Const&Insp	Manager2,Engrng&Plans Rev
Robinson,Frances	6/6/2018	67	4	261.7	ED&Early Lrng	Admin Spec II-BU
Rowe, Genevieve L.	6/6/2018	64	13	3.65	Pub Health	Program Manager 3
SAFORA, ISABEL R.	7/1/2018	66	4	154.87	Vested Member	Victim Advocate Supervisor
Sauls,James A	6/23/2018	76	33	27.96	SCL	Mat Suplr-Asg Leo/Pdm/Hb
Spencer,Celese M	6/27/2018	55	16	250.68	Vested Member	Public/Cultural Prgms Spec,Sr
Strickland,Leslie Thayer	6/1/2018	65	12	240.94	Vested Member	Info Technol Prof C
Teung,Yaota Chien	6/27/2018	61	31	247.62	ED&Early Lrng	Prgm Intake Rep,Sr
Torjussen,Astri	6/13/2018	67	30	14.02	Courts	Prob Counslr I
Verdecias,Robert	6/7/2018	63	31	274.12	Parks	Maint Laborer
Westwood,Debra A	6/9/2018	63	19	172.94	Vested Member	Branch Mgr II
Young,Patricia M	6/8/2018	55	20	90.88	Parks	Admin Spec I-BU

For the month of July 2018: 75 new Members entered the System, 26 terminations, 42 Members retired in the System, 14 Members removed (\$23,149.44), 5 D/E Option, 7 F Option, and 10 over 60% benefit. ***Bold/italized*** entries (if any) above indicate 2x match.

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

Final Audit Report

Thomas Ray and Helen Smith from CliftonLarsonAllen (CLA) presented SCERS's Final Audit Report to the Board for the year ended December 31, 2017.

CLA's responsibility is to express an opinion on financial statements. SCERS's had an unmodified (clean) audit opinion which is a testament in the process from finance, investment, and management staff in pulling together the information needed. There were no material weakness or significant deficiencies to report.

The funding ratio is up 69.9% from 68.1% in 2017. The funding ratio based on GASB 67 is 72.04% as of December 31, 2017. GASB 67 is an actuarial valuation that uses different standards. Smoothing is one of those significant changes that no longer exists in the GASB 67 value.

CM Bagshaw asked how SCERS's investment performance compared with other pension plans. Mr. Malinowski replied that the total portfolio returned almost 16% which was in-line with the policy index and peer group.

Motion: Upon motion by Sally Bashaw, seconded by Glen Lee, the Board of Administration accepted the 2017 Year-End Audited Financial Statements as presented by Seattle City Employees' Retirement System Staff and CliftonLarsonAllen, LLP. The motion passed unanimously (6-0).

Valuation Study and 2019 Actuarial Contribution Rate (ARC)

Nick Collier and Julie Smith of Milliman presented SCERS Valuation Study as of January 1, 2018.

The funding ratio increased from 68.1% (2017) to 69.9% as of January 1, 2018. The total contribution rate decreased from 25% to 24.4% due to strong investment returns. The actuarial value of assets has increased 7.5% from \$2.56 billion to \$2.76 billion as of January 1, 2018. The market value of assets returned 14.6% for \$2.85 billion. For the last five years, the actuarial value of assets has been very smooth.

The calculated employer contribution rate is projected to decrease in 2019 and then increase in 2020 when the new assumptions from the 2018 Experience Study are reflected. Milliman recommends that the Board consider recommending to the City that they maintain, or slightly increase, the current 2018 contribution rate in 2019 to improve rate stability in 2020 and help funding.

Motion: Upon motion by Sally Bagshaw, seconded by Glen Lee, the Board of Administration accepted the January 1, 2018 Actuarial Valuation Report as presented by Milliman. The motion passed unanimously (6-0).

Motion: Upon motion by Sally Bagshaw, seconded by Sue McNab, the Board of Administration recommended a 2019 Annual Contribution Rate (ARC) of 25.51% to be effective January 1, 2019, increasing the City's contribution from 15.23% to 15.48% in anticipation of the expected ARC increase in 2020. The motion passed unanimously (6-0).

Credit Interest

Jeff Davis presented on Credit Interest. 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 2.92%, up from 2.73% in the current year.

Motion: Upon motion by Sally Bagshaw, seconded by Sue McNab, the Board of Administration set the 2019 credit interest on all employee contribution into the pension trust after December 31, 2011 at 2.92%. The motion passed 5-1 with Lou Walter voting nay.

Investment Committee Report

Mr. Malinowski reported on the July 26, 2018 Investment Committee meeting. Russell Investments was placed on watch in the Summer of 2017 when they eliminated several senior and portfolio management positions in the business group that manages the SCERS overlay account. There has been limited turnover in the last year, with no operational errors. NEPC had also placed them on watch at that time and took them off their watch list earlier in 2018. The Investment Committee accepted the recommendation to take Russell Investments off watch.

Staff gave a deep dive discussion on the Real Assets asset class. In addition, NEPC gave an update on the pacing plan which guides future commitments to Real Estate and Infrastructure.

Motion: Upon motion by Sally Bagshaw, seconded by Sue McNab, the Board of Administration accepted the Investment Committee's recommendation to remove Russell Investments from watch status. The motion passed unanimously (6-0).

Executive Director Report

Member Services staff has brought down retirement estimates to the four-week target and there are under 100 outstanding retirement estimates.

Staff have been scheduled for User Acceptance Training (UAT) for the Pension Administration System. Staff will be dividing their time on doing their work and testing the system.

Adjourn Meeting

Motion: Upon motion by Sue McNab, seconded by Sally Bagshaw, the Board of Administration voted to adjourn the meeting at 10:08 a.m. The motion passed unanimously (6-0).



Seattle City Employees' Retirement System

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

Minutes, Wednesday, August 8, 2018

Board Members Present: Sally Bagshaw, Chair (arrived at 9:12 a.m.), Lou Walter (arrived at 9:10 a.m.), Robert Harvey, Jr., Glen Lee, Sherri Crawford, Susan McNab, Jean Becker

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

Others present: Paul Horton, the Athena Group

Call to Order:

Robert Harvey, Jr. called the meeting to order at 9:07 am.

Strategic Planning:

Paul Horton, of the Athena Group, facilitated the Strategic Planning session with the Board of Administration and will be building on the work the Board has already done. The strategic plan is intended to be a five-year plan.

(9:10 a.m. – Lou Walter arrived at the meeting)

(9:12 a.m. – Sally Bagshaw arrived at the meeting).

Mr. Horton conducted individual interviews with each Board member and the SCERS executive team. From these interviews, Mr. Horton stated that there was broad agreement that the Board functions well and that they are able to have honest, strategic conversations together. There was also agreement by the Board that the new staff/leadership was doing well, and there is confidence in the current leadership.

Most of the initiatives identified in the previous strategic plan have been accomplished. The Board reviewed their non-negotiables and defined what 100% success would look like and the strategies to get there.

The Board expressed a desire to provide a total picture of retirement for SCERS's members and they want to see that members have a good, long, healthy, sustainable post-employment future. The Board also identified a need to continue board education on their roles and responsibilities as trustees, to have a better understanding of investments, performance, and their fiduciary duties as trustees.

Members of the Board saw the need to be better at evaluating the Board itself and the performance of the organization.

(11:44 a.m. – Lou Walter left the meeting).

Based on feedback from today's meeting, Mr. Horton will draft goals and initiatives that will be presented at a future Administrative Committee meeting.

Adjourn Meeting

Motion: Upon motion by Susan McNab, seconded by Sherri Crawford, the Board of Administration voted to adjourn the meeting at 10:33 a.m. The motion passed unanimously (6-0).



Seattle City Employees' Retirement System

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

Minutes, Thursday, September 13, 2018

Board Members Present: Sally Bagshaw (Chair), Jean Becker (via conference call), Lou Walter, Robert Harvey, Jr., Sherri Crawford, Susan McNab

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

Others Present: Mike Monaco (MMPL), Chela Mitchell (CTA Advisors)

Call to Order

Sally Bagshaw, Chair, called the meeting to order at 9:02 am.

Public Comment:

There was no public comment.

Administrative Consent Agenda

Provided in the Retirement Board packet were the minutes from the August 9, 2018 Retirement Board regular meeting.

Ratification of Retired Payroll, Office Payroll, and other payments and withdrawals:

Service	\$16,938,358.00
Beneficiary	976,158.00
Disability	73,233.00
Death Benefit	<u>0.00</u>
Pension Payroll – PPE August 2018	\$17,987,750.00
Office Payroll – PPE August 7 and 21, 2018	\$ 298,686.00*
Vouchers Processed – August 2018	
• Expert and Consultant Services	\$ 19,529.00
• Investment Management Fees	1,538,779.00
• Interdepartmental Charges	208,021.00
• Miscellaneous	211,800.00

**includes estimated benefit costs*

Immediate Withdrawals for the Month of August 2018:

NAME	Department Name	Job Title
Bleck, Alberta R	Legislative	Legislative Assistant
Cheung, May	Seattle Police	Latent Print Examiner
Durant, Steven D	SDOT	Senior Personnel Spec
Esparza, Eric M	FAS	Strategic Advisor 2
Gladden, Gene E	SPU	Civil Engineering Specialist
Guerra, Janelle L	Seattle Police	Police Communications Dispatcher I
Heavey, Barbara J	King County Health	Vested
Jaffray, Timothy J	SCL	Carpenter
Jefferson, Ashley D	SPL	Page
Lindquist, Jason B	SCL	Hydroelectric Operator I
McCrary, Ryan H	SPL	Library Associate II
Powers, Deborah	Parks & Recreation	Tree Trimmer
Ross, Robin D	Seattle Police	Administrative Specialist II-BU
Salomon, Aimee L	FAS	Manager 1
Sherrard, Deontrae L	Retirement	Principal Accountant
Smith, Anne B - beneficiary of Garry R Smith	Info Tech	Info Technol Prof A, Exempt
White, Jason L	FAS	Customer Service Representative
Wills, Barry S	SCL	Manager 3
Wilson, Jana M	FAS	Licenses & Standards Inspector
Woodson, Brockton R	Parks & Recreation	Golf Course Groundskeeper II

\$

Bold entries (if any) above indicate refund payment made to beneficiary of a member dying while in active status.

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
Bloice, Laura A	7/12/2018	66	12	73	Vested Member	Vested
Brodkin, Peter	7/12/2018	67	28	73	Parks	Aquatic Center Coord
Buswell, John P	7/6/2018	65	33	255.5	SDOT	Manager 3
Dailey Jr, Edward F	7/6/2018	67	28	146	SCL	Pwr Struct Mechanic
Dailey, Nancy A	7/6/2018	67	34	73	SCL	Mat Handling Supv
Donaldson, Susan K	7/25/2018	65	9	182.5	Vested Member	Vested
Drager, Alan L	7/7/2018	65	39	182.5	SCL	Pwr Dispatcher, Sr
Eastberg, Cheryl J	7/11/2018	61	22	146	Parks	Plng & Dev Spec, Sr
Eulberg, Lois A	7/14/2018	65	19	219	Planning	Housing/Zoning Inspector
Gereaux, Connie M	7/21/2018	64	11	146	SDHR	Personnel Analyst
Golub, Susan Lynn	7/11/2018	66	10	73	Parks	Strat Adv 3, Exempt
Halpert, Helen	7/14/2018	66	9	255.5	Vested Member	Vested
Harrold, Terrence J	7/11/2018	64	23	73	Parks	Acct Tech II-BU

Healy,James Timothy	7/11/2018	62	27	109.5	SCL	Enrgy Mgmt Analyst, Sr
Herd,Donald Emil	7/3/2018	63	5	0	Vested Member	Vested
Hunter,Mack	7/11/2018	62	29	219	Parks	Strat Adv 2
Jones,Jeffrey L	4/4/2018	63	7	221	SCL	Elec Svc Rep, Suprvsing
<i>Kephart,Robert K</i>	<i>7/25/2018</i>	<i>57</i>	<i>17</i>	<i>73</i>	<i>SCL</i>	<i>Elect Engr, Assoc</i>
<i>Keshavarzi,Shahriar</i>	<i>7/25/2018</i>	<i>59</i>	<i>14</i>	<i>182.5</i>	<i>Vested Member</i>	<i>Vested</i>
<i>Kiesow,Stephen J</i>	<i>7/6/2018</i>	<i>74</i>	<i>48</i>	<i>292</i>	<i>Library</i>	<i>Librarian</i>
<i>Killoren,Michael K</i>	<i>7/29/2018</i>	<i>62</i>	<i>8</i>	<i>73</i>	<i>Vested Member</i>	<i>Vested</i>
King,Clifford D	7/11/2018	66	17	219	SCL	Electrical Helper
Knight,John W	7/19/2018	55	30	0	SCL	Cbpls CC-Net Area
Krug,Richard H	7/4/2018	65	11	146	Housing	Property Rehab Spec
<i>Langlois,Michael C</i>	<i>7/25/2018</i>	<i>60</i>	<i>38</i>	<i>36.5</i>	<i>SPU</i>	<i>Water Sys Supv</i>
<i>Lorimer Jr,Stuart G</i>	<i>7/25/2018</i>	<i>65</i>	<i>38</i>	<i>36.5</i>	<i>Planning</i>	<i>Strat Adv 3</i>
Lovell,Terry L	7/3/2018	61	28	146	SCL	Elctn-Con-Wkg CC
<i>Moran Jr,Julio A</i>	<i>7/11/2018</i>	<i>67</i>	<i>25</i>	<i>292</i>	<i>Seattle Center</i>	<i>Plumber</i>
<i>Phillips,Cynthia Y</i>	<i>7/25/2018</i>	<i>61</i>	<i>36</i>	<i>36.5</i>	<i>FAS</i>	<i>Manager 1</i>
Powell,Scott Lee	7/3/2018	67	17	73	SCL	Strat Adv 2, Exempt-Bu
Rowan,David J	7/11/2018	64	26	219	SCL	Civil Engr,Sr
Sidorowicz,Gerard Tadeusz	7/25/2018	64	17	182.5	Early Learning	Executive 1
Siegismund,Patsy May	7/11/2018	69	26	328.5	Parks	Finance Analyst, Sr
Spallino,Joseph A	7/25/2018	55	25	0	SCL	Lineworker
<i>Sturgeon,Kenneth W</i>	<i>7/6/2018</i>	<i>69</i>	<i>32</i>	<i>292</i>	<i>SCL</i>	<i>Pwr Dispatcher, Sr</i>
<i>Uzelak,Joan H</i>	<i>7/6/2018</i>	<i>74</i>	<i>12</i>	<i>0</i>	<i>Human Services</i>	<i>Human Svcs Coord</i>
<i>Vatsa,Subhash C</i>	<i>7/6/2018</i>	<i>72</i>	<i>5</i>	<i>328.5</i>	<i>Vested Member</i>	<i>Vested</i>
<i>Vialpando,Gregorio I.</i>	<i>7/22/2018</i>	<i>68</i>	<i>1</i>	<i>255.5</i>	<i>Vested Member</i>	<i>Vested</i>
Weaver,Bridget M	7/13/2018	65	0	182.5	Vested Member	Vested
<i>White,Marian K</i>	<i>7/25/2018</i>	<i>62</i>	<i>39</i>	<i>0</i>	<i>SDHR</i>	<i>Personnel Analyst, Sr</i>
<i>Wilson,Eddie Joe</i>	<i>7/7/2018</i>	<i>72</i>	<i>32</i>	<i>146</i>	<i>SPU</i>	<i>Wtr Pipe Wkr, Sr</i>

For the month of August 2018: 59 new Members entered the System, 39 terminations, 41 Members retired in the System, 21 Members removed (\$31,828.35), 2 D/E Option, 7 F Option, and 11 over 60% benefit.

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

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

Strategic Planning

Paul Horton, of the Athena Group, presented the draft strategic goals.

The Board reviewed and discussed the draft strategic goals that were a result of the August 30, 2018 Administrative Committee meeting:

- The fund is managed to achieve and maintain a strong and sustainable financial position.
- Members receive best in class service.
- SCERS effectively communicates with its stakeholders.

Board members discussed adding a fourth goal on board education, board performance, and industry best practices. Board education would be to achieve the best engagement of the board so that each member is effective, knowledgeable, and high performing. The Board were in consensus that a fourth goal related to board education/governance should be added.

The goals will be for five years, with a review that will occur twice a year by the Administrative committee. The Administrative Committee Charter will be revised to add the review every six months.

The Board will provide comments on the draft goals to Mr. Davis by September 26th for discussion at the September 27, 2018 Administrative Committee.

Ms. Bagshaw requested that the board have regular education (perhaps yearly) from Mike Monaco and a City Attorney on fiduciary responsibility and personal liability as part of board education.

ESG Quarterly Report

Jason Malinowski presented the 2nd and 3rd quarter ESG update.

Mr. Malinowski reviewed the history of SCERS's ESG activities which started in 2015 when the Board directed SCERS to undertake a positive action strategy that beneficially impacts climate change in a manner that is fully consistent with SCERS's mission and fiduciary responsibilities. The positive action strategy includes pursuing shareholder advocacy, considering sustainability investments and integrating climate change risk into the investment process. The Board reaffirmed its support of the positive action strategy on August 10, 2017.

Mr. Malinowski provided an update on the ongoing engagements with Southern Company and ExxonMobil. There have been some promising developments, including a recently published report by Southern Company on the impact to their business from the low carbon future. Staff is actively tracking a concerning effort by the corporation-backed Main Street Investors Coalition to curtail shareholders' ability to file proposals.

SCERS continues its dialogue with BlackRock after having placed them on watch status in 2016 due to ESG concerns. BlackRock's Vice Chairman visited with staff to discuss these concerns. Staff will reassess the watch status in the 4th quarter.

Jill Johnson attended the CII Spring Conference in Boston in March 2018. She is currently attending PRI's conference in San Francisco.

Mr. Malinowski gave the keynote address to the PRI Western North American Network meeting in Vancouver, BC on May 9, 2018. He focused on how small- and mid-sized institutions can achieve greater ESG impact by proactively working with their investment managers. Ms. Bagshaw requested that the presentation material be shared with the Board.

The US Department of Labor (DOL) issued a bulletin to clarify an earlier interpretation from the Obama administration related to ESG. Mr. Monaco stated that this bulletin has an indirect impact on SCERS since SCERS is not covered directly by ERISA.

There was a discussion on the “social” aspect of ESG. Staff began with climate change at the Board’s direction but have since learned about other ESG issues as well. Staff will need direction from the Board due to limited resources if the positive action strategy is to be expanded beyond climate change.

Annual Report - Staff

Paige Alderete reviewed the SCERS’s 2017 Annual Report which consists of: financial statements and audits, actuarial, and statistics for 2017. Both the financial statements/audits, and actuarial information were approved by the Board at the August 9, 2018 Board Meeting.

There was discussion on whether it was necessary to print the names of members in the report and on the monthly board meeting supporting agenda due to privacy concerns. Staff will work on providing information to the Board by summarizing the information by department rather than including member names.

Motion: Upon motion by Lou Walter, seconded by Robert Harvey, Jr., the Board of Administration accepts the 2017 Annual Report as presented by Seattle City Employees’ Retirement System Staff. The motion passed unanimously (5-0).

Administrative Committee Report

The Administrative Committee met on August 30, 2018 to develop draft strategic planning goals. The challenge will be to know when the goals are good enough so that the Administrative Committee can proceed with drafting strategies that support the goals.

Investment Committee Report

At the August 30, 2018 Investment Committee meeting, Kristine Pelletier, NEPC, presented the ESG Annual Consultant Report. NEPC reviewed SCERS against best practices and provided an ESG assessment of SCERS’s three core real estate managers. SCERS rated highly. It was recommended that SCERS update its ESG policy since it does not reference the positive action strategy. Staff will revise the policy in 2019.

Jason Malinowski, George Emerson, and Don Stracke, NEPC, provided a deep dive on the Diversifying Strategies asset class that included its portfolio role, size, strategy, investment manager, and performance.

Executive Director Report

Ms. Alderete gave an update on the Pension Administration System implementation. Last week staff and consultants began User Acceptance Testing (UAT) to find all the bugs.

Member Services has a 26-day turnaround time for retirement estimates which is the lowest turnaround time that SCERS has had. Call volume and complaints have gone down drastically, and the member services team are doing an amazing job cleaning up data so that there is a complete and accurate history of member employment in the new PAS.

Mr. Davis reported on the work plan and dashboard. As new objectives are established for the new strategic planning goals, the form for the work plan and dashboard will be updated to focus on the new goals and objectives.

Mr. Malinowski reported on the investments metrics of the dashboard. Performance for the one-year period ending June 30, 2018 is 7.8% as compared to the policy index of 8.0%. For the last five years, performance is at 8.0% which matches the policy index and is over the 7.5% assumed rate of return. All asset classes are within their permissible ranges.

Ms. Alderete reported that staff from BNY Mellon came from Pittsburgh for an onsite visit to proactively assess how the investment and accounting teams are using the system. The goal is to compare what staff are doing with best practices and help improve.

Adjourn Meeting

Motion: Upon motion by Sherri Crawford, seconded by Jean Becker, the Board of Administration voted to adjourn the meeting at 10:41 a.m. The motion passed unanimously (6-0).



Seattle City Employees' Retirement System

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

Minutes, Thursday, October 11, 2018

- Board Members Present:** Sally Bagshaw (Chair), Lou Walter, Glen Lee, Sherri Crawford, Jean Becker (via conference call)
- SCERS Staff Present:** Jeff David, Paige Alderete, Jason Malinowski, Tony Smith, Jill Johnson, Nina Melencio
- Others Present:** Mike Monaco (MMPL), Jeff Slayton (City Attorney's Office), George Emerson (FAS)

Call to Order

Sally Bagshaw, Chair, called the meeting to order at 9:04 a.m.

Public Comment

There was no public comment.

Administrative Consent Agenda

Provided in the Retirement Board packet were the minutes from the September 13, 2018 Retirement Board regular meeting.

Ratification of Retired Payroll, Office Payroll, and other payments and withdrawals:

Service Beneficiary Disability Death Benefit	\$16,223,859.00 980,211.00 72,021.00 <u>6,000.00</u>
Pension Payroll – PPE September 2018	\$17,282,091.00
Office Payroll – PPE September 4 and 18, 2018	341,142.00*
Vouchers Processed – September 2018	
• Expert and Consultant Services	\$ 910,025.00
• Investment Management Fees	920,869.00
• Interdepartmental Charges	211,086.00
• Miscellaneous	42,527.00

**includes estimated benefit costs*

Immediate Withdrawals for the Month of September 2018:

Department Name	Total Number of Employees	Total Gross
Beneficiary-Active Death	1	\$59,817.99
Construction/Inspections	1	\$1,894.87
FAS	1	\$7,828.56
Human Resources	1	\$2,980.28
Human Services	1	\$822.99
Library	2	\$22,355.43
Parks & Rec	1	\$14,417.82
Police	1	\$10,898.73
Seattle Center	2	\$11,853.78
Seattle IT	3	\$19,452.99
Seattle Municipal Court	2	\$26,462.45
Seattle Public Utilities	5	\$25,680.35
Totals	21	\$204,466.24

c. Ratification of Service Retirements

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

Department Name	Total Number of Employees	Total over 60% Benefits	Total 2x Match	Total Monthly Pension Amount by Department	Gross Payout by Department
City Light	3	2	3	\$9,356.01	\$ 192,159.59
Fire	1	1	1	\$3,628.70	\$ -
Parks & Rec	5	1	3	\$12,438.38	\$ -
Planning	2	1	1	\$4,985.89	\$ 137,929.59
Seattle Center	3	0	3	\$4,832.32	\$ 156,000.56
Seattle IT	2	0	2	\$6,604.27	\$ -
Seattle Municipal Court	2	0	0	\$3,359.97	\$ -
SPU	2	1	1	\$6,752.29	\$ 261,801.47
Transportation	2	1	2	\$7,250.03	\$ 74,058.29
Vested Members	9	0	7	\$16,761.94	\$ 32,309.46
Totals	31	7	23	\$75,969.80	\$ 854,258.96

For the month of September 2018: 74 new Members entered the System, 28 terminations, 31 Members retired in the System, 23 Members removed (\$28,528.91), 2 D/E Option, and 4 F Option.

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

Administrative Committee Report

At the September 27, 2018 Administrative Committee, committee members identified five strategic planning goals for SCERS:

1. Financial strength;
2. Customer service;
3. Governance;
4. Internal staff cohesion; and
5. Communications

The communications goal will be a point of emphasis for the next several years. The other four goals will be long-standing goals for the organization. Work on the strategic plan will continue at the October 25, 2018 Administrative Committee meeting. A draft will be presented at the November 8, 2018 Board of Administration meeting.

Investment Committee Report

At the September 27, 2018 Investment Committee meeting, staff presented an update on the investment consultant. NEPC has been SCERS's investment consultant since 2014 and their contract runs through June 30, 2019. Staff described a process for re-evaluating NEPC. If the Board chooses not to retain NEPC, an RFP will be conducted.

Staff and NEPC provided a deep dive of the Fixed Income asset class.

Executive Director Report

Staff have been in user acceptance training (UAT) for the new Pension Administration System (PAS) for the last 2-4 weeks. The process for retirement will be much simpler so staff will have more time to spend with members.

With the new PAS, staff will have the ability to send communications to targeted populations and be able to show members in real-time the impact different choices would have on their benefit.

The supporting agenda has been revised to exclude member names due to concerns about privacy. Information previously provided in the supporting agenda will now be summarized by department. Mr. Slayton stated he does not know of any legal obligation to print individual employee names.

Members of the Board were supportive of the revised structure for the supporting agenda. There will be further discussion at the October 25, 2018 Administrative Committee meeting on what types of data would be appropriate to include in board materials.

Adjourn Meeting – 9:43 a.m.

Motion: Upon motion by Lou Walter seconded by Glen Lee, the Board of Administration voted to adjourn the meeting at 9:43 a.m.



Seattle City Employees' Retirement System

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

Minutes, Thursday, November 8, 2018

- Board Members Present:** Sally Bagshaw (Chair), Robert Harvey, Jr., Glen Lee, Sherri Crawford, Lou Walter (arrived at 9:09 a.m.), Jean Becker (via conference call at 9:19 a.m.)
- SCERS Staff Present:** Jeff Davis, Jason Malinowski, Tony Smith, Jill Johnson, Cecelia Chen, Nina Melencio
- Others Present:** Mike Monaco (MMPL), Jeff Slayton (City Attorney's Office)

Call to Order

Sally Bagshaw, Chair, called the meeting to order at 9:04 a.m.

Public Comment

There was no public comment.

Administrative Consent Agenda

Provided in the Retirement Board packet were the minutes from the October 11, 2018 Retirement Board regular meeting.

Ratification of Retired Payroll, Office Payroll, and other payments and withdrawals.

Service	\$16,556,454
Beneficiary	989,402
Disability	72,021
Death Benefit	<u>8,000</u>
Pension Payroll – PPE October 2018	\$17,625,887
Office Payroll – PPE October 2, 16, and 30, 2018	323,222*
Vouchers Processed – October 2018	
• Expert and Consultant Services	\$ 267,192
• Investment Management Fees	1,007,570
• Interdepartmental Charges	208,263
• Miscellaneous	53,285

**includes estimated benefit costs*

Immediate Withdrawals for the Month of October 2018:

Department Name	Total Number of Employees	Total Gross
Beneficiary-Active Death	2	\$16,773.31
City Light	3	\$141,680.31
FAS	1	\$4,613.59
Neighborhoods	1	\$585.52
Parks & Rec	4	\$68,084.36
Seattle Center	2	\$48,811.10
Seattle IT	1	\$25,076.39
Seattle Public Utilities	2	\$19,581.60
Transportation	1	\$8,846.00
Totals	17	\$334,052.18

c. Ratification of Service Retirements

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

Department Name	Total # of Employees	Total over 60% Benefits	Total 2x Match	Total Monthly Pension Amount by Department	Gross Payout by Department
City Light	8	0	3	\$29,763.02	\$353,223.48
FAS	1	0	0	\$3,499.67	0
Human Services	1	1	1	\$4,924.15	0
Library	1	1	1	\$2,354.28	\$398,653.69
Parks & Rec	4	0	2	\$5,185.24	\$33,403.61
Planning	3	1	2	\$13,537.19	\$426,831.12
Police	2	1	1	\$7,441.59	\$178,912.25
Seattle Center	2	0	2	\$2,935.65	\$380,979.66
Seattle IT	4	2	2	\$20,611.04	0
Seattle Municipal Court	1	0	0	\$1,415.38	0
Seattle Public Utilities	8	1	4	\$29,736.85	\$184,261.72
Transportation	5	0	2	\$13,960.44	\$65,327.32
Vested	12	0	8	\$18,558.65	\$44,678.64
Totals	52	7	28	\$153,932.15	\$2,066,271.49

For the month of October 2018: 63 new Members entered the System, 37 terminations, 52 Members retired in the System, 19 Members removed (\$39,606.16), 6 D/E Option, and 3 F Option.

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

Administrative Committee Report – October 25, 2018

At the October 25, 2018 Administrative Committee meeting, members continued discussion on the strategic plan.

Investment Committee Report – October 25, 2018

At the October 25, 2018 Investment Committee Meeting, staff presented a recommendation to commit up to \$15 million to AG Asia Realty Fund IV which is a fund managed by Angelo, Gordon & Co LP. AG Asia Realty Fund IV is an Asian non-core real estate strategy and would be the first dedicated Asian real estate strategy for SCERS. The strategy is consistent with the real estate portfolio goals of increasing the non-core allocation and adding geographic diversification. The Investment Committee approved the recommendation pending completion of operational due diligence and satisfactory legal review.

Operational due diligence has been completed and there are no areas of concern.

(9:09 am – Lou Walter arrived at the meeting)

Motion: Upon motion by Glen Lee, seconded by Lou Walter, the Board of Administration accepted the Investment Committee's recommendation to commit up to \$15 million to AG Asia Realty Fund IV, pending satisfactory legal review. The motion passed unanimously (5-0).

Also, at the October 25, 2018 Investment Committee meeting, Jeff Burgis and John Gray of Adams Street Partners provided a deep dive on the Private Equity asset class that included its portfolio role, size, strategy, underlying investment managers and performance.

Executive Director Report

Mr. Davis gave an update on strategic planning and reviewed the goals, objectives, top line strategies, and metrics.

Five goals have been identified:

1. The fund is managed to achieve and maintain a strong and sustainable financial position.
2. Members receive best in class service.
3. SCERS attracts and supports the development of high-performing employees to be part of a positive working environment.
4. The SCERS Board is high-performing and well-informed in carrying out its oversight function and fiduciary duties.
5. Stakeholders have a clear understanding of SCERS's benefits and services.

(9:19 a.m. – Jean Becker joined the meeting via conference call).

The consultant will finalize the strategic plan in a formal report that can be published and put on the SCERS's website.

The current mission was reworded for clarity (Mission: To fulfill the promise made to our members by delivering the retirement benefits they have earned).

CM Bagshaw had a question about manager due diligence. Mr. Malinowski reviewed the process that the investment team goes through when reviewing a manager. With the current manager recommendation, staff looked at potential managers over the last two years which included meetings with 30 firms. All meetings are tracked in a database with notes corresponding to each meeting. NEPC goes through a similar process that is parallel and independent of what SCERS does.

Mr. Walter commented that the current process is more rigorous and robust than what was done in previous years and that it was imperative that the investment team continue to do what they are doing for due diligence.

Ms. Becker appreciated the investment and operational rating matrix.

Staff are deep into bug testing for the Pension Administration System. Since staff have done a great job in getting the number of outstanding benefit estimates down, they can now work on the PAS, as well as regular operations.

The funding ratio as of September 2018 was 70.1%.

Adjourn Meeting – 9:51 a.m.

Motion: Upon motion by Jean Becker, seconded by Glen Lee, the Board of Administration voted to adjourn the meeting at 9:51 a.m. The motion passed unanimously (5-0).



Seattle City Employees' Retirement System

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

Minutes, Thursday, December 13, 2018

Board Members Present: Sally Bagshaw (Chair), Lou Walter, Robert Harvey, Jr., Jean Becker (via conference call), Sherri Crawford

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

Others Present: Mika Monaco (MMPL)

Call to Order

Sally Bagshaw, 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 November 8, 2018 Retirement Board regular meeting.

Ratification of Retired Payroll, Office Payroll, and other payments and withdrawals.

Service	\$18,728,967.00
Beneficiary	1,113,224.00
Disability	77,037.00
Death Benefit	<u>48,500.00</u>
Pension Payroll – PPE November 2018	\$19,967,728.00
Office Payroll – PPE November 13 and 27, 2018	323,224.00*
Vouchers Processed – November 2018	
• Expert and Consultant Services	\$ 207,985.00
• Investment Management Fees	1,013,786.00
• Interdepartmental Charges	203,915.00
• Miscellaneous	71,581.00

**includes estimated benefit costs*

Immediate Withdrawals for the Month of November 2018:

Department Name	Total Number of Employees	Total Gross
Arts & Culture	1	\$6,339.44
City Light	2	\$153,414.11
Construction & Inspection	1	\$4,358.81
Human Services	1	\$17,388.06
Library	3	\$56,315.98
Muni Court	1	\$125,251.89
Parks & Rec	4	\$80,793.06
Police	2	\$76,718.04
Seattle Center	2	\$77,471.07
Seattle IT	2	\$37,296.15
Seattle Public Utilities	7	\$375,706.48
Transportation	2	\$266,894.82
Totals	28	\$1,277,947.91

c. Ratification of Service Retirements

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

Department Name	Total # of Employees	Total over 60% Benefits	Total 2x Match	Total Monthly Pension Amount by Department	Gross Payout by Department
City Light	1	0	0	\$5,624.39	0
FAS	1	1	1	\$3,430.69	0
Human Services	1	1	1	\$6,715.85	0
Parks & Rec	1	0	0	\$764.71	0
Vested	5	0	4	\$11,165.38	\$89,998.25
Totals	9	2	6	\$27,701.02	\$89,998.25

For the month of November 2018: 29 new Members entered the System, 16 terminations, 9 Members retired in the System, 17 Members removed (\$23,303.89), 7 D/E Option, and 2 F Option.

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

Quarterly ESG Update

Jason Malinowski and Jill Johnson presented the 4th quarter 2018 ESG update. Mr. Malinowski gave an overview of the positive action strategy which includes shareholder advocacy, sustainability investments, and integrating climate risk into the investment process.

CM Bagshaw asked if SCERS was consistent with other investors in ESG. Mr. Malinowski replied that SCERS is on the leading edge, particularly of plans of a similar size, but there are some plans that do nothing. SCERS is a member of the Ceres Investor Network on Climate Risk and Sustainability, the Council of Institutional Investors (CII), and the Principles for Responsible Investment (PRI).

(9:04 am – Sherri Crawford arrived at the meeting)

Ms. Johnson mentioned that SCERS had joined with other investors in letters to the Securities and Exchange Commission to underscore the benefits of shareholder proposals and call on the development of an ESG disclosure framework. She also provided updates on the ongoing engagements with Southern Company and JP Morgan and a recent sustainability investment by Global Infrastructure Partners, a SCERS-invested manager.

Ms. Johnson attended the PRI in Person Conference and CII Fall 2018 Conference. These conferences and other involvement with these membership organizations allow SCERS to learn from and collaborate with other institutional investors who prioritize ESG.

Mr. Malinowski gave an update on industry developments. Royal Dutch Shell announced in a joint press release with investors that they were making major commitments to reduce their carbon footprint. This is an important action that highlights the beneficial impact of shareholder advocacy. The San Francisco Employee Retirement System (SFERS) announced a commitment to divest their direct holdings in five companies with the highest risk fossil fuel assets, representing 0.03% of their plan assets. NEPC, who serves as consultant to SFERS and SCERS, did not support the divestment action.

CM Bagshaw asked whether SFERS's action introduces fiduciary liability. Mike Monaco responded that the limited size of the divestment implies that the impact and any identifiable claim would be immaterial. He contrasted this to SCERS where prior analysis had shown there to be material costs incurred with any divestment.

Staff recommended removing BlackRock from watch status since they have made acceptable changes to address the ESG concerns that SCERS had identified when placing them on watch status in December 2016. These concerns relate to its proxy voting and other investment stewardship activities in its role as manager of the BlackRock MSCI World ex-US Fund. SCERS has approximately \$356 million invested in the BlackRock MSCI World ex-US Index Fund. NEPC concurs with this recommendation.

Motion: Upon motion by Lou Walter, seconded by Robert Harvey, Jr., the Board of Administration removed BlackRock from watch status. The motion passed unanimously (5-0).

Administrative Committee Report – November 29, 2018

At the November 2018 Administrative Committee meeting, committee members reviewed the revised Conflicts of Interest Policy. The changes to this policy are largely cosmetic or to streamline the process. There were some modest substantive changes, specifically, with the revised policy now referencing the City's Code of Ethics.

The committee also reaffirmed the Investment Advisory Committee (IAC) Charter which was due for its three-year renewal. There were no changes to this 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 Conflicts of Interest Policy. The motion passed unanimously (5-0).

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

The AC recommended re-appointment of Joseph Boateng and Dwight McRae to the IAC for another three-year term. In addition, Mr. Boateng was recommended to be Chair of the IAC for another three-year term.

Motion: Upon motion by Lou Walter, seconded by Robert Harvey, Jr., the Board of Administration accepted the Administrative Committee's recommendation to reappoint Joseph Boateng and Dwight McRae to the Investment Advisory Committee with a three-year term commencing on January 1, 2019. The motion passed unanimously (5-0).

Motion: Upon motion by Lou Walter, seconded by Robert Harvey, Jr., the Board of Administration accepted the Administrative Committee's recommendation to appoint Joseph Boateng as Chair of the Investment Advisory Committee with a three-year term commencing on January 1, 2019. The motion passed unanimously (5-0).

Investment Committee Report – November 29, 2018

Staff and NEPC provided a deep dive of the Public Equity asset class which wrapped up the yearly review of all asset classes. An in-depth review of the covered call strategy was also provided.

The Investment Committee discussed a recommendation by staff and NEPC to convert SCERS's investment in the PIMCO RAE Global Fund from a commingled account to a separately managed account. This change would allow SCERS to reduce fees and direct proxy voting.

Staff and NEPC also presented a cost effectiveness and fee analysis that included information from a cost survey in which SCERS participated. SCERS's costs are in line with the median survey respondent and lower than other NEPC clients. SCERS anticipates modest fee increases in the coming years as the allocation to alternative investments increases.

The quarterly performance report for the period that ended September 30, 2018 was presented. For the one-year period ending September 30, 2018, performance was 6.4% compared to 6.9% for the policy index.

Motion: Upon motion by Robert Harvey, Jr., seconded by Lou Walter, the of Administration accepted the Investment Committee's recommendation to convert its investment in the PIMCO RAE Global Fund to a separately managed account, pending satisfactory legal review. The motion passed unanimously (5-0).

Executive Director Report

Jeff Davis presented the final version of the strategic plan. The Administrative Committee will be the working committee for the strategic plan.

There was discussion on the types of education that would address Goal #4 (High-performing Board). Members of the board would like to see a more formal education plan in place by the end of first quarter with each board member committing to one education piece annually.

Motion: Upon motion by Robert Harvey, Jr., seconded by Lou Walter, the Board of Administration accepted the strategic plan draft as presented. The motion passed unanimously (5-0).

Paige Alderete provided an update on the Pension Administration System (PAS) implementation. Staff has done an incredible job and there has been a huge effort to clean up data and get it from paper to electronic format.

Once the PAS is stabilized, staff anticipate having quicker turnaround times for requests which will allow staff more time to proactively communicate with members.

The member portal will go live fourth quarter of 2019. That will have an impact on both active and retired members. There will be more transparency on their data, it will give them the ability to do their own projections and calculations to some degree.

Currently, data is pulled from five different systems and manually put together which is a huge process. The new system will take the member information and put it in one system so that we can have a complete record of the member in one system. It will also be a mostly automated system for calculations.

Lou Walter announced that he passed the NCPERS Fiduciary Accreditation. Mr. Walter and Sherri Crawford both recommend this coursework for all board members.

Adjourn Meeting

Motion: Upon motion by Lou Walter, seconded by Robert Harvey, Jr., the Board of Administration voted to adjourn the meeting at 10:37 a.m. The motion passed unanimously (5-0).