



Seattle City Employees' Retirement System

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

Minutes, Thursday, July 11, 2024

Board Members Present: Dan Strauss (Chair), Judith Blinder, Maria Coe, Joseph Hoffman, Sherri Crawford, Jamie Carnell, Kimberly Loving

SCERS Staff Present: Jeff Davis, Paige Alderete, Jason Malinowski, Nina Melencio, Mark Schimizzate, Leola Ross

Others Present: Mike Monaco (MMPL), Joe Levan (City Attorney's Office), Brittany Smith (CliftonLarsonAllen), Joe Ebisa (With Intelligence), Elizabeth Paschke (ARSCE), Andrew Robinson (FAS)

Call to Order

Dan Strauss, Chair, called the meeting to order at 10:00 am.

Public Comment

There was no public comment.

Administrative Consent Agenda

Provided in the Retirement Board Packet were the minutes from the June 13, 2024 Retirement Board regular meeting, ratification of Retired Payroll, Office Payroll, and other payments and withdrawals.

The following items represent normal expenses:	
Pension Payroll	\$23,326,343.20
Office Payroll*	\$445,573.04
Admin Expenses	\$173,981.92
Investment Expenses	\$2,111,703.86
Total Expenses – June 2024	\$26,057,602.02

**Includes estimated benefit costs*

Retirements, Withdrawals, Other Payouts – June 2024			
	Count	Monthly Pension	Lump Sum Distribution
Retirements	27	\$95,756.46	\$1,578,442.19
Withdrawals	31	n/a	\$731,356.51

Motion: Upon motion by Dan Strauss, seconded by Jamie Carnell, the Board of Administration accepted and approved the Administrative Consent Agenda. The motion passed unanimously (7-0).

Final Audit Report – Staff and CliftonLarsonAllen

Brittany Smith of CliftonLarsonAllen (CLA) presented SCERS’s 2023 Final Audit Report for the year ending December 31, 2023. Ms. Alderete thanked Brittany, the CLA team, and the SCERS teams for another smooth audit. This year there were changes to audit standard that added additional audit requirements around Information Technology (IT).

SCERS received an unmodified opinion in its audit, which is the best opinion you can get on financial statements. There were also no material audit adjustments, significant deficiencies, or material weaknesses.

Mr. Strauss asked when the last time there was a deficiency and what it was. Ms. Smith responded that the most recent deficiency was in 2020 and it was related to alternative investments. The valuations of alternative investments are available several months after year-end, so SCERS had historically incorporated their September 30th valuations in the year-end financial statements to meet the City’s timing requirements. The difference between the September 30th and final December 31st valuations had not been material to SCERS’s financials in the past, but it did end up being material in 2020 and required a late journal entry. Afterwards, SCERS developed a process to prevent this issue in the future.

Also, prior to the implementation of the Pension Administration System (PAS), there were a number of findings on manual processes and calculations. Mr. Davis added that CLA has been auditing SCERS for a while and has been able to see the progression from before PAS and after it was implemented.

Ms. Smith stated that it has taken a lot of effort on SCERS to get to this point. There have been many improvement recommendations in the management letter that have been addressed by SCERS over the years. Several were closed this year. There was only one improvement recommendation this year and it was related to an incorrect projection calculation by the actuary for a handful of members. It was immaterial to SCERS’s financials, but it will also be reported in CLA’s annual audit of the GASB 67/68 audit on the prior year’s census data.

Ms. Blinder asked what changes they could expect to see in the upcoming years. Ms. Smith replied that the biggest impact will be the implementation of the City’s Workday timekeeping system. CLA has been working with SCERS, providing suggestions on how to prevent potential problems.

Ms. Alderete stated that SCERS has been working closely with the Workday team. They have gotten to a place where SCERS’s “no go” issues have been addressed, although there will be many workarounds at go-live Ms. Carnell added that SCERS is a top priority integration, and she appreciates the partnership between SCERS and the City. Mr. Strauss stated that all big system implementations have problems, and it won’t be perfect at go-live.

Mr. Strauss congratulated SCERS on a job well done for the 2023 audit.

Motion: Upon motion by Dan Strauss, seconded by Sherri Crawford, the Board of Administration accepted the 2023 Year-End Audited Financial Statements as presented by Seattle City Employees' Retirement System Staff and CliftonLarsonAllen, LLP. The motion passed unanimously (7-0).

Credited Interest

Jeff Davis presented on Credited 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 bond. The credited interest rate is 5.75% for all employee contributions made before 2012. The 2025 credited interest rate is 4.39% up from 3.62% the previous year.

Ms. Carnell asked if there was a downside of the credited interest rate being higher or lower. Mr. Davis responded that it has minimal impact on a member's retirement benefit and slightly more of an impact on members who withdrawal their contributions.

Mr. Strauss stated that he needs more information and abstained from the vote. He asked to see more historical data and documentation in the future.

Motion: Upon motion by Dan Strauss, seconded by Joseph Hoffman, the Board of Administration set the 2025 credited interest rate on all employee contributions into the pension after December 31, 2011 at 4.39%. The motion passed 6-0-1 with Mr. Strauss abstaining.

Investment Committee Report – June 27, 2024

Jason Malinowski reported on the June 27, 2024 Investment Committee meeting.

NEPC reviewed the first quarter performance report. For the one-year period ending March 31, 2024, the fund returned 11.3% net of fees.

Staff presented the annual deep dive on the Real Estate asset class and NEPC provided the market review. Staff presented an educational review on real estate secondaries that coincided with a manager recommendation. Ms. Carnell and Mr. Strauss expressed appreciation for the deep dive. Ms. Coe added that the deep dive helps the Board make informed decisions.

Staff recommended to the Investment Committee a commitment of up to \$20 million to Brookfield Real Estate Secondaries LP, a global diversified real estate secondaries fund. The Investment Committee accepted the recommendation.

Motion: Upon motion by Dan Strauss, seconded by Sherri Crawford, the Board of Administration accepted the Investment Committee's recommendation to commit up to \$20 million to Brookfield Real Estate Secondaries LP, pending satisfactory legal review. The motion passed unanimously (7-0).

Administrative Committee Report – June 27, 2024

Paige Alderete reported on the June 27, 2024 Administrative Committee meeting.

In July, the City issued retroactive payments for all employed between 2023 and mid-2024. The incoming work from these retros will be a significant for the SCERS Members Services Team. There are approximately 300

members who retired in 2023 and 2024 who will need their benefit reviewed and potentially recalculated to account for these retroactive payments.

Claire Foster, SCERS's IT Business & Applications Manager presented the results of a department-wide security and risk assessment conducted by an outside third party, Linea Secure. SCERS received a "cyberscore" of 621, which reflects the solid controls and procedures SCERS has in place and is the highest first round score of all public funds that Linea Secure has assessed.

There is always room for improvement, including:

- Comprehensive set of policies and plans due to different vendors
- Fleshing out SCERS specific incident response plan
- Consolidating supply chain risks and management practices; working with Vitech about their vulnerability program

SCERS will prioritize the incident response and disaster recovery plan and will begin doing more periodic cyber assessment of existing vendors.

Ms. Blinder gave kudos to staff for doing such good work and receiving a high score for a first-time assessment. Mr. Davis noted that there are no requirements to do a security assessment, but this reflects the dedication of the SCERS team to be proactive when it comes to security.

Executive Director Update

Mr. Davis reviewed upcoming agenda items. The July Investment Committee meeting includes an Infrastructure Deep Dive and, tentatively, a deep dive on Private Equity. For the July Administrative Committee, there will be a Q2 2024 operations update and a review on the Pension Administration System future planning. The August Board of Administration meeting will include the 2023 SCERS Annual Report.

Good of the Order

There were no items for the Good of the Order.

Adjourn Meeting

Motion: Upon motion by Dan Strauss, seconded by Judith Blinder, the Board of Administration voted to adjourn the meeting at 10:54 am. The motion passed unanimously (7-0).