

# 2018 ANNUAL REPORT TO MEMBERS



Dear Valued Member:

I am pleased to present the 2018 Annual Report of the Seattle City Employees' Retirement System (SCERS). This is SCERS' first Annual Report specifically prepared for its members and the report provides a summary of SCERS' financial health, investment performance, and key accomplishments throughout the year. It includes a snapshot of the detailed information contained in the Annual Financial Audit Report and Actuarial Valuation, both of which can be found on SCERS' website, [www.seattle.gov/retirement](http://www.seattle.gov/retirement).

The retirement security earned after a public service career with the City of Seattle is an important benefit provided to our members, and correspondingly SCERS is tending to the retirement fund with the upmost diligence and care. At the close of 2018, SCERS was managing over \$2.7 billion in investments, which will continue to provide the foundation for your hard-earned retirement. Our pension asset allocation is designed to meet long-term obligations and protect your benefits. In July 2018, the SCERS Board voted to lower our investment return assumption to 7.25%.

Over the last several years, SCERS has been working to consolidate multiple City systems and tools into one central pension administration system that will allow us to better serve you. In January 2019, we went live with that system. We are now working on rolling out a Member Service Portal which will include a benefit estimator tool. The pilot for the portal will take place later this year.

Thank you for your hard work with the City, and SCERS looks forward to continuing to serve you.

Sincerely,

Jeffrey S. Davis  
Executive Director

# Introduction

## About SCERS

SCERS provides retirement benefits to non-uniformed, City of Seattle employees and serves more than 18,000 members.

## SCERS Mission

Fulfill the promise made to our members by delivering the retirement benefits they have earned.



## Values

**Excellence:** We strive to produce the best outcomes for our members while fostering the human resources and the quality of the processes we need to reach these outcomes.

**Stewardship:** We safeguard the information and resources entrusted to us by our members and also care for and cultivate our team to best meet our commitments.

**Integrity:** We bring the highest level of transparency, respect, fairness, and equity to all our interactions with our member, stakeholders, and ourselves.

**Accountability:** We own our commitments, and we take responsibility for the personal growth necessary to continue to meet these commitments.

**Service:** We dedicate ourselves to meeting the needs of and creating the best experience for our members in their interactions with the Retirement System. We are considerate and understanding of our members and of each other.

**Cooperation:** We prioritize the sharing of information and resources to create a stronger team and become a more effective service provider.

**Trust:** We cultivate trust at every level of the organization in order to uphold our integrity, to create a safe environment for risk and innovation, and to bring out the best in each other.

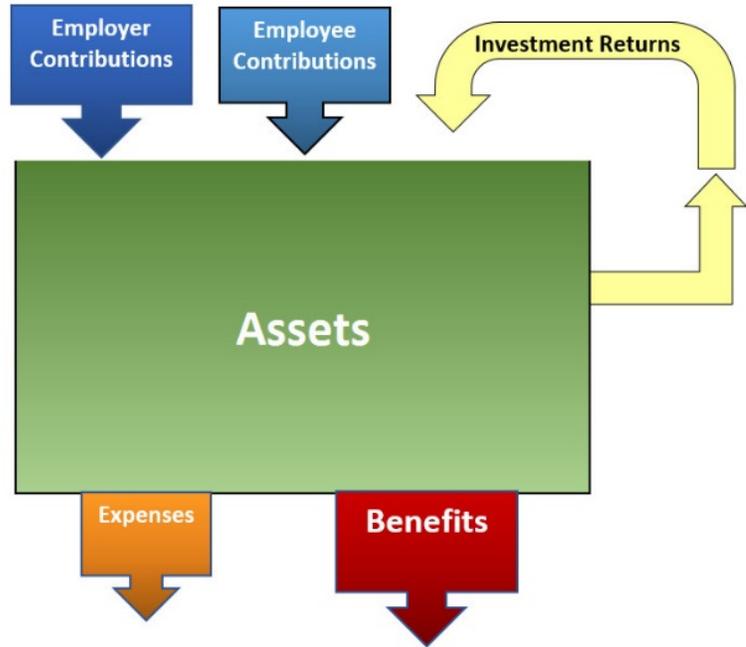
## The benefits you have earned

SCERS members are part of a **defined benefit pension plan**, meaning that your benefit will be delivered as promised; retirees do not bear the risk of outliving their retirement benefits or that investment performance will reduce their retirement income.

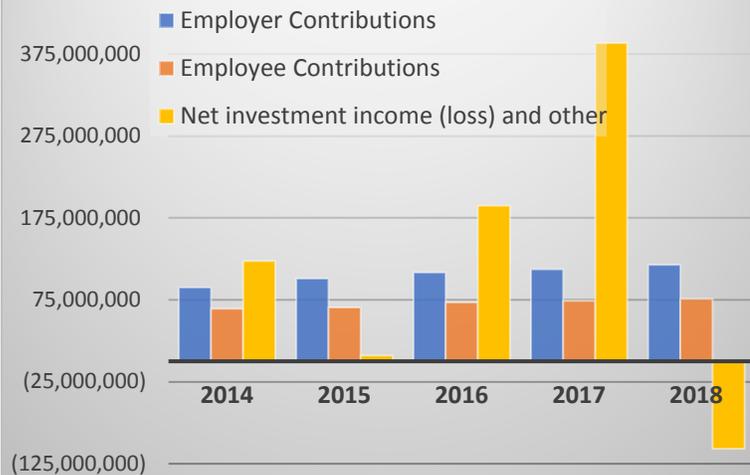
# Plan Overview

**Did you ever wonder where the money comes from to pay retirees?**

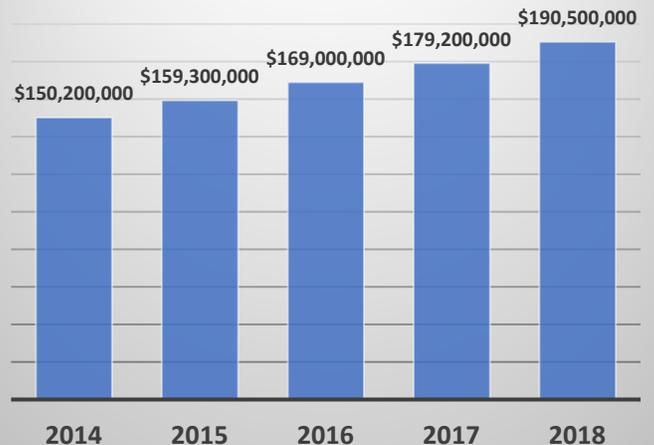
The City and members make contributions every paycheck and these funds are invested so they can grow and be paid out to you when you retire.



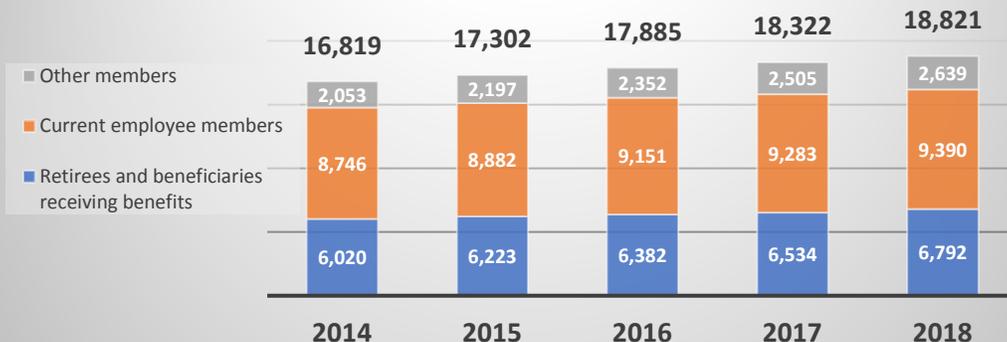
## Funding Sources



## Retiree Benefits Paid



## Plan Membership



**During 2018, SCERS had more members than ever before and provided more than \$190 million in benefits to retirees!**

# Investment Overview

SCERS staff, consultants, and investment managers closely monitor and manage investments to help them grow and provide ongoing benefits for members.



At the end of 2018, SCERS investments totaled over \$2.7 billion

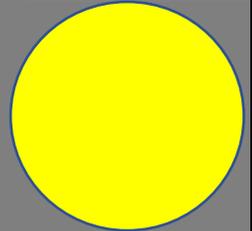
Over the last 5 years, SCERS investments have performed similar to the policy index that reflects the target strategic allocation.

## Where Retirement Funds Were Invested

### Equity • 60%

Ownership stakes in companies that are listed on a public stock exchange or privately owned.

- Public Equity - 52%
- Private Equity - 8%



### Fixed Income • 25%

Debt investments where the borrower may be governments, companies or other parties.

- Core Fixed Income - 18%
- Credit Fixed Income - 7%



### Real Assets • 13%

Tangible investments that produce inputs into the economy.

- Real Estate 12%
- Infrastructure 1%



### Diversifying Strategies • 2%

Investment strategies that seek to be uncorrelated to other asset classes.



## Fund Performance Summary

	Net of Fees				Gross of Fees		
	1 year (%)	3 years (%)	5 years (%)	10 years (%)	15 years (%)	20 years (%)	30 years (%)
Total Fund	-3.7	6.5	5.0	7.4	5.6	5.1	7.3
Total Fund Policy Index	-3.6	6.3	5.0	8.0	6.0	5.4	7.4

# Financial Snapshot

Seattle City Employees' Retirement System

## Fiduciary Net Position

December 31, 2018

### Assets:

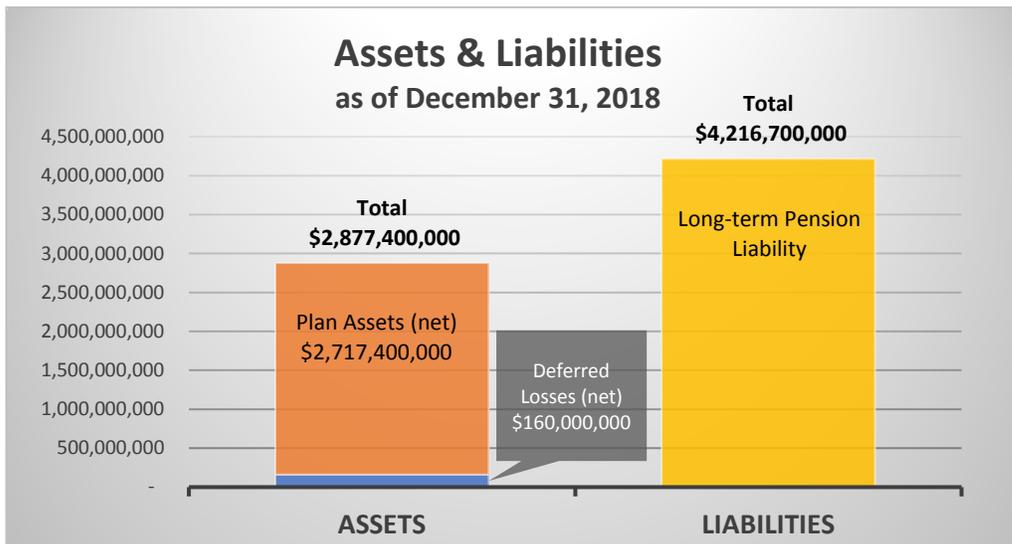
Cash and cash equivalents and receivables	\$ 155,873,550
Investments at fair value	2,755,618,644
Securities Lending Collateral	4,834,509
<b>Total Assets</b>	<b>2,916,326,703</b>

### Liabilities:

Securities lending payable	4,820,034
Other payables	194,069,851
<b>Total Liabilities</b>	<b>198,889,885</b>

**Total fiduciary net position** \$ 2,717,436,818

Fiduciary Net Position can tell you the strength of our system at a point in time. Assets that we have today are used to fund current and future liabilities.



The unfunded liability is the difference between long-term liabilities and current assets. Every year the City makes contributions to ensure this liability will be met.

Seattle City Employees' Retirement System

## Changes in Fiduciary Net Position

December 31, 2018

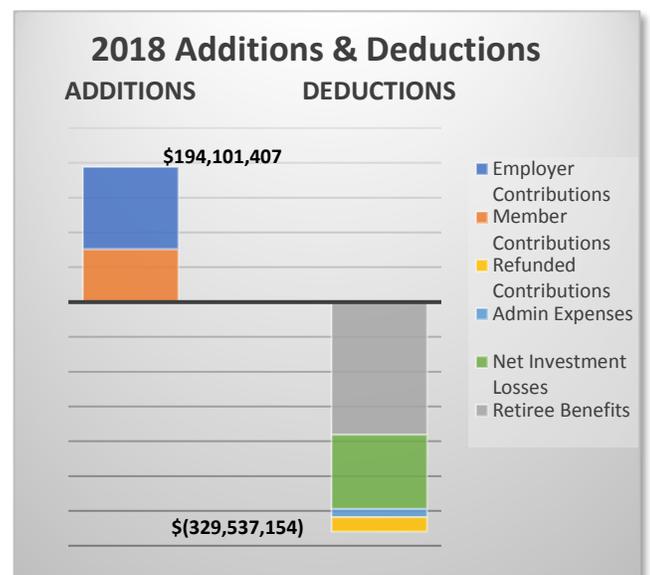
### Additions:

Employer contributions	\$ 117,816,201
Member contributions	76,285,206
Net investment income (loss) and other income	(106,569,274)
<b>Total additions</b>	<b>87,532,133</b>

### Deductions:

Retiree benefits	190,475,464
Refunds of contributions	20,287,842
Administrative expenses	12,204,574
<b>Total deductions</b>	<b>222,967,880</b>

**Net increase (decrease)** \$ (135,435,747)

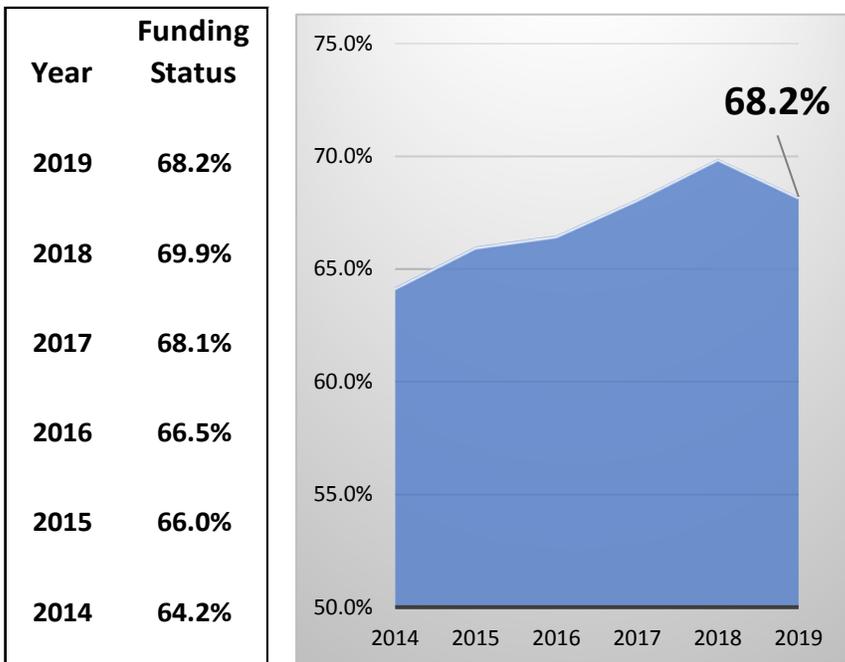


# Funding Status



## Funding Status

From 2014 through 2018, the funding status was steadily increasing. The current 2019 funding status decreased slightly due to new assumptions adopted from the Experience Study and a low year of investment returns.



## Staying on target

SCERS plans to be fully-funded by 2042

This is achieved by:

- A carefully planned and executed investment program
- Conducting an Experience Study that evaluates and adjusts economic & demographic assumptions every 4 years to ensure projections are realistic
- Annually adjusting the City's required contribution to ensure the long term liability will be met
- The City's commitment to always meet the annually required contribution (Council Resolution No 31474)
- In 2017, the City implemented a 2<sup>nd</sup> tier to the plan (SCERS 2)



# 2018 Accomplishments

**2018 was a busy year for SCERS and we are happy to report the following accomplishments:**

1. Implemented a pension administration system  
Implemented a pension administration system and converted over 30 years of historical data. This system will streamline processes related to your pension benefits by increasing automation and consistency, keeping reliable, accurate data, increasing reporting and monitoring capabilities, and allowing SCERS to take a more proactive approach in providing service and communications with members. As part of the system implementation, SCERS also cleaned up more than 100,000 records as part of data conversion efforts.
2. Served thousands of members
  - Conducted formal retirement appointments, retired 380 members, and handled associated email, telephone and in-person consultations and other communications.
  - Added over 700 new members to the plan.
  - Processed over 1,300 retirement benefit estimates, eliminating the prior backlog.
  - Processed over 100 buy-back calculations, reducing the backlog by two-thirds.
  - Conducted 18 retirement planning seminars for members.
  - Provided retirement education as part of the City's monthly New Employee Orientation.
  - Processed thousands of member updates, as well as, death and disability benefits and employee benefit related court orders.
  - Transitioned all SCERS retirees to direct deposit, a more secure and timely payment method.
3. Updated its economic and demographic assumptions  
SCERS approved a revised set of economic and demographic assumptions as part of the experience study process that the actuary undertakes every four years. The investment return assumption was reduced from 7.5% to 7.25%, reflecting that capital market return expectations have fallen over the last several years. New assumptions will go into effect on January 1, 2020 and will result in a modestly lower funding ratio and higher City contribution.
4. Progressed with its positive action strategy  
SCERS continued to make progress with its positive action strategy regarding Environmental, Social and Governance (ESG) issues that includes investment shareholder advocacy, integrating climate change risk into SCERS's investment process and considering sustainability investments.

# Calculating Your Benefit

Every member's vision of retirement is unique.  
The defined benefits provided by SCERS 1 and SCERS 2  
can help you plan for your future

Both plans provide benefits based on years of service and retirement age that can be estimated by you for use in initial planning. SCERS 1, additionally, provides you with the greater of the service/age calculation or two-times match of your Accumulated Contributions with Interest.

For a formal estimate contact SCERS



## SCERS Plan 1 (You are a SCERS Plan 1 member if you have membership eligibility before January 1, 2017)

### How to use this chart:

1. Find your estimated years of service at retirement on the left and the age when you plan to retire along the top
2. Multiply the number where the selected column and row intersect by your years of service. The result is stated as a percentage.
3. Multiply the percentage calculated above by the highest salary you received consecutively over 52 pay periods (roughly two years)

Years of Service	Retirement Age													
	52	53	54	55	56	57	58	59	60	61	62	63	64	65
28 plus	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
27	1.90	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
26	1.80	1.90	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
25	1.70	1.80	1.90	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
24	1.60	1.70	1.80	1.90	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
23	1.50	1.60	1.70	1.80	1.90	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
22	1.40	1.50	1.60	1.70	1.80	1.90	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
21	1.30	1.40	1.50	1.60	1.70	1.80	1.90	2.00	2.00	2.00	2.00	2.00	2.00	2.00
20	1.20	1.30	1.40	1.50	1.60	1.70	1.80	1.90	2.00	2.00	2.00	2.00	2.00	2.00
10-19						1.52	1.58	1.64	1.70	1.76	1.82	1.88	1.94	2.00
5-9											1.82	1.88	1.94	2.00

**Example:** The chart shows that at age fifty-eight with twenty-five years of creditable service, your factor would be two. Your years of service, twenty-five, multiplied by your factor, two, equals 50 percent. Then, multiply 50 percent by your monthly compensation (let's say it's \$2,000), and the rough estimate of your SCERS Plan 1 monthly benefit at age fifty-eight would be \$1,000.



# Calculating Your Benefit

**SCERS Plan 2** (You are generally a SCERS Plan 2 member if you were hired on or after January 1, 2017)

## How to use this chart:

1. Find your estimated years of service at retirement on the left and the age when you plan to retire along the top
2. Multiply the number where the selected column and row intersect by your years of service. The result is stated as a percentage.
3. Multiply the percentage calculated above by the highest salary you received over 130 pay periods (roughly five years)

Years of Service	Retirement Age										
	55	56	57	58	59	60	61	62	63	64	65
30 plus	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
29	1.68	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
28	1.61	1.68	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
27	1.54	1.61	1.68	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
26	1.47	1.54	1.61	1.68	1.75	1.75	1.75	1.75	1.75	1.75	1.75
25	1.40	1.47	1.54	1.61	1.68	1.75	1.75	1.75	1.75	1.75	1.75
24	1.33	1.40	1.47	1.54	1.61	1.68	1.75	1.75	1.75	1.75	1.75
23	1.26	1.33	1.40	1.47	1.54	1.61	1.68	1.75	1.75	1.75	1.75
22	1.19	1.26	1.33	1.40	1.47	1.54	1.61	1.68	1.75	1.75	1.75
21	1.12	1.19	1.26	1.33	1.40	1.47	1.54	1.61	1.68	1.75	1.75
20	1.05	1.12	1.19	1.26	1.33	1.40	1.47	1.54	1.61	1.68	1.75
19			1.12	1.19	1.26	1.33	1.40	1.47	1.54	1.61	1.75
18			1.05	1.12	1.19	1.26	1.33	1.40	1.47	1.61	1.75
17			0.98	1.05	1.12	1.19	1.26	1.33	1.47	1.61	1.75
16			0.91	0.98	1.05	1.12	1.19	1.33	1.47	1.61	1.75
15			0.84	0.91	0.98	1.05	1.19	1.33	1.47	1.61	1.75
14			0.77	0.84	0.91	1.05	1.19	1.33	1.47	1.61	1.75
13			0.70	0.77	0.91	1.05	1.19	1.33	1.47	1.61	1.75
10-12			0.63	0.77	0.91	1.05	1.19	1.33	1.47	1.61	1.75
5-9						1.05	1.19	1.33	1.47	1.61	1.75

**Example:** The chart shows that at age fifty-eight with twenty-five years of creditable service, your factor would be 1.61. Your years of service, twenty-five, multiplied by your factor, 1.61, equals 40.25 percent. Then, multiply 40.25 percent by your final compensation (let's say it's \$2,000), and the rough estimate of your SCERS Plan 2 monthly benefit at age fifty-eight would be \$805.



# Meet Your Board

## Sally Bagshaw

Board of Administration Chair  
**Seattle City Council Finance &  
Neighborhoods Committee Chair**

## Bobby Humes

Board of Administration Secretary  
**Seattle Department of Human  
Resources Director**

## Glen Lee

Board of Administration Treasurer  
**City of Seattle Finance Director**

## Robert Harvey, Jr.

Board Appointee  
**Term: July 1, 2017 - June 30, 2020**

## Jaya Bajpai

Elected Active Member  
**Term: July 1, 2019 - June 30, 2022**

## Lou Walter

Elected Retiree Member  
**Term: July 1, 2017 - June 30, 2020**

## Sherri Crawford

Elected Active Member  
**Term: July 1, 2018 - June 30, 2021**

## Want to Know More?



Visit us on the web at [www.seattle.gov/retirement](http://www.seattle.gov/retirement) for information on calculating your benefit, frequently asked questions, the latest SCERS news, financial information, registration for upcoming seminars, board information and all things SCERS!



### Write

Seattle City Employees'  
Retirement System  
720 Third Avenue, Suite 900  
Seattle, WA 98104



### e-mail

[retirecity@seattle.gov](mailto:retirecity@seattle.gov)



### Call

(206) 386-1293



### Fax

(206) 386-1506



### Visit

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Seattle, WA 98104