



Seattle City Employees' Retirement System

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

Minutes, Thursday, January 10, 2019

- Board Members Present:** Sally Bagshaw (Chair), Robert Harvey, Jr., Glen Lee, Sherri Crawford, Susan McNab, Jean Becker (via conference call), Lou Walter (via conference call)
- SCERS Staff Present:** Jeff Davis, Paige Alderete, Tony Smith, Jill Johnson, Nina Melencio
- Others Present:** Mike Monaco (MMPL), Jeff Slayton (City Attorney's Office), John Masterjohn (ARSCE)

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 December 13, 2018 Retirement Board regular meeting.

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

Service	\$16,671,299.00
Beneficiary	1,086,756.00
Disability	71,950.00
Death Benefit	<u>24,000.00</u>
Pension Payroll – PPE December 2018	\$17,854,005.00
Office Payroll – PPE December 11 and 25, 2018	\$ 327,825.00*
Vouchers Processed – December 2018	
• Expert and Consultant Services	\$ 164,989.00
• Investment Management Fees	1,042,085.00
• Interdepartmental Charges	175,254.00
• Miscellaneous	11,815.00

**includes estimated benefit costs*

Please note that the information above is subject to additional entries due to City year-end processing calendar which allows 2018 entries through 2/8/2019.

Immediate Withdrawals for the Month of December 2018:

Department Name	Total Number of Employees	Total Gross
Beneficiary – Active Death	1	\$80,802.13
City Light	3	\$13,771.04
FAS	1	\$1,207.46
Fire	1	\$9,930.42
Human Resources	1	\$18,914.82
Human Services	2	\$63,859.12
Law	2	\$121,723.19
Legislative Dept	1	\$7,230.00
Muni Court	1	\$80,929.53
Parks & Rec	1	\$238.15
Police	3	\$83,153.56
Seattle Center	2	\$15,494.93
Seattle IT	1	\$57,103.75
Seattle Public Utilities	4	\$114,557.48
Transportation	2	\$31,580.80
Totals	26	\$700,496.38

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	1	4	\$33,532.65	\$222,439.34
FAS	1	1	1	\$7,273.30	0
Fire	1	0	0	\$5,374.23	0
Muni Court	2	1	1	\$6,060.67	0
Parks	2	1	2	\$9,652.78	0
Planning	1	0	1	\$2,921.25	0
Police	1	0	0	\$973.12	0
Seattle Public Utilities	3	1	2	\$8,860.14	\$312,046.78
Vested	8	0	6	\$13,840.94	0
Totals	27	5	17	\$88,489.08	\$534,486.12

For the month of December 2018: 10 new Members entered the System, 15 terminations, 27 Members retired in the System, 26 Members removed (\$35,504.36), 9 D/E Option, and 2 F Option.

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

Board Training – Fiduciary Responsibility and Personal Liability/City’s Ethics Code

Mike Monaco of MMPL presented on “Fiduciary Responsibility and Personal Liability” and Jeff Slayton of the City Attorney’s Office presented on the City’s Ethics Code.

(9:03 a.m. – Sherri Crawford arrived at the meeting)

SCERS’s assets are held in trust and subject to fiduciary responsibility. Fiduciary responsibility comes from state law and the Seattle Municipal Code (SMC). There are two key duties for fiduciaries:

1. Duty of prudence; and
2. Duty of loyalty

The duty of prudence regarding plan investments follows the “modern portfolio” or “prudent investor” rule. Prudence is about process rather than results.

The duty of loyalty requires a fiduciary to act solely on behalf of the retirement system and not bring in other motivations of the reasons to make decisions.

Previously, each investment decision needed to be prudent on its own. The update is that it is the collection of investment decisions that is expected. You counter balance the risk within investments which gives you more flexibility than pension funds used to have and more opportunity for return. The fiduciaries responsibility is not to be passive with investment advisors. The laws say it a fiduciary’s duty to question.

The substantive analysis that the Board is receiving from staff and NEPC is where the Board is clearly satisfying fiduciary responsibility on these decisions.

There was discussion on the San Francisco’s board’s decision to divest and fiduciary responsibility. Mr. Monaco said the idea of taking part of any market and slicing it off, even a small part, is reducing the field of permissible investments which limits the opportunity set and tends to produce an expected result that is riskier or lower return or both. That can’t be done and also meet fiduciary responsibility. The opportunities and choices need to be there. There are “collateral benefits” when ESG is taken into consideration on a decision point to invest. It must be based on the fund’s risk return projection. It has to be as good or better than the non-ESG alternative (tie-breaker rule).

The SCERS Board has been doing great job with their fiduciary responsibility. The Board has the best in class type of system to handle fiduciary responsibility. The independent investment consultant, NEPC, has compensation devoid of incentives and is also nationally recognized. There is an additional layer of in-house investment staff who are well-qualified. SCERS also insists that managers take fiduciary responsibility on their behalf. There is also the Investment Advisory Committee who gives advice. Provided the Board listens to what they are saying, risk can be avoided.

The duty of loyalty is an overlap with the City’s Ethics Code according to Mr. Slayton. The Board is supposed to make decisions based on what is best for members. For the Ethics Code, employees must make decisions on what is best for the City of Seattle.

Ex-officio members of the board have fiduciary responsibility under the SMC. They need to primarily follow the fiduciary responsibility requirements. Mr. Walter added that the ex-officio members have a loyalty to the system. The pension and the City can co-exist, but the primary duty is to the system.

Executive Director Report

Jeff Davis stated that the portfolio is down approximately 4% for 2018; the previous year SCERS was up 16%. December was not a positive month for investments.

As of January 9, 2019, SCERS is live with the new Pension Administration System. It was a huge project and the team did a great job.

Closed deliberations on Disability Retirement

The Board entered into closed deliberations to discuss applications for disability retirement at 10:22 a.m. for approximately 30 minutes. The deliberation ended at 10:37 a.m.

Motion: Upon motion by Robert Harvey, Jr., seconded by Sherri Crawford, the Board of Administration denied the retirement disability application of May Huang in accordance with the determination of the independent medical examination. The motion passed unanimously (7-0).

Motion: Upon motion by Robert Harvey, Jr., seconded by Jean Becker, the Board of Administration deemed the retirement disability application of Raynard Gross to be withdrawn based on the applicant's failure to comply with the procedures or deadlines necessary for the processing of the application. The motion passed unanimously (7-0).

Adjourn Meeting – 10:39 a.m.

Motion: Upon motion by Susan McNab, seconded by Sherri Crawford, the Board of Administration voted to adjourn the meeting at 10:39 a.m. The motion passed unanimously (7-0).



Seattle City Employees' Retirement System

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

Minutes, Thursday, February 14, 2019

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

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

Others Present: Mike Monaco (MMPL), Don Stracke (NEPC), John Masterjohn (ARSCE)

Call to Order

Sally Bagshaw, Chair, called the meeting to order at 9:01 a.m. and welcomed Bobby Humes, acting Seattle Department of Human Resources Director, to the Board of Administration.

Public Comment

There was no public comment.

Administrative Consent Agenda

Provided in the Retirement Board Packet were the minutes from the January 10, 2019 Retirement Board regular meeting.

Motion: Upon motion by Jean Becker, seconded by Robert Harvey, Jr., the Board of Administration accepted and approved the Administrative Consent Agenda. The motion passed unanimously (7-0).

SCERS 2018 Progress Report

Paige Alderete and Jason Malinowski presented SCERS 2018 Progress Report based on the 2018 adopted goals.

2018 Adopted Goals:

1. Delivering 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.

There was discussion on the progress made toward each goal which included transitioning SCERS retirees to direct deposit, completing the fourth and final phase of the Pension Administration System (PAS) implementation, progress towards its positive action strategy regarding Environmental, Social, and Governance (ESG) issues, development of an investment risk framework, and development of a 5-year Strategic Plan.

The 2019 Progress Report will be based on the new 5-year Strategic Plan goals:

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 benefits and services.

Investment Consultant Presentation

Don Stracke, of NEPC, provided a firm overview for the benefit of newer Board members. NEPC has \$1 trillion in assets under advisement with 368 clients across multiple client types. NEPC is employee-owned with all of its revenue based on advisory consulting and discretionary investment services.

Mr. Stracke reviewed the quarterly performance report through December 31, 2018. SCERS returned -3.7% net-of-fees for 2018 as compared to -3.6% for the policy index and -4.0% for the median public pension fund. SCERS has performed in-line with the policy index and outperformed peers for the last three, five and seven years. This is an improvement from the ten-year period, where SCERS materially underperformed the policy index and median public pension fund.

Investment Committee Report – January 24, 2019

Jason Malinowski recapped the Investment Committee discussion on Senate Bill 5240 that would allow Seattle, Tacoma and Spokane to irrevocably outsource the investment management of their retirement system assets to the Washington State Investment Board (WSIB). In the bill, the decision to outsource sits solely with each city council, although they may delegate such decision to the retirement system board. Mr. Malinowski summarized the policy analysis that had been conducted on the bill. SCERS and WSIB have substantially similar costs and access to investment opportunities, which refutes the bill's stated basis. There would also be permanent negative ramifications if SCERS were to outsource its investments, which would include incurring significant transaction costs and forever separating the management of system assets from system liabilities.

Jeff Davis reiterated that SCERS is not supportive of the bill. SCERS's position remains that any decision to outsource must be jointly agreed upon by the city council, the system members, and the retirement system board.

Mr. Davis described a process put forth by Councilmember Bagshaw in the event that the bill passed the state legislature. If this occurred, the City would commission an independent analysis performed by a third-party consultant to evaluate whether outsourcing would be desirable and practical. SCERS staff would be involved in identifying the consultant and determining the scope of work. The consultant would provide their analysis to the SCERS Board for consideration. If the SCERS Board recommended moving forward with outsourcing, then the City Council would consider and vote on the recommendation. Board members discussed the process and deferred further discussion dependent on whether the bill passed the state legislature.

Mr. Malinowski presented the recommendation from the Investment Committee to recontract with NEPC LLC as SCERS's general investment consultant for an additional five-year period ending June 2024. NEPC has served as SCERS's general investment consultant since 2014. Mr. Malinowski reviewed the due diligence process that staff followed as well as the investment and operational factors that were evaluated.

Motion: Upon motion by Glen Lee, seconded by Robert Harvey, Jr., the Board of Administration accepted the Investment Committee's recommendation to recontract with NEPC, LLC to serve as the general investment consultant through June 2024, pending satisfactory legal review. The motion passed unanimously (7-0).

The Investment Review of 2018 and Preview of 2019 was deferred to the March Board meeting due to lack of time.

Administrative Committee Report – January 24, 2019

Jeff Davis stated that the Administrative Committee reviewed the Executive Director evaluation process for 2018 and reviewed a preliminary Board training schedule.

Executive Director Report

A trustee election will be held in May for the seat currently held by Jean Becker. The candidacy period will open on April 11, 2019 and close on April 25, 2019 with the election being held May 10-June 3, 2019.

(11:19 a.m. – Bobby Humes and Glen Lee left the meeting.)

Adjourn Meeting – 11:21 a.m.

Motion: Upon motion by Robert Harvey, Jr., seconded by Sally Bagshaw, the Board of Administration voted to adjourn the meeting at 11:21 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, March 14, 2019

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

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

Others Present: Mike Monaco (MMPL), George Emerson (FAS)

Call to Order

Sally Bagshaw, 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 February 14, 2019 Retirement Board regular meeting.

The following items represent normal expenses:

Service	\$15,966,193.00
Beneficiary	1,032,951.00
Disability	71,174.00
Death Benefit	0.00
Pension Payroll – PPE January 2019	<u>\$17,070,317.00</u>
Office Payroll – PPE January 8 and 22, 2019	\$ 325,893.00*
Vouchers Processed – January 2019	
• Expert and Consultant Services	\$ (400,149.00)**
• Investment Management Fees	(2,104,518.00)**
• Interdepartmental Charges	102,305.00
• Miscellaneous	<u>65,805.00</u>
	(2,336,557.00)

*includes estimated benefit costs

**Negative expenses were caused by the reversal of year-end accruals of \$2.5M. These will be paid in later months of 2019.

Service	\$17,140,297.00
Beneficiary	1,002,401.00
Disability	71,174.00
Death Benefit	<u>12,000.00</u>
Pension Payroll – PPE February 2019	\$18,225,871.00
Office Payroll – PPE February 5 and 19, 2019	\$ 380,298.00*
Vouchers Processed – February 2019	
• Expert and Consultant Services	\$ 1,214,879.00
• Investment Management Fees	637,792.00
• Interdepartmental Charges	284,683.00
• Miscellaneous	<u>80,876.00</u>
	2,218,230.00

Immediate Withdrawals for the Month of **January 2019**:

Department Name	Total Number of Employees	Total Gross
Arts and Culture	1	13,204.80
Seattle Center	1	1,113.27
Transportation	2	35,782.39
Totals	4	\$55,136.41

Immediate Withdrawals for the Month of **February 2019**:

Department Name	Total Number of Employees	Total Gross
City Light	1	\$9,744.10
Engineering	1	\$67,442.18
Human Resources	1	\$48,375.40
Parks & Rec	3	\$47,814.65
Police	1	\$6,704.39
Transportation	1	\$22,717.55
Totals	8	\$202,798.27

c. Ratification of Service Retirements

The following list represents the retirements that have been processed for the month of **January 2019**.

Department Name	Total # of Employees	Total over 60% Benefits	Total 2x Match	Total Monthly Pension Amount by Department	Gross Payout by Department
City Light	13	4	7	\$43,243.22	\$403,021.26
FAS	2	0	0	\$5,911.78	\$154,603.44

Human Resources	1	0	0	\$5,731.75	0
Human Services	1	0	1	\$37.01	0
Information Technology	2	1	2	\$7,732.43	0
Library	3	0	2	\$6,255.28	0
Muni Court	3	0	2	\$14,164.27	0
Neighborhoods	1	0	1	\$4,457.47	0
Parks	4	1	2	\$13,699.32	\$225,893.69
Planning	1	0	0	\$5,263.49	0
Police	1	0	0	\$994.64	\$137,488.58
Seattle Center	2	0	1	\$1,722.76	\$149,714.11
Seattle Public Utilities	5	1	2	\$19,435.24	\$118,127.49
Transportation	2	2	1	\$10,348.19	\$251,056.20
Totals	41	9	32	\$138,996.85	\$1,439,904.77

For the month of January 2019: 41 Members retired in the System, 7 Members removed (\$14,564.46), 0 D/E Option, and 4 F Option.

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 unanimously (6-0).

Jeff Davis gave an update on Senate Bill 5240 that would allow Seattle, Tacoma, and Spokane to irrevocably outsource the investment management of their retirement system assets to the Washington State Investment Board. SCERS did not seek the option available in the bill to outsource. The bill was not brought up for a vote before the passage deadline in its Senate committee, so it has effectively no chance of passing in this legislative session. When discussing the bill in January after its introduction, staff and a couple members of the Investment Advisory Committee (IAC) had shared their perspective with the Investment Committee. SCERS would benefit from hearing the perspective of the full IAC since a similar bill may be introduced in the future. Mr. Davis will work with members of the Board and IAC on this matter.

Investment Review of 2018 and Preview of 2019

(9:08 am – Sherri Crawford arrived at the meeting)

Jason Malinowski, Tony Smith, Jill Johnson, and George Emerson presented the Investment Review of 2018 and Preview of 2019. Mr. Malinowski reviewed key investment initiatives for the upcoming year, which includes

performing an updated asset-liability study and completing implementation of a more structured manager monitoring process. He also reviewed SCERS's investment beliefs in response to a question from CM Bagshaw.

Staff gave brief introductions to each asset class and reviewed activity in 2018 and plans for 2019. Ms. Johnson covered Public Equity where a key project is determining the optimal allocation between passive and style strategies in the developed markets large cap segment. She provided background on style strategies in response to a question from Lou Walter. Mr. Smith covered Private Equity where Adams Street Partners will continue making commitments on behalf of SCERS according to the established pacing plan. Mr. Emerson covered Fixed Income where a focus is continuing to evaluate private debt strategies to improve the asset class return potential. Mr. Malinowski covered Real Assets where additional commitments are expected to Infrastructure to meet the asset class target weight. He also covered Diversifying Strategies where staff will continue to review potential managers, including but not limited to alternative beta strategies.

Quarterly ESG Report

Mr. Malinowski and Ms. Johnson provided the quarterly ESG update for first quarter 2019. Ms. Johnson provided an overview of the positive action strategy, which includes shareholder advocacy, sustainability investments, and integrating climate risk into the investment process.

Staff have continued engagement with Southern Company and ExxonMobil. Recent meetings with Southern Company focused on setting tangible emissions reduction targets by 2030 and zero emissions by 2050. SCERS and Exxon shareholders sent a letter to the SEC to support climate-related shareholder resolutions that had been filed with the company. SCERS and lead filer Walden Asset Management also withdrew a shareholder resolution with JP Morgan related to trade association memberships and lobbying costs because the company agreed to satisfactory changes.

Mr. Malinowski provided an update on a renewable power investment that Global Infrastructure Partners had made in Clearway Energy, which was negatively impacted by the bankruptcy of PG&E. He also shared that Heitman and the Urban Land Institute co-published a research paper entitled "Climate Risk and Real Estate Investment Decision-Making." Heitman has begun incorporating a climate risk score in their underwriting of real estate acquisitions.

Ms. Johnson attended the Council of Institutional Investors' (CII) Spring conference in Washington, DC. She also presented SCERS's corporate governance priorities for 2019 as an invited panelist on the annual planning call hosted by CII with over 100 institutional investor participants.

Investment Committee Report – February 28, 2019

Mr. Malinowski reported that at the February 28, 2019 Investment Committee meeting NEPC gave their annual Investment Outlook and Capital Market Assumptions update. The Investment Advisory Committee members were in attendance and reported on the 2018 IAC Annual Report.

The Investment Committee approved a recommendation from staff and NEPC to commit up to \$25 million to Brookfield Infrastructure Fund IV, pending satisfactory legal review. SCERS is invested in the predecessor fund, Brookfield Infrastructure Fund III. There are no material changes with the strategy or with the investment team.

Motion: Upon motion by Sally Bagshaw, seconded by Glen Lee the Board of Administration accepted the Investment Committee's recommendation to commit up to \$25 million to Brookfield Infrastructure Fund IV, pending satisfactory legal review. The motion passed unanimously (7-0).

Administrative Committee report – February 28, 2019

Jeff Davis reported that at the February 28, 2019 Administrative Committee meeting, the members discussed board education which was one of the goals in the new strategic plan. The goal was embedded in the Board of Administration Charter.

Motion: Upon motion by Sally Bagshaw, seconded by Robert Harvey, Jr., the Board of Administration approved the revision to the Board of Administration Charter as presented.

The Board discussed each individual board member's education path. There would be a baseline expectation to keep knowledge current and to share knowledge obtained at training with other board members.

Executive Director Report

The candidacy period for the Trustee election will begin on April 11, 2019. On April 11th an announcement will be posted on the SCERS's website. Retirees will receive postcard notifications of the upcoming elections and active members will have notice of the election on their 2018 member statements. Three notices will be posted in the Daily Journal of Commerce.

Staff are working on stabilization of the new Pension Administration System by focusing on imports/exports. Work has begun on the member services portal which will go live later this year.

The end of project quality assurance meeting was conducted. The consultant gave good feedback to keep in mind for future projects. Overall, the project was a success from the consultant's point of view.

Adjourn Meeting

Motion: Upon motion by Glen Lee, seconded by Sally Bagshaw, the Board of Administration voted to adjourn the meeting at 11:03 a.m. The motion passed unanimously (7-0).



Seattle City Employees' Retirement System

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

Minutes, Thursday, April 11, 2019

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

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

Others Present: James Warren

Call to Order

Sally Bagshaw, 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 February 14, 2019 Retirement Board regular meeting.

The following items represent normal expenses:

The following items represent normal expenses:

Service	\$16,233,618.00
Beneficiary	1,373,143.00
Disability	69,238.00
Death Benefit	<u>16,000.00</u>
Pension Payroll – PPE March 2019	\$17,692,000.00
 Office Payroll – PPE March 5 and 19, 2019	 \$ 377,414.00*
 Vouchers Processed – March 2019	
• Expert and Consultant Services	\$ 27,985.00
• Investment Management Fees	1,056,074.00
• Interdepartmental Charges	207,232.00
• Miscellaneous	<u>90,055.00</u>
	\$ 1,381,346.00
 Total Expenses March 2019	 \$19,450,759.00

*includes estimated benefit costs

Immediate Withdrawals for the Month of **March 2019**:

Department Name	Total Number of Employees	Total Gross
City Light	1	\$56,149.76
Construction & Inspections	1	\$5,355.76
Human Resources	1	\$5,809.10
Information Technology	1	\$2,897.42
Library	1	\$16,790.09
Police	1	\$41,863.54
Public Utilities	1	\$3,196.07
Transportation	2	\$120,143.81
Totals	9	\$252,205.55

c. Ratification of Service Retirements

The following list represents the retirements that have been processed for the months of **February and March 2019**.

February 2019 Retirees

Department Name	Total # of Employees	Total over 60% Benefits	Total 2x Match	Total Monthly Pension Amount by Department	Gross Payout by Department
City Light	13	4	7	\$43,243.22	\$403,021.26
Construction/Inspections	1	0	1	\$1,515.88	0
FAS	2	0	0	\$5,911.78	\$154,603.44
Human Resources	1	0	0	\$5,731.75	0
Human Services	1	0	1	\$37.01	0
Information Technology	2	1	2	\$7,732.43	0
Library	3	0	2	\$6,255.28	0
Muni Court	3	1	2	\$14,164.27	0
Neighborhoods	1	0	1	\$4,457.47	0
Parks	4	2	2	\$13,699.32	\$225,893.69
Planning	1	0	0	\$5,263.49	0
Police	1	0	0	\$994.64	\$137,488.58

Public Utilities	5	1	2	\$19,435.24	\$118,127.49
Seattle Center	2	0	1	\$1,722.76	\$149,714.11
Transportation	2	2	1	\$10,348.19	\$251,056.20
Totals	42	11	22	\$140,512.73	\$1,439,904.77

For the month of February 2019: 42 Members retired in the System, 12 Members removed (\$21,300.19), 0 D/E Option, and 7 F Option.

March 2019 Retirees

Department Name	Total # of Employees	Total over 60% Benefits	Total 2x Match	Total Monthly Pension Amount by Department	Gross Payout by Department
City Light	11	7	6	\$59,513.85	0
Construction/Inspection	2	0	1	\$7,203.26	\$76,284.77
FAS	3	0	1	\$6,257.19	\$116,031.40
Human Services	2	0	2	\$4,821.38	0
Information Technology	6	1	2	\$28,575.74	0
Legislative Dept	1	0	0	\$5,221.12	0
Library	7	2	4	\$25,488.80	\$23,237.83
Neighborhoods	1	0	1	\$2,781.86	0
Parks	4	2	3	\$13,246.64	\$122,222.16
Police	2	0	1	\$5,438.33	0
Public Utilities	1	0	0	\$4,556.75	0
Seattle Center	1	1	0	\$3,873.22	0
Transportation	2	1	0	\$7,662.94	0
Vested	6	0	4	\$14,455.20	0
Totals	49	14	25	\$189,096.28	\$337,776.16

For the month of March 2019: 49 Members retired in the System, 10 Members removed (\$12,308.38), 1 D/E Option, and 5 F Option.

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

Investment Committee Report – March 28, 2019

(9:05 am – Sherri Crawford arrived at the meeting)

Jason Malinowski reported on the March 28, 2019 Investment Committee meeting.

Tony Smith and Bill Claxton, BNY Mellon, provided an update on the custodial review that began in September 2018. The custodial review is intended to improve the relationship and interactions between SCERS and BNY Mellon to create greater efficiency. It is progressing well with next steps including to establish service level descriptions, complete open items and hold monthly meetings.

Mr. Smith and Don Stracke, NEPC, presented the manager monitoring process with a focus on ongoing due diligence that SCERS and NEPC perform on existing managers.

Trustee Elections

(9:07 am – Bobby Humes arrived at the meeting)

The candidacy period for the 2019 Trustee Elections will be from April 11, 2019 through 5:00 p.m. on April 25, 2019.

Executive Director Report

Mr. Davis stated there were no updates for the Pension Administration System project and this would be removed as a standing agenda item. He indicated that at a future Board meeting Claire Foster, SCERS's Information Technology Manager would join the Board meeting to give an overall assessment of the PAS project. Sherri Crawford asked about information that was available to members about the PAS project and about their contributions. Mr. Davis replied that members can see their contribution information online as of the end of 2018. Current contribution, service credit, and much more information will be available to members when the member portal launches later this year. Ms. Alderete mentioned that SCERS would have more communication for members as the rollout of the member portal approaches. Sherri Crawford commented that this would present a good opportunity to update members on all the progress SCERS has made with implementing the PAS.

Adjourn Meeting

Motion: Upon motion by Sherri Crawford, seconded by Lou Walter, the Board of Administration voted to adjourn the meeting at 9:12 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, May 9, 2019

Board Members Present: Sally Bagshaw (Chair), Jean Becker, Robert Harvey, Jr., Glen Lee, Sherri Crawford, Bobby Humes

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

Others Present: Mike Monaco (MMPL)

Call to Order

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

Public Comment:

There was no public comment.

Administrative Consent Agenda

Provided in the Retirement Board Packet were the minutes from the April 11, 2019 Retirement Board regular meeting.

The following items represent normal expenses:

Service	\$16,460,404
Beneficiary	702,466
Disability	68,420
Death Benefit	<u>10,000</u>
Pension Payroll – PPE April 2019	\$17,241,290
Office Payroll – PPE April 2, 16, and 30, 2019	\$ 402,151*
Vouchers Processed – April 2019	
• Expert and Consultant Services	\$ 91,009
• Investment Management Fees	620,171
• Interdepartmental Charges	218,176
• Miscellaneous	<u>44,426</u>
	\$ 973,783
Total Expenses April 2019	\$ 18,617,224

*includes estimated benefit costs

Immediate Withdrawals for the Month of April 2019:

Department Name	Total Number of Employees	Total Gross
City Light	2	\$9,349.08
Construction & Inspections	1	\$27,080.53
Economic Development	1	\$13,346.12
FAS	1	\$28,243.03
Human Resources	1	\$707.33
Human Services	1	\$27,911.81
Library	2	\$43,164.38
Municipal Court	1	\$1,865.30
Parks & Recreation	2	\$22,721.02
Police	1	\$6,678.47
Retirement	1	\$29,123.56
Seattle Center	2	\$175,619.29
Transportation	1	\$9,120.68
TOTALS	17	\$394,930.60

c. Ratification of Service Retirements

The following list represents the retirements that have been processed for the month of April 2019.

Department Name	Total # of Employees	Total over 60% Benefits	Total 2x Match	Total Monthly Pension Amount by Department	Gross Payout by Department
City Light	4	1	2	\$18,049.56	0
Construction/Inspection	2	1	2	\$9,478.01	0
Human Services	3	0	2	\$12,278.41	0
Information Technology	1	0	0	\$1,503.62	0
Library	2	0	0	\$2,868.20	0
Muni Court	1	0	1	\$3,026.78	0
Neighborhoods	1	0	1	\$3,005.91	0
Parks & Rec	2	1	1	\$6,250.05	0
Planning & Development	2	0	1	\$8,109.52	0
Police	3	0	3	\$9,222.27	\$87,299.58

Transportation	2	0	1	\$5,342.86	0
Vested	6	0	3	\$6,354.23	\$77,514.83
Totals	29	3	17	\$85,489.42	\$164,814.41

For the month of April 2019: 29 Members retired in the System, 16 Members removed (\$22,138.91), 3 D/E Option, and 4 F Option.

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

ESG Quarterly Update

Jason Malinowski and Jill Johnson provided the quarterly ESG update for second quarter 2019. Ms. Johnson provided an overview of the positive action strategy, which includes shareholder advocacy, sustainability investments, and integrating climate risk into the investment process.

Ms. Johnson provided an update on shareholder advocacy. Staff have continued engagement with ExxonMobil. The Securities and Exchange Commission (SEC) granted ExxonMobil's request to dismiss a shareholder resolution that would have required the company to disclose greenhouse gas emission targets aligned with the Paris Climate Agreement. SCERS and other shareholder had signed a supplemental SEC letter in support of the resolution. The shareholder group is considering additional steps to prompt the company to make meaningful disclosure of its climate risks.

Mr. Malinowski continued the update on the positive action strategy. Brookfield, a SCERS-invested manager in the Infrastructure asset class, announced that it had made several renewable energy investments in Canadian hydro power, Indian wind power, and Chinese solar power. Phil Nelson, Head of Asset Allocation at NEPC, gave a presentation at the April 25, 2019 Investment Committee meeting to preview the climate change scenario analysis that will be included in the forthcoming asset-liability study. SCERS was the first client to request that NEPC develop this analysis. NEPC plans to introduce this analysis to their other clients and will be presenting on the topic at their annual conference this spring.

Ms. Johnson was appointed by the Board of the Council of Institutional Investors (CII) to the General Member's Advisory Committee (GMAC). GMAC provides robust input to the CII Board and staff on policy, programming, other CII activities and member benefits.

Investment Committee Report – April 25, 2019

Mr. Malinowski reported that at the April Investment Committee meeting, there was a discussion regarding climate change scenario analysis which was presented by NEPC. Staff also presented a deep dive on real assets with a focus on the Infrastructure asset class.

The Investment Committee approved a recommendation from staff and NEPC to commit up to \$15 million to Global Infrastructure Partners IV, pending satisfactory legal review. SCERS is invested in the predecessor fund, Global Infrastructure Partners III and committed \$12 million in 2016. The recommendation is consistent with SCERS's pacing plan.

Motion: Upon motion by Sherry Crawford, seconded by Robert Harvey, Jr., the Board of Administration accepted the Investment Committee's recommendation to commit up to \$15 million plus applicable management fees to Global Infrastructure Partners IV, pending satisfactory legal review. The motion passed unanimously (6-0).

Administrative Committee Report – April 25, 2019

Mr. Davis and Mr. Malinowski reported on the April Administrative Committee meeting. The committee covered four policies/charters. SCERS's practice is to review policies/charters every three years to see if they need to be revised.

The Credit Interest Policy and the Administrative Committee Charter have no proposed changes. The Administrative Committee recommended that both be reaffirmed for approval by the Board.

Motion: Upon motion by Sally Bagshaw, seconded by Robert Harvey, Jr., the Board of Administration accepted the Administrative Committee recommendation to affirm the Credit Interest Policy. The motion passed unanimously (6-0).

Motion: Upon motion by Jean Becker, seconded by Glen Lee the Board of Administration accepted the Administrative Committee recommendation to affirm the Administrative Committee Charter. The motion passed unanimously (6-0).

The Investment Committee Charter has revisions in duties and responsibilities to more closely align it with the Investment Policy. There is also a recommended change to the membership of the Investment Committee based on best practices conversations with NEPC.

Typically, Investment Committees are made up of the whole Board of Administration or a very small subset of the Board. The Administrative Committee is recommending that all seven board members be on the Investment Committee due to the depth of information that is provided during Investment Committee meetings.

Mike Monaco researched the question about quorums if membership is increased from six to seven on the committee. Mr. Monaco stated that SCERS can maintain three members as a quorum even if the number of members is increased. Motions still go to the full board for approval since the Investment Committee doesn't usurp the role of the Board.

There was a discussion on including the Board Chair on the Investment Committee. Sally Bagshaw, Chair, voiced support for the change because the chair would be more effective if they were a member of the Investment Committee.

Motion: Upon motion by Sally Bagshaw, seconded by Glen Lee the Board of Administration accepted the Administrative Committee recommendation to adopt the revised Investment Committee Charter. The motion passed unanimously (6-0).

The ESG Policy was established in 2013 for the first time and was updated in 2016. It is time for its three-year review. The rewritten ESG policy captures the activity that has occurred since the last update in 2016 which includes the Board's reaffirmation of its support of the positive action strategy at its August 2017 Board meeting and the Investment Advisory Committee's recommendation on divestment. The policy is consistent with SCERS's mission, fiduciary duties, and beliefs.

The IAC and NEPC have recommended in recent years to strengthen and focus the policy. The rewrite reflects the evolution of activities such as the positive action strategy and includes best practices in public pension plans. In July 2017, the Investment Advisory Committee (IAC) was asked by the Board to look at fossil fuel divestment, review the analysis that SCERS's staff and NEPC had completed, and then report back to the Board on whether the IAC either concurred with the analysis or to give their own recommendations. The IAC recommended that the Board consider updating the Investment Policy Statement and ESG policy to clearly prohibit divestment proposals and enhance its commitment to positive engagement with companies in its portfolio.

In August 2017, the Board reaffirmed its support of the positive action strategy by passing a motion that said SCERS believes positive action strategy was the most effective means of addressing climate change based on their fiduciary responsibilities.

NEPC's annual ESG review conducted in August 2018 recommended that SCERS consider updating the ESG Policy to incorporate the positive action strategy.

The revised ESG policy includes the following:

- The addition of the ESG positive action strategy;
- Addresses divestment directly;
- Removes the procedure for external ESG proposals; and
- Reformulates diversity-related and reporting items into standalone sections.

Ms. Bagshaw supported the goal of clarifying the policy.

Mr. Harvey had a concern with the last paragraph titled "Policy Review" around defining "relevant", "appropriate", and "consistent with industry best practices". There was a discussion on the proposed language. Ms. Bagshaw agreed to delete the term "industry best practices" from the language.

Motion: Upon motion by Glen Lee, seconded by Robert Harvey, Jr., the Board of Administration accepts the Administrative Committee recommendation to adopt the revised Environmental, Social, and Governance Policy as amended. The motion passed unanimously (6-0).

The Administrative Committee recommended that the Board reappoint Dr. Cathy Cao and Steven Hill to the Investment Advisory Committee for another three-year term starting July 1, 2019. Both Dr. Cao and Mr. Hill are willing to serve an additional term.

Motion: Upon motion by Sally Bagshaw, seconded by Sherri Crawford, the Board of Administration accepted the Administrative Committee recommendation to reappoint Dr. Cathy Cao and Steven Hill to the Investment Advisory Committee with a three-year term commencing July 1, 2019. The motion passed unanimously (6-0).

Executive Director Report

Jeff Davis thanked Jean Becker for her seven years of service to the Board.

There are three candidates for the 2019 Trustee Election to replace Ms. Becker:

- Jaya Bajpai
- Judith Blinder
- Nate Burns

Ballots will be sent out on May 10, 2019 and eligible members will be able to vote either on-line or with a paper ballot. The election ends at 5:00 p.m. on Monday, June 3, 2019. There will be a motion on the June 13, 2019 Board agenda to finalize the election.

Paige Alderete gave an update on the 2018 audit. The audit will be presented during the June 13, 2019 board meeting.

There are no proposed amendments at this point to the approved 2020 budget.

Adjourn Meeting – 10:51 a.m.

Motion: Upon motion by Sally Bagshaw, seconded by Sherri Crawford, the Board of Administration voted to adjourn the meeting at 10:51 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, June 13, 2019

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

SCERS Staff Present: Paige Alderete, Tony Smith, Jill Johnson, Mark Schimizza, Nina Melencio, Selam Teklemariam

Others Present: Mike Monaco (MMPL), Dane Keehn, Parker Keegan, Elizabeth Pyatt and Joe Simmons (State Auditor's Office), George Emerson (CBO), Brittany Smith (CliftonLarsonAllen), Nick Collier and Julie Smith (Milliman)

Call to Order

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

Public Comment

There was public comment.

Dane Keehn manages the City's alternative dispute program and also works for FEMA as a reservist.

(9:03 a.m., Glen Lee arrived at the meeting.)

When Mr. Keehn works for FEMA it is usually without pay. When he is on leave without pay, he loses accrual for his pension and is not eligible to buyback that time. He stated his belief that Army reservists have the ability to buyback unpaid time. He would like FEMA reservists to also have that ability.

Parker Keegan is with Seattle IT. He stated that new employees and half of his peers are not fans of the City's pension plan and would like to have a 401K with a double-match or an opt-out policy. The pension benefit is not seen as valuable to this group. Although the pension liability will be affected, he sees it as a clear win for his group.

Ms. Bagshaw stated she will look into these concerns and get back to both Mr. Keehn and Mr. Keegan.

Administrative Consent Agenda

Provided in the Retirement Board Packet were the minutes from the May 9, 2019 Retirement Board regular meeting.

The following items represent normal expenses:

Service	\$17,081,088
Beneficiary	1,016,948
Disability	69,394
Death Benefit	<u>36,000</u>
Pension Payroll – PPE May 2019	\$18,203,430
Office Payroll – PPE May 14 and 28, 2019	\$ 341,444*
Vouchers Processed – May 2019	
• Expert and Consultant Services	\$ 490,417
• Investment Management Fees	918,011
• Interdepartmental Charges	201,356
• Miscellaneous	<u>72,928</u>
	\$ 1,682,712
Total Expenses May 2019	\$20,277,586

*includes estimated benefit costs

Immediate Withdrawals for the Month of **May 2019**:

Department Name	Total Number of Employees	Total Gross
City Light*	3	\$114,659.85
Construction & Inspections	3	\$32,099.34
Education and Early Learning	1	\$47,554.05
Human Services	2	\$22,293.57
Information Technology*	2	\$271,325.36
Legislative Department	1	\$21,201.85
Office of Economic Development	1	\$23,849.22
Parks & Recreation	6	\$159,941.61
Police*	5	\$255,179.24
Seattle Center	1	\$1,838.66
Seattle Public Utilities	4	\$107,968.41
Transportation	1	\$4,134.78
TOTALS	30	\$1,062,045.94

*Includes Active Death Withdrawal

c. Ratification of Service Retirements

The following list represents the retirements that have been processed for the month of **May 2019**.

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	1	\$885.47	

FAS	1	0	1	\$1,938.76	
Housing	1	1	0	\$2,448.61	
King County Health	1	1	1	\$10,053.63	
Law	1	0	1	\$8,694.64	
Library	2	0	2	\$5,193.68	
Police	1	0	0	\$3,647.47	
Seattle Center	1	0	1	\$198.46	\$24,742.46
Seattle Public Utilities	1	0	0	\$1,697.97	
Transportation	1	1	0	\$1,224.66	
Vested	2	0	0	\$3,579.91	
Totals	13	3	7	\$39,563.26	\$24,742.46

For the month of May 2019: 13 Members retired in the System, 15 Members removed (\$30,448.85), 4 D/E Option, and 2 F Option.

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

2019 Trustee Election Results (Active Member Seat)

(9:12 am - Bobby Humes arrived at the meeting.)

Motion: Upon motion by Bobby Humes, seconded by Sherri Crawford, the Board of Administration ratified the certification of election results as provided by Election Services Co. for the 2019 Board of Administration election for the active member seat; electing Jaya Bajpai to the Board of Administration for a three-year term (July 1, 2019-June 30, 2022). The motion passed unanimously (6-0).

Final Audit Report – Staff and CliftonLarsonAllen

Paige Alderete introduced Mark Schim�ze, SCERS’s Finance and Accounting Manager, and Selam Teklemariam, Senior Accountant. They did a lot of work to streamline the audit report and make it better. The June Board Meeting is the earliest that both the Final Audit Report and Actuarial Report have been brought to the board.

Brittany Smith from CliftonLarsonAllen (CLA) presented SCERS's Final Audit Report to the Board for the year ended December 31, 2018. Ms. Smith has worked with SCERS for the past six years.

CLA's responsibility is to express an opinion on financial statements. SCERS's had an unmodified (clean) audit. Investment staff made investment expenses more transparent and have worked with Ms. Alderete for accuracy and alignment.

The funding ratio decreased to 68.2% from 69.9% in 2018, which was due to adopting new assumptions and 2018 investment performance falling below the assumed rate of return. The new assumed rate of return of 7.25% is consistent with the median of large pension plans.

There was discussion on funding the pension plan. Mr. Lee stated that as long as the City continues to commit to funding the ARC, there is 100% chance the City will be able to fund the system. The City is committed to the ARC due to their 2013 resolution.

(9:30 a.m. - Robert Harvey, Jr. arrived at the meeting.)

Ms. Smith stated that SCERS had a very positive audit.

Motion: Upon motion by Jean Becker, seconded by Glen Lee, the Board of Administration accepted the 2018 Year-End Audited Financial Statements as presented by Seattle City Employees' Retirement System Staff and CliftonLarsonAllen, LLP. The motion passed unanimously (7-0).

Valuation Study and 2020 Actuarial Contribution Rate (ARC) - Milliman

Nick Collier and Julie Smith of Milliman presented SCERS's Valuation Study as of January 1, 2019.

Since the funding ratio decreased from 69.9% in 2018 to 68.2% in 2019, the total contribution rate increased from 24.4% to 25.79%. The City's contribution increased from 15.23% to 16.14%.

Mr. Lee reframed his earlier comment on the City funding the pension plan. He stated that the reality is that the city has binding commitment to meet the pension commitments due to case law. Mike Monaco concurred that the commitment is legally required.

Valuation components:

- Average annual salary in 2019 is \$82,829 (up from \$81,969 in 2018)
- Active membership increased by 1.1%
- Average monthly benefit increased to \$2,421 (from \$2332 in 2018)

(10:21 a.m. – Sally Bagshaw left the meeting. Mr. Harvey took over as chair.)

Current assumptions:

- 7.25% investment return
- 2.75% price inflation
- 3.5% general wage increases
- 0.50% membership growth

Milliman is recommending that the City increase their contribution rate to at least 16.14% of payroll effective January 2020.

Motion: Upon motion by Glen Lee, seconded by Bobby Humes, the Board of Administration accepted the January 1, 2019 Actuarial Valuation Report as presented by Milliman and set the 2020 Actuarial Contribution Rate (ARC) to 25.79% to be effective January 1, 2020, increasing the City's contribution from 15.23% to 16.14%. The motion passed unanimously (6-0).

Investment Committee Report – May 30, 2019

Tony Smith reported on the May 30, 2019 Investment Committee meeting. Joseph Boateng and Steve Hill, of the Investment Advisory Committee (IAC), presented their analysis on Senate Bill 5240 that would have allowed the state's municipal retirement systems to irrevocably outsource the management of their investment portfolios to the Washington State Investment Board (WSIB). The bill did not advance in the most recent state legislative session. All members of the IAC were present at this meeting.

The IAC does not recommend that SCERS's investments be outsourced. Outsourcing would only move investment responsibilities; the City would still be responsible for pension benefits and liabilities. The IAC found that the City would incur significant additional financial risk by separating, in perpetuity, management of investments from pension obligations. They also found that SCERS has more than adequate scale to manage its portfolio effectively.

NEPC provided an update on the status of the asset-liability study and staff provided the annual presentation on the investment risk framework with a specific focus on system liabilities. Potential asset mixes will be presented by NEPC as part of the asset liability study at the July 25, 2019 meeting.

Executive Director Report

There was no report.

Adjourn Meeting

Motion: Upon motion by Sherri Crawford, seconded by Bobby Humes, the Board of Administration voted to adjourn the meeting at 2:00 p.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, July 11, 2019

Board Members Present: Sally Bagshaw (Chair), Lou Walter, Jaya Bajpai, Glen Lee, Bobby Humes

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

Others Present: Mike Monaco, (MMPL), George Emerson (CBO)

Call to Order

Sally Bagshaw, chair, called the meeting to order at 9:07 a.m.

New board member Jaya Bajpai was welcomed. Lou Walter was recognized for being elected state representative for NCPERS at the NCPERS Annual Conference in May.

Public Comment

There was no public comment.

Administrative Consent Agenda

Provided in the Retirement Board Packet were the minutes from the June 13, 2019 Retirement Board regular meeting.

The following items represent normal expenses:

Service	\$16,262,063
Beneficiary	1,031,715
Disability	72,225
Death Benefit	<u>14,012</u>
Pension Payroll – PPE June 2019	\$17,380,015
 Office Payroll – PPE June 11 and 25, 2019	 \$ 354,502*
 Vouchers Processed – June 2019	
• Expert and Consultant Services	\$ 160,136
• Investment Management Fees	1,154,223
• Interdepartmental Charges	197,079
• Miscellaneous	<u>62,538</u>
	\$ 1,573,976

Total Expenses June 2019

\$19,308,494

includes estimated benefit costs*Immediate Withdrawals for the Month of June 2019:**

Department Name	Total Number of Employees	Total Gross
City Light	2	\$36,511.87
Construction & Inspections	1	\$12,885.04
FAS	1	\$102,718.63
Fire	1	\$42,330.52
Human Resources	2	\$9,782.30
Human Services	1	\$15,628.17
Information Technology	2	\$20,691.59
Intergovernmental Relations	1	\$30,202.36
Library	1	\$35,809.29
Muni Court	1	\$26,742.07
Parks & Recreation	1	\$4,595.12
Police	3	\$37,454.27
Seattle Public Utilities	3	\$12,772.54
Sustainability & Environment	1	\$59,795.26
Transportation	1	\$35,502.75
TOTALS	22	\$483,421.78

c. **Ratification of Service Retirements**

The following list represents the retirements that have been processed for the month of June 2019.

Department Name	Total # of Employees	Total over 60% Benefits	Total 2x Match	Total Monthly Pension Amount by Department	Gross Payout by Department
City Light	4	1	1	\$12,590.01	\$101,964.55
Construction/Inspection	3	0	1	\$3,181.98	\$15,201.26
FAS	2	2	2	\$6,949.40	0
Information Technology	2	1	1	\$13,193.37	0
Library	1	0	0	\$1,217.16	0
Parks & Recreation	1	1	1	\$4,612.82	0
Police	2	0	1	\$5,345.58	0

Seattle Public Utilities	2	0	0	\$7,271.41	\$103,273.72
Transportation	2	1	1	\$11,126.09	0
Vested	1	0	1	\$1,983.77	0
Totals	20	6	9	\$67,471.59	\$118,474.98

For the month of June 2019: 20 Members retired in the System, 14 Members removed (\$28,239.37), 4 D/E Option, and 2 F Option.

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

Investment Committee Report – June 27, 2019

Jason Malinowski reported on the June 27, 2019 Investment Committee meeting. Staff presented the annual deep dive on the Public Equity asset class that included its portfolio role, size, strategy, investment managers, and performance, as well as a recommendation to defund the covered call strategy which is managed by Parametric Portfolio Associates. Staff do not consider the covered call strategy to be an optimal fit in terms of the public equity allocation or total portfolio and do not believe that the strategy will produce a meaningfully higher risk-adjusted return than a passive equity strategy that would be sufficient to offset its higher fees and complexity. NEPC concurs with the recommendation. The proceeds, which represent \$138 million as of March 31, 2019, would be reallocated to the passive strategies managed by Rhumblin Advisors and BlackRock.

(9:14 am – Glen Lee arrived at the meeting.)

Don Stracke, NEPC, reviewed SCERS's first quarter performance which was deferred from the May 30, 2019 Investment Committee meeting due to lack of time. There was strong performance across the capital markets in the first quarter, which was a reversal from the fourth quarter of 2018. For the one-year period ending March 31, 2019, SCERS returned 3.7% as compared to 3.9% for the policy index and 3.4% for the median public pension.

Motion: Upon motion by Lou Walter, seconded by Glen Lee, the Board of Administration accepted the Investment Committee's recommendation to defund the covered call strategy managed by Parametric Portfolio Associates and reallocate funds to the passive strategies managed by Rhumblin Advisors and BlackRock. The motion passed unanimously (5-0).

Administrative Committee Report – June 27, 2019

It is the Board's practice to review policies every three years. The Private Funds Disclosure Exemption policy is up for review. There are no recommended changes.

Motion: Upon motion by Jaya Bajpai, seconded by Lou Walter, the Board of Administration accepted the Administrative Committee's recommendation to adopt the reaffirmed Private Funds Disclosure Exemption Policy. The motion passed unanimously.

Jean Becker was a member of the Administrative Committee when she was a trustee. New board member, Jaya Bajpai, is willing to serve on the committee. The Board is required to appoint administrative committee members.

Motion: Upon motion by Lou Walter, seconded by Sally Bagshaw, the Board of Administration appointed Jaya Bajpai to serve on the Seattle City Employees' Retirement System Administrative Committee. The motion passed 4-0 with Jaya Bajpai abstaining.

Executive Director Report

There was no report.

Adjourn Meeting

The meeting adjourned at 9:25 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, August 8, 2019

Board members present: Sally Bagshaw (Chair), Lou Walter, Jaya Bajpai, Glen Lee

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

Others present: Mike Monaco (MMPL), George Emerson (CBO), Arden Patoc (SCERS)

Call to Order

Sally Bagshaw, Chair, called the meeting to order at 9:27 a.m.

Public Comment

There was no public comment.

Administrative Consent Agenda

Provided in the Retirement Board Packet were the minutes from the July 11, 2019 Retirement Board regular meeting.

The following items represent normal expenses:

Service	\$16,979,202
Beneficiary	1,023,731
Disability	68,323
Death Benefit	<u>6,000</u>
Pension Payroll – PPE July 2019	\$18,077,255
Office Payroll – PPE July 9 and 23, 2019	\$ 364,642*
Vouchers Processed – July 2019	
• Expert and Consultant Services	\$ 43,248
• Investment Management Fees	522,614
• Interdepartmental Charges	196,589
• Miscellaneous	<u>55,341</u>
	\$ 871,792
Total Expenses July 2019	\$19,259,689

*includes estimated benefit costs

Immediate Withdrawals for the Month of **July 2019**:

Department Name	Total Number of Employees	Total Gross
City Light	4	\$36,693.27
City Light – Active Death*	1	\$280,009.53
Construction & Inspections	1	\$10,522.00
FAS	2	\$90,393.80
Hearing Examiner	1	\$47,097.02
Information Technology	1	\$25,310.08
Legislative Department	1	\$42,572.26
Muni Court	1	\$1,345.62
Parks & Recreation	3	\$76,253.30
Police	1	\$27,046.43
Seattle Center	1	\$2,183.29
Seattle Public Utilities	4	\$187,276.25
TOTALS	21	\$828,702.85

***Active Death Withdrawal**

c. Ratification of Service Retirements

The following list represents the retirements that have been processed for the month of July 2019.

Department Name	Total # of Employees	Total over 60% Benefits	Total 2x Match	Total Monthly Pension Amount by Department	Gross Payout by Department
City Light	5	3	2	\$20,113.39	0
FAS	2	1	1	\$9,261.31	0
Library	1	1	0	\$6,018.61	0
Muni Court	1	0	0	\$1,104.89	0
OPCD	1	0	1	\$3,356.73	\$295,769.65
Parks	7	0	4	\$19,963.36	\$674,126.00
Seattle Public Utilities	3	0	2	\$9,709.16	\$189,199.27
Vested	4	0	0	\$7,448.56	\$125,093.60
Totals	24	5	10	\$74,708.05	\$1,278,188.52

For the month of July 2019: 28 Members retired in the System, 8 Members removed (\$14,068.40), 5 D/E Option, and 3 F Option.

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

Annual Report - Staff

Paige Alderete presented SCERS's 2018 Annual Report for Members.

The Annual Report will no longer include the audit and actuarial reports. The revised annual report has highlights from both the audit and actuarial reports, making it more useful to members. The full audit and actuarial reports are on the SCERS's website.

The current funding status is at 68.2%. The funding ratio increased from 2014-2018 and decreased slightly in 2019 due to new assumptions adopted from the experience study and a low year of investment returns in 2018. SCERS plans on being full funded by 2042.

An overview of 2018 accomplishments include implementation of the pension administration system, service to thousands of members, updated economic and demographic assumptions and progress with the positive action strategy.

The annual report will be published on the SCERS's website, copies will be available to members in SCERS's reception area, and copies will be distributed at the City of Seattle new employee orientation. The report will also be shared with our retiree associations.

Motion: Upon motion by Lou Walter, seconded by Sally Bagshaw, the Board of Administration accepted the 2018 Annual Report for Members as presented by Seattle City Employees' Retirement System Staff. The motion passed unanimously (4-0).

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 bond. The credit interest is 3.07%, up from 2.92% in the current year.

Motion: Upon motion by Glen Lee, seconded by Jaya Bajpai, the Board of Administration set the 2020 credit interest on all employee contribution into the pension trust after December 31, 2011 at 3.07%. The motion passed (3-1, with Lou Walter voting nay).

Investment Committee Report

Jason Malinowski reported on the July 25, 2019 Investment Committee meeting. Staff reviewed key takeaways from related to investment risk.

Don Stracke and Phil Nelson, of NEPC, walked through the preliminary findings and recommendations of the asset-liability study. The goal is to finalize the strategic asset allocation at the November 21, 2019 Investment Committee meeting so that it is effective at year end.

Executive Director Report

Mr. Davis reported that SCERS was contacted by Labaton Sacharow to join a class action lawsuit against Novo Nordisk in Denmark. In Denmark, you can't do a class action lawsuit. Claims have to be filed individually but will be handled collectively. The case came up last week and there was a short timeline. We had to exercise the executive director emergency provision to act which involved conferring with Ms. Bagshaw, Board chair.

Mike Monaco was also consulted and felt the lawsuit was worth pursuing. SCERS is not named as a plaintiff, but as a claimant. This is the only case that is currently active for SCERS.

Adjourn Meeting

The meeting adjourned at 9:51 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, September 12, 2019

Board Members Present: Sally Bagshaw (Chair), Lou Walter, Jaya Bajpai, Robert Harvey, Jr., Glen Lee, Bobby Humes,

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

Others Present: Mike Monaco (MMPL), Gary Smith (City Attorney's Office)

Call to Order

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

Public Comment

There was no public comment.

Administrative Consent Agenda

Provided in the Retirement Board Packet were the minutes from the August 8, 2019 Retirement Board regular meeting.

The following items represent normal expenses:

Service	\$17,525,886
Beneficiary	1,041,055
Disability	68,323
Death Benefit	31,476
Pension Payroll – PPE August 2019	\$18,666,740
Office Payroll – PPE August 6 and 20, 2019	\$ 340,926*
Vouchers Processed – August 2019	
• Expert and Consultant Services	\$ 185,939
• Investment Management Fees	1,521,844
• Interdepartmental Charges	199,559
• Miscellaneous	95,263
	\$ 2,002,604
Total Expenses August 2019	\$21,010,270

*includes estimated benefit costs

Immediate Withdrawals for the Month of **August 2019**:

Department Name	Total Number of Employees	Total Gross
City Light	2	\$31,991.27
City Light – Active Death*	1	\$235,305.42
Construction & Inspections	1	\$11,374.46
FAS	1	\$43,161.36
Human Resources	1	\$225.63
Human Services	1	\$7,223.37
Law	1	\$36,949.45
Library	2	\$53,382.22
Parks & Recreation	2	\$22,306.38
Police	1	\$957.84
Seattle Center – Active Death*	1	\$1,635.13
Seattle Public Utilities	1	\$2,658.57
Transportation	3	\$37,405.57
TOTALS	18	\$484,576.67

***Active Death Withdrawal**

c. Ratification of Service Retirements

The following list represents the retirements that have been processed for the month of August 2019.

Department Name	Total # of Employees	Total over 60% Benefits	Total 2x Match	Total Monthly Pension Amount by Department	Gross Payout by Department
City Light	5	2	3	\$15,187.28	\$91,624.84
Construction/Inspection	1	0	0	\$1,603.77	\$255,163.82
FAS	2	0	1	\$5,593.99	
Fire	1	0	1	\$821.92	
Human Resources	1	1	1	\$6,553.69	
Muni Court	2	0	1	\$5,065.08	
Parks	3	0	2	\$9,333.24	\$1,82,492.69
Police	1	1	0	\$3,259.87	
Seattle IT	8	0	8	\$37,597.46	
SPU	6	1	4	\$29,727.21	\$90,671.79
Transportation	5	4	3	\$18,813.45	\$455,905.08
Vested	11	0	3	\$22,645.55	\$117,086.57

Totals	46	9	27	\$156,202.51	\$663,663.44
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For the month of August 2019: 46 Members retired in the System, 7 Members removed (\$9,058.36), 1 D/E Option, and 6 F Option.

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

Training – Open Public Meetings Act and Public Records Act – City Attorney’s Office

Gary Smith, City Attorney’s Office, provided training to the Board on the Open Public Meetings Act (OPMA) and Public Records Act (PRA). Mr. Smith has replaced Jeff Slayton as the City Attorney for SCERS.

(9:03 a.m. – Glen Lee arrived at the meeting.)

Board members must complete training requirements on the OPMA within 90 days of assuming office. Every board member must complete training at intervals of no more than four years as long as they remain in office.

The basic requirement of the OPMA is that meetings of governing bodies be open and public. Mr. Smith reviewed the requirements for regular meetings, special meetings, and executive sessions.

Mr. Smith reviewed the definition of a meeting for the OPMA. The physical presence of members is not required for a meeting. If there is a quorum, email exchanges and/or telephone discussions can be considered a meeting and, therefore, a violation of OPMA.

(9:14 a.m.- Bobby Humes arrived at the meeting.)

A public comment period is not required by OPMA. If a public comment period is allowed, the board can set time limits, individually, and in total; as well as topical restrictions, i.e., comments allowed only on what is on the agenda.

There was discussion on email exchanges between board members. Passive receipt of information via email is permissible. The problem arises when one or more board members reply all. The email exchange can easily evolve to a meeting.

Mr. Smith discussed the Public Records Act (PRA). Public records of government agencies are presumed open unless a specific exemption applies. Public record is broadly defined and can include records that are created or retained by agency employees or officials on home computers or devices, or in non-agency email accounts or files. Board members are strongly encouraged to only use City email addresses. Requests must be for identifiable public records. PRA does not apply to requests for information.

Remote access of email or files is not an issue for public disclosure.

There was discussion on the exemptions to records disclosure. SCERS’s investments in private funds were exempted three years ago in order to not disadvantage SCERS when making these investments.

ESG Quarterly Update - Staff

Jason Malinowski presented the ESG update for third quarter 2019. Mr. Malinowski provided an overview of the positive action strategy, which includes shareholder advocacy, sustainability investments, and integrating climate risk into the investment process.

Mr. Malinowski provided an update on quarterly activities. Staff sent a letter to Dimensional, a SCERS-invested manager, as part of an ongoing dialogue encouraging Dimensional to vote in favor of climate-related shareholder resolutions. Staff also participated in planning calls with the investor groups involved in ongoing collaborative engagements with a subset of the largest carbon-emitting companies. CM Bagshaw noted the City Council’s

recent passage of a Green New Deal resolution. Mr. Malinowski shared early examples of success with the positive action strategy.

A key development during the quarter was that NEPC completed their initial development of climate change scenario analysis that was incorporated in the asset-liability study discussion in July. SCERS had been the first client to request this analysis. There was discussion with the Board members on the impact of climate change on the investment portfolio and its long-term return assumption that is evident in the scenario analysis.

Mr. Malinowski was invited to give the keynote interview at Pensions & Investments' ESG investing event in Chicago where he focused on the history, challenges, and impact of the positive action strategy.

The King County Labor Council passed a resolution encouraging SCERS, the Washington State Investment Board and other institutions to pursue investments that help to create local affordable housing. Mr. Davis and Mr. Malinowski met with representatives of the King County Labor Council and discussed SCERS's fiduciary responsibility as a public pension plan.

Investment Committee Report – August 29, 2019

At the August 29, 2019 Investment Committee meeting, Mr. Malinowski and Mr. Smith reviewed the Investment Policy and investment beliefs and shared recommended edits that will be discussed further at the November Investment Committee meeting.

NEPC presented the ESG Annual Consultant Review which included their diversity and inclusion efforts. NEPC reviewed SCERS against best practices and rated SCERS highly in each area.

NEPC also reviewed the 2nd quarter performance report. For the one-year period that ended June 30, 2019 performance net-of-fees was 6.1% for SCERS as compared to 6.25% for the policy index. SCERS is no longer in the bottom quartile of ten-year performance as compared to public pension peers.

Administrative Committee Report – August 29, 2019

At the August 29, 2019 Administrative Committee meeting, staff presented drafts of what the Board information would look like. Staff also proposed quarterly deep dive presentations for the Administrative Committee. There was feedback from committee members. A revised proposal will be brought to the next administrative committee meeting.

Executive Director Report

Mr. Davis and Mr. Malinowski presented at CM Bagshaw's Finance and Neighborhoods Committee. The presentation included background on SCERS, SCERS's financial condition (assets, funding ratio, actions taken), and investment management issues (performance, outsourcing, and ESG).

CM Bagshaw thanked them for the presentation and found it helpful for the committee.

Adjourn Meeting

The meeting adjourned at 11:10 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, October 10, 2019

Board Members Present: Sally Bagshaw (Chair), Robert Harvey, Jr., Sherri Crawford, Bobby Humes, Jaya Bajpai

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

Others Present: Mike Monaco (MMPL), Gary Smith (City Attorney's Office), George Emerson (CBO), Mark Cherberg

Call to Order

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

Public Comment

There was public comment.

Mark Cherberg is a City employee. He suggested that SCERS use smoothing for updating the mortality tables for a gradual increase.

Ms. Bagshaw stated that staff will look into his suggestion and get back to him.

Mr. Bajpai said that he has been very engaged with the staff and has been appreciative of the responsiveness in answering his questions.

Administrative Consent Agenda

Provided in the Retirement Board Packet were the minutes from the September 12, 2019 Retirement Board regular meeting.

The following items represent normal expenses:

Service	\$18,097,120
Beneficiary	1,011,660
Disability	66,472
Death Benefit	<u>22,238</u>
Pension Payroll – PPE September 2019	\$19,197,491

Office Payroll – PPE September 3 and 17, 2019 \$ 307,463*

Vouchers Processed – September 2019

- Expert and Consultant Services \$ 102,852
 - Investment Management Fees 2,150,312
 - Interdepartmental Charges 195,465
 - Miscellaneous 32,311
- \$ 2,480,940**

Total Expenses September 2019 \$21,985,894

**includes estimated benefit costs*

Immediate Withdrawals for the Month of **September 2019:**

Department Name	Total Number of Employees	Total Gross
Arts & Culture	1	\$38,082.24
City Light	2	\$48,451.78
Education & Early Learning	1	\$25,152.35
FAS	1	\$41,358.63
Human Resources	1	\$4,973.79
Human Services	1	\$9,052.62
Library	1	\$6,508.26
Municipal Court	1	\$19,333.38
Office of Inspector General	1	\$5,157.89
Parks & Recreation	3	\$146,886.25
Seattle Center – Active Death*	1	\$41,679.58
Seattle IT	3	\$61,433.97
Seattle Public Utilities	1	\$46,057.01
TOTALS		\$494,127.75

***Active Death Withdrawal**

c. Ratification of Service Retirements

The following list represents the retirements that have been processed for the month of September 2019.

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	1	7	\$19,056.93	0
Construction/Inspection	2	0	2	\$4,762.53	0
FAS	3	2	2	\$6,588.65	\$116,675.12
Human Resources	2	1	2	\$13,159.29	0

Intergovernmental Relations	1	1	1	\$2,425.51	0
Law	1	0	1	\$1,606.08	0
Library	2	0	2	\$5,839.93	0
Muni Court	1	1	0	\$4,947.20	0
Parks	5	1	1	\$12,993.78	\$194,567.66
Police	1	1	0	\$4,913.65	0
Seattle Center	1	0	0	\$2,597.27	0
Seattle IT	2	0	1	\$7,260.52	0
SPU	7	2	5	\$21,994.43	0
Transportation	2	1	0	\$5,875.90	\$591,087.51
Vested	11	1	5	\$17,977.57	\$115,021.24
Totals	49	12	29	\$131,999.24	\$1,017,351.53

For the month of September 2019: 49 Members retired in the System, 23 Members removed (\$31,601.12), 1 D/E Option, and 5 F Option.

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

Investment Committee Report – September 26, 2019

Tony Smith reported that at the September 26, 2019 Investment Committee meeting staff and NEPC reviewed the preliminary findings and recommendations of the asset-liability study and solicited feedback from the Committee. There will be further discussion and a strategic review of the Diversifying Strategies asset class at the October 31, 2019 Investment Committee meeting. The goal is to finalize the strategic asset allocation at the November 21, 2019 Investment Committee meeting and to approve it at the December 12, 2019 Board of Administration meeting for an effective date of January 1, 2020.

Staff and NEPC presented the annual review of the Fixed Income asset class. Staff and NEPC recommended a commitment of up to \$40 million to the PIMCO Private Income Fund (PIF), pending satisfactory legal review. The Investment Committee accepted the recommendation subject to Board ratification. The PIMCO PIF is a multi-sector private credit strategy that would be an allocation within the Credit Fixed Income asset class.

Motion: Upon motion by Sally Bagshaw, seconded by Sherri Crawford, the Board of Administration accepted the Investment Committee's recommendation to commit up to \$40 million to the PIMCO Private Income Fund, pending satisfactory legal review. The motion passed 3-0-1 with Jaya Bajpai abstaining.

Executive Director Report

Jeff Davis reported that there was an article in Reuters regarding climate change-related shareholder proposals. The article highlighted SCERS's engagement with BlackRock. SCERS had put BlackRock on watch due to several ESG concerns including that they had supported no climate change-related shareholder proposals. BlackRock is now supporting 10% of these shareholder proposals, which demonstrates that SCERS is having an impact.

Paige Alderete informed the Board that staff have updated the SCERS website with FAQs on the impact of mortality table changes. Based on staff's analysis, the majority of members are not going to be impacted. Members who will be most impacted are those who are eligible for the Contributions (2x match) retirement, which is generally members with over 30 years of service. For most members, pension benefits will go up or down within \$5.00. If these members move out their retirement date a month, the difference will be made up or exceeded.

Ms. Alderete updated the Board on SCERS's work with SDHR benefits unit on retiree medical. The two departments have successfully implemented the automated creation and transfer of files between SCERS's pension system and the system SDHR uses to track retiree medical plans. This automation is in time for retiree open enrollment which will result in a lot of changes to retiree benefits.

(9:07 am – Bobby Humes arrived to the meeting)

Adjourn Meeting

The meeting adjourned at 9:18 am



Seattle City Employees' Retirement System

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

Minutes, Thursday, November 14, 2019

Board Members Present: Sally Bagshaw (Chair), Lou Walter, Robert Harvey, Jr., Sherri Crawford, Glen Lee, Jaya Bajpai, Bobby Humes

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

Others Present: Mike Monaco (MMPL), Gary Smith (City Attorney's Office), John Masterjohn (ARSCE), George Emerson (CBO)

Call to Order

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

Public Comment

There was public comment via an email sent by retiree who expressed dissatisfaction with his experience with the retirement office.

This particular member had a complicated retirement process which spanned the last two years. Staff have made improvements over the last year in communicating service delays, although there are some areas that still needed improvement.

Ms. Bagshaw stated that she went through the same retirement process recently and staff were terrific. The documents were orderly, and everything made sense.

Administrative Consent Agenda

Provided in the Retirement Board Packet were the minutes from the October 10, 2019 Retirement Board regular meeting. Ratification of Retired Payroll, Office Payroll, and other payments and withdrawals:

The following items represent normal expenses:	
Pension Payroll & Withdrawals	\$18,955,526
Office Payroll	\$342,567*
Admin & Investment Expenses	\$913,405
Total Expenses – October 2019	\$20,211.498

**includes estimated benefit costs*

Retirements, Withdrawals, Other Payouts – October 2019			
	Count	Monthly Pension	Lump Sum Distribution
Retirements	24	\$72,385.21	\$987,537.22
Withdrawals	25	0	\$472,902.26

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 (6-0).

Investment Committee Report – October 31, 2019

Jason Malinowski reported that at the October 31, 2019 Investment Committee meeting Jeff Burgis and John Gray of Adams Street Partners presented the annual review of the Private Equity asset class. The review included the asset class' portfolio role, size, strategy, and performance. The allocation to Private Equity has increased materially over the last several years and is now close to the 9% target.

Staff and NEPC also provided the annual deep dive of the Diversifying Strategies asset class. They are recommending that the Diversifying Strategies asset class be removed from the updated strategic asset allocation that will go into effect at year-end. This recommendation was reached after consideration of strategic factors including the feasibility of implementing the asset class and its consistency with SCERS's objectives, risk tolerance and beliefs.

Based on the asset-liability study conducted this year, staff and NEPC are recommending that the strategic asset allocation have a target of 48% to Public Equity, 11% to Private Equity, 18% to Core Fixed Income, 7% to Credit Fixed Income, 12% to Real Estate, and 4% to Infrastructure. The recommended strategic asset allocation would result in a slight increase in expected return, volatility and beta and modest increase in illiquidity.

Mr. Bajpai was supportive of removing the Diversifying Strategies asset class.

Administrative Committee Report – October 31, 2019

Jeff Davis reported that at the October 31, 2019 Administrative Committee meeting, staff covered revamping some of the information presenting to the board.

A summarized version of expenses and retirements/withdrawals will be provided monthly. On a quarterly basis, the Board will be provided with overall metrics, turnaround times, and quarterly expenses.

The committee also discussed the proposed Executive Director Evaluation and Compensation Policy. Mr. Harvey stated that SCERS's Executive Director is different than other City directors because SCERS's Executive Director reports to the Board rather than the executive branch. SCERS needed a policy on how the Executive Director's compensation would be handled. Based on the proposed policy, compensation would be tied to the Executive Director's evaluation.

(9:14 am – Bobby Humes arrived at the meeting.)

There was discussion on executive staff salaries at SCERS compared to similar positions in the private sector and the need to remain competitive. Mr. Humes stated that the Board should have a realistic conversation about how the Executive Director is performing based on evaluation criteria and, then, establish the annual wage increase.

Motion: Upon motion by Robert Harvey, Jr., seconded by Lou Walter, the Board of Administration accepted and approved the Executive Director Evaluation and Compensation Policy. The motion passed unanimously (7-0).

Quarterly Deep Dive – Member Communications

Paige Alderete provided an operational deep dive on Member Communications that included additional communications and improvements in 2019 and improvement plans for 2020.

SCERS went live with the new pension administration system (V3) in January 2019. Staff are stabilizing the system this year and system improvements will continue into next year. This is the primary focus of the operations team. V3 allows staff to proactively identify errors. The member FAQs and Member Handbook have been updated. The FAQs are online on the SCERS website. The Member Handbook should be finalized by the end of this year.

SCERS, Seattle Department of Human Resources (SDHR), and City of Seattle's Deferred Compensation teams have been collaborating to develop cohesive employee communications. Staff hope to have a one-page guide for members to consider for retirement drafted by the end of this year.

One of the goals for 2020 is to reduce service delays and process all requests in 2-4 weeks and to have a member satisfaction survey completed.

Executive Director Report

Paige Alderete gave the Board an update on data clean up from the old system.

Mr. Walter shared what he learned from recent trustee training. A high-performance Board should emphasize education and knowledge in their trustee responsibilities. Ms. Bagshaw concurred and stated she attended the NCPERS Annual Conference earlier this year.

There will not be a quorum for the November Investment Committee or Administrative Committee. Both meetings scheduled for November 21, 2019 will be canceled. The Investment Committee agenda items will be deferred to the December 12, 2019 Board of Administration Meeting.

Closed Deliberations on Disability Retirement Applications

The Board entered into closed deliberation at 10:00 a.m. for approximately 20 minutes to discuss applications for disability retirement. The deliberation ended at 10:25 a.m. and the Board entered into public session.

Motion: Upon motion by Bobby Humes seconded by Glen Lee, the Board of Administration approved the disability retirement application of Donald Jones that was presented in accordance with the determination of the independent medical examination effective November 14, 2019. The motion passed unanimously (7-0).

Motion: Upon motion by Sally Bagshaw, seconded by Robert Harvey, Jr., the Board of Administration voted to refer the disability retirement application of Rodney Oster back to the Panel of Consultants for further information. The motion passed unanimously (7-0).

Adjourn Meeting

The meeting adjourned at 10:27 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, December 12, 2019

Board Members present: Sally Bagshaw (Chair), Robert Harvey, Jr., Glen Lee, Sherri Crawford, Lou Walter (via conference call), Bobby Humes

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

Others present: Mike Monaco (MMPL), Gary Smith (City Attorney's Office), George Emerson (CBO), Don Stracke (NEPC), Mike Malchenko (NEPC), Tim Allen (Tacoma ERS), John Masterjohn (ARSCE), Judith Blinder

Call to Order

Sally Bagshaw, Chair, called the meeting to order at 9:03 am.

Public Comment

Ms. Bagshaw introduced Judith Blinder. Ms. Blinder will be recommended to replace Jaya Bajpai who has resigned from his active member trustee position. Ms. Blinder will be formally appointed at a future City Council Finance committee meeting.

Jeff Davis thanked Ms. Bagshaw for her service as chair for the last two years. Ms. Bagshaw will be retiring effective December 31, 2019.

Administrative Consent Agenda

Provided in the Retirement Board Packet were the minutes from the November 14, 2019 Retirement Board regular meeting. Ratification of Retired Payroll, Office Payroll, and other payments and withdrawals:

The following items represent normal expenses:	
Pension Payroll & Withdrawals	\$19,687,983
Office Payroll	322,836*
Admin & Investment Expenses	2,379,308
Total Expenses – November 2019	\$22,390,128

**includes estimated benefit costs*

Retirements, Withdrawals, Other Payouts – November 2019			
	Count	Monthly Pension	Lump Sum Distribution
Retirements	18	\$67,657.65	\$465,390.04
Withdrawals	22	n/a	\$839,136.62

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 (4-0).

Investment Policy Finalization

Jason Malinowski and Tony Smith presented the revised Investment Policy which would be effective January 1, 2020. The revised policy reflects incremental edits to the existing policy and coincides with completion of the asset-liability study. Mr. Smith reviewed the purpose and background of the Investment Policy and recapped edits to the policy that had been discussed previously at the August Investment Committee meeting. These edits included adding investment beliefs related to ESG and system liabilities and adding a third investment goal of outperforming a passive benchmark over a market cycle.

(9:10 am – Lou Walters called in to the meeting.)

(9:13 am – Bobby Humes arrived at the meeting.)

Mr. Malinowski summarized the final recommendation on the strategic asset allocation that was presented at the October Investment Committee meeting. The recommended targets are 48% Public Equity, 11% Private Equity, 18% Core Fixed Income, 7% Credit Fixed Income, 12% Real Estate and 4% Infrastructure. The Diversifying Strategies asset class has also been removed. The recommendation was reached jointly by staff and NEPC, following analyses and presentations to the Investment Committee throughout 2019. The revised Investment Policy reflects the recommended strategic asset allocation by updating the target allocations and permissible ranges for each asset class and updating the weights of the strategic policy benchmark.

Motion: Upon motion by Glen Lee, seconded by Robert Harvey, Jr., the Board of Administration adopted the revised Investment Policy effective January 1, 2020 that reflects updated strategic asset allocation targets of 48% Public Equity, 11% Private Equity, 18% Core Fixed Income, 7% Credit Fixed Income, 12% Real Estate and 4% Infrastructure. The motion passed unanimously (6-0).

Strategic Asset Allocation Implementation

Mr. Malinowski described portfolio changes due to the adopted strategic asset allocation. The initial changes at year-end will be limited. Given the Diversifying Strategies asset class has been removed, SCERS will need to proceed with redeeming from AQR Multi-Strategy Fund XVI that is the asset class's sole investment. Staff continues to have a favorable view of AQR and may later recommend the manager in an ongoing asset class.

There will be further portfolio changes over the next several years as additional investments are made in private market asset classes in order to reach target allocations to Private Equity, Real Estate and Infrastructure.

Motion: Upon motion by Glen Lee, seconded by Robert Harvey, Jr., the Board of Administration directed that the AQR Multi-Strategy Fund XVI investment be redeemed as is consistent with the adopted strategic asset allocation that removes the Diversifying Strategies asset class. The motion passed unanimously (6-0).

Credit Fixed Income Manager Update

Mr. Smith presented staff's recommendation to convert SCERS's investment in the Ares Institutional Credit Fund to a separately managed account to enhance the liquidity, control, and customization of the portfolio. There are no changes to either the investment strategy or the management fees. NEPC concurs with the recommendation.

Motion: Upon motion by Glen Lee, seconded by Robert Harvey, Jr., the Board of Administration directed that the Ares Institutional Credit Fund investment be converted to a separately managed account, pending satisfactory legal review. The motion passed unanimously (6-0).

Cost Effectiveness and Fee Analysis

Mr. Malinowski, Cecelia Chen, and Don Stracke, NEPC, presented the annual cost effectiveness and fee analysis which detailed investment-related costs and evaluated their cost effectiveness. BNY Mellon, as custodial bank, and the SCERS accounting team have joint responsibility for tracking investment-related costs. This process has improved over the last several years to ensure accuracy and completeness.

SCERS participates in the CEM Benchmarking survey which collects fee information from survey respondents and provides a detailed report. SCERS has been participating since 2017. CEM Benchmarking is the best data source that exists for tracking investment-related costs.

Ms. Chen stated that investment-related costs for 2018 were \$16.8 million (0.6% of fund assets), consisting of \$15.3 million in investment manager fees and \$1.5 million in staff, consulting and custody costs. SCERS's total investment-related costs are comparable to other US plans. Investment-related costs increased year-over-year as SCERS has deployed additional capital to higher-fee alternative asset classes to achieve their target allocations, which is expected to continue for the next several years.

(9:57 am – Sally Bagshaw left the meeting.)

Mr. Malinowski reviewed the findings related to cost effectiveness by comparing performance to a passive portfolio that is available at very low cost. Since 2011, SCERS has experienced annual investment-related costs of 0.5% and a gross-of-fee annualized return that exceeds the passive portfolio by 1.0%.

Mr. Stracke emphasized that strategic asset allocation decisions drive relative costs and that the lowest cost portfolio is not necessarily the appropriate choice for investors.

Mr. Davis acknowledged the SCERS accounting team for the work they have done to provide this information.

Quarterly Performance Review

Mr. Stracke and Mike Malchenko of NEPC presented SCERS's investment performance for the period that ended September 30, 2019. On a net-of-fee basis, the Fund returned 4.4% for the one-year period as compared to 4.3% for the policy benchmark. Fund assets increased from \$2.9 billion to \$3.0 billion in the third quarter.

Executive Director Report

Mr. Davis stated that there is a vacancy on the Board. The Seattle Municipal Code provides a provision on how the Board member is to be replaced. The City Council has the responsibility to name the interim board member then an election will occur in the spring for the remainder of the term.

The member self-service portal will be piloted in January 2020. Staff need to ensure that the portal is stable and secure prior to implementation.

Executive Session for a Personnel Matter

The Board entered into Executive Session at 10:50 am to discuss a personnel matter for approximately 20 minutes.

Executive session ended at 11:05 am and the meeting reconvened to Regular Session.

Motion: Upon motion by Bobby Humes, seconded by Glen Lee, the Board of Administration directed that the full Annual Wage Increase (AWI) applicable to City of Seattle department heads be provided to the Executive Director retroactively for 2019, and that the Executive Director's compensation also be adjusted at the start of 2020 to include the applicable AWI for department heads. The motion passed unanimously (5-0).

Adjourn Meeting

The meeting adjourned at 11:07 a.m.