

**City of Seattle**

# **Seattle City Employees' Retirement System**

**Presentation to the City Council – 2012-2013 Accomplishments**

January 27, 2014



## Presentation Overview

- Organization
- Operations
- Fund Management
- Financial Position
- 2014 Work Plan



## Organization

- Interim Executive Director Ken Nakatsu appointed in July 2013
- CFO/COO Jeff Davis hired permanently in July 2013
- SCERS Board adopted charters to formalize the roles of the Administrative and Investment Committees
- City Council passed legislation to establish authority of SCERS Board committees
- Strategic Plan development process underway



## Operations

- In response to the City Auditor's report of August 2013, business process redesign and procedures documentation projects are underway
- Communications Audit completed in September 2013; projects to improve forms, letters and the web site are underway
- Pension system platform converted from RBase to Oracle and other enhancements made to increase system security and stability
- Board approved the development of an RFP for a modern Pension Administration System
- Completed design for a Customer Relationship Management application to better track and manage service requests; initial implementation scheduled for Q1 2014



## Fund Management

- Two strong years of investment returns: 14.0% in 2012 and 9.9% in the first 3 quarters of 2013.
- Since the 26.8% loss in 2008, the fund has experienced average annual growth of 9.3%
- Three-year performance is in-line with median public fund and the Washington State Investment Board
- Increased oversight and support: Investment Advisory Committee reconstituted; Investment Consultant contract to be renewed; and Chief Investment Officer Position to be created
- Asset allocation study concluded and asset allocation model adopted in 2013 4Q
- Asset Overlay Service contract awarded in 2013 4Q



## Financial Position

- The *Funding Ratio* has recovered from a post-recession level of 62% in 2010 to 63.5% in 2013
- The City has made a strong commitment to maintaining the *Annual Required Contribution Rate (ARC)*, i.e. the rate that ensures that the fund will return to a 100% funding ratio within thirty years
- For many years the City's total contribution rate was 16.06% (8.03% from employees). To meet the ARC requirement, the rate was raised over the last four years to 24.34% (10.03% from employees)
- The ARC is projected to decrease to 23.9% in 2015 and then steadily to 23.08% in 2019. However, this assumes a 7.75% average annual investment return, which likely may be adjusted down.



## 2014 Work Plan

- Select Investment Consultant
- Classify, recruit and hire Chief Investment Officer
- Develop and implement private equity and real return investment plans
- Begin Data Audit and Cleansing project
- Electronic Content Management System/Back File Conversion RFP to be issued Q4 2014
- Pension Administration System RFP to be issued Q4 2014
- Policy Review (including possible SMC changes)



# Questions \ Discussion