

Spokane Employees' Retirement System (SERS)
Board Meeting, 12:00 p.m. December 5, 2018
City Hall - Conference Room 5A

AGENDA

- 1) Jayson Davidson, Hyas Group
 - a. Third Quarter 2018 Performance Review
 - Information
 - b. Fund Manager Discussion
 - Motion
 - c. Review Index Fund Alternatives
 - Motion

- 2) Minutes of the October 31, 2018 Meeting
 - Motion

- 3) Director's Report
 - a. Retirements
 - Motion
 - b. Withdrawals
 - Motion
 - c. Deaths
 - Information
 - d. Expenditure Summary Report – October 2018
 - Motion
 - e. Schedule of Investments – October 2018
 - Information
 - f. Monthly Cash Reconciliation
 - Information
 - g. Other Business

- 4) Other Business

- 5) Next Meeting – **Wednesday January 30, 2019 at 1:30 p.m.**

Spokane Employees' Retirement System (SERS)
Board Meeting Minutes
October 31, 2018

The regular monthly meeting was called to order at 1:32 p.m. in the Tribal Conference Room in the lobby at City Hall.

Present: Mike Coster, Jim Tieken, Mike Cavanaugh, Candace Mumm, Dean Kiefer, Brian Brill, and J. D. Morscheck

Staff: Phill Tencick, Donald Brown, and Tim Szambelan

Guests: Joe Cavanaugh, Natalie Hilderbrand, Bob Olsen, Dave Henshaw, Jon Barnhart, Adam Miles, and John Bjork

Minutes of the September 26, 2018 Meeting

Candace Mumm moved and Jim Tieken seconded the motion to approve the minutes of the September 26, 2018 meeting as presented. The motion passed unanimously.

Director's Report

Service Retirements

<i>Name</i>	<i>Age</i>	<i>Retirement Date</i>	<i>Years of Service</i>	<i>Option</i>
William "Mike" Reinken	55	11/02/2018	25.8	E
Christopher P. Galvin	62	12/04/2018	12.1	E

Dean Kiefer moved and Brian Brill seconded the motion to approve the service retirements as amended on the October Retirement Transaction Report. The motion passed unanimously.

Withdrawals for September 2018

<i>Name</i>	<i>Years of Service</i>	<i>Termination Date</i>
George B. Stumph	1.9	07/08/2010
Edward L. Davis	0.4	08/16/2011
Devin J. Deatrich	1.5	03/09/2018
Sandra E. Burwell	2.1	08/10/2018

Mike Cavanaugh moved and Candace Mumm seconded the motion to approve the request for withdrawal as presented on the October Retirement Transaction Report. The motion passed unanimously.

Vesting

<i>Name</i>	<i>Department</i>	<i>Years of Service</i>
Omar A. Akkari	Planning Services	2.8 Portability
John H. Enquist	Solid Waste Management	22.1

Deaths

<i>Name</i>	<i>Date Retired</i>	<i>Age</i>	<i>Date of Death</i>	<i>Information</i>
Lantia Passmore	12/30/1995	85	09/20/2018	No Further Benefits
Orville J. Poole	12/27/1997	83	10/05/2018	No Further Benefits
Harold G. Piper	03/26/1983	92	10/13/2018	No Further Benefits

Vesting and Death information provided to the Board for review.

Expenditure Summary Report – September 2018

The Expenditure Summary Report was presented to the Board and discussed.

Mike Cavanaugh moved and Jim Tieken seconded the motion to approve the September 2018 Expenditure Summary Report. The motion passed unanimously.

Schedule of Investments – September 2018

The monthly investment report was presented to the Board for review. The estimated market value of the SERS portfolio on September 30, 2018 was \$312 million with an estimated rate of return of 1.4% for the month.

Monthly Cash Reconciliation

The monthly cash reconciliation report was presented to provide the Board with additional insight into the ongoing liquidity, transactions, and cash position of the plan.

Index Fund Primer

Mr. Tencick provided a presentation on construction and evaluation of index funds.

2019 Contribution Rate Resolution

Mr. Tencick presented the Contribution Rate Resolution. This resolution will increase employee contributions from 9.00% of eligible compensation to 9.25% as previously voted by the Board at the April 2018 SERS Board meeting. The resolution will be effective as of the pay period beginning December 16th.

Mike Cavanaugh moved and Jim Tieken seconded the motion to adopt the Contribution Rate resolution. Candace Mumm will work with Staff to present the resolution to City Council.

2019 Education Opportunities

Mr. Tencick gave a brief overview of the educational opportunities that were included with the Board packet and encouraged Board members to contact Staff if they were interested in attending any of the conferences.

Other Business

Mike Cavanaugh requested that the Board meeting be moved to a more suitable meeting space. Discussion ensued pointing out issues with noise from various sources causing distractions to the information being discussed.

Candace Mumm moved and Jim Tieken seconded the motion to find a more suitable room for the SERS Board meeting to meet. The motion passed unanimously.

J. D. Morscheck asked for more detailed performance information from Hyas Group for SERS investments. Mr. Tencick will meet to discuss what information is needed and request it from Hyas Group.

There being no other business, the meeting adjourned at 2:26 p.m.

Phillip Tencick, Retirement Director

SERS Retirement Transaction Report

November 2018

Retirements

	Name	Age	Retirement Date	Years of Service	Department	Option
1	Terry S. Savage	63	11/05/2018	18.0	Development Services Center	ST
2	Brenda L. Corbett	66	12/05/2018	22.3	Municipal Court	ST
3	Paul A. Traynor	62	01/08/2019	25.5	Water	E
4	Shawn C. Pray	58	01/03/2019	29.4	EMS Fund Advanced	A
5	Shao-Zen Chang	67	02/02/2019	16.7	Wastewater Treatment	D
	Retirements YTD	68				
	2017 Total Retirements	62				

Withdrawals

	Name	Years of Service	Department	Termination Date
1	Jonathan C. Williams	8.9	Information Technology	02/04/2016
2	John P. Brennan	1.3	Street	09/22/2017
3	Emily E. Maiani	1.9	Library	02/16/2018
4	Jocelyn Q. Sullivan	0.4	Legal	04/20/2018
5	Melody A. Reinken	0.7	Police Records	05/01/2018
6	Timothy G. Shell	0.7	Fleet	09/07/2018
7	Jesse D. Jones	0.6	Library	09/07/2018
8	Raymond E. Lunceford	1.2	Street	09/20/2018
9	Tina J. Franklin	2.6	Library	10/05/2018

Deaths

	Name	Date Retired	Age	Date of Death	Information
1	Carol K. Taylor	06/04/2010	85	10/17/2018	No Further Benefits
2	Peggy A. Edwards	11/04/2003	80	10/25/2018	No Further Benefits
3	Evelyn L. Lund	01/01/2011	91	10/25/2018	No Further Benefits

SPOKANE EMPLOYEES' RETIREMENT SYSTEM - 6100
 2018 EXPENDITURE SUMMARY REPORT
 OCTOBER 31, 2018

	2017 ACTUAL	2018 BUDGET	OCTOBER ACTUAL EXPENDITURES	2018 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
OPERATING EXPENDITURES						
Departmental Salaries	272,809.13	290,564.00	21,288.00	223,025.18	67,538.82	76.8%
Departmental Benefits	78,628.12	86,250.00	6,663.53	68,648.10	17,601.90	79.6%
Reserve for Budget Adjustment	-	10,000.00	-	-	10,000.00	0.0%
Administrative Income	(19,374.47)	(10,000.00)	-	(17,378.84)	7,378.84	
Postage/Supplies/Other	4,680.88	9,950.00	33.81	1,949.20	8,000.80	19.6%
State Audit Charges	10,669.62	15,000.00	2,031.62	8,535.86	6,464.14	56.9%
Contractual Services	139,186.91	175,000.00	19,958.31	121,000.06	53,999.94	69.1%
Travel	10,968.76	15,000.00	-	6,513.81	8,486.19	43.4%
Registration/Schooling	15,980.00	15,000.00	-	8,575.00	6,425.00	57.2%
Other Dues/Subscriptions/Membership	1,886.00	2,500.00	-	566.00	1,934.00	22.6%
Other Miscellaneous Charges	708.66	1,300.00	55.00	554.48	745.52	42.7%
Amortization	17,649.00	-	-	-	-	
TOTAL OPERATING EXPENDITURES	533,792.61	610,564.00	50,030.27	421,988.85	188,575.15	69.1%
INTERFUND EXPENDITURES						
Interfund - Centralized Purchasing	-	378.00	94.50	378.00	-	100.0%
Interfund - Centralized Accounting	2,346.92	2,078.00	519.40	2,077.60	0.40	100.0%
Interfund - IT Phones	1,514.36	-	-	-	-	
Interfund - Risk Management	760.00	790.00	-	592.50	197.50	75.0%
Interfund - Worker's Compensation	104.00	109.00	-	81.75	27.25	75.0%
Interfund - Reprographics	7,596.07	4,500.00	455.85	6,924.11	(2,424.11)	153.9%
Interfund - IT	13,756.33	16,171.00	1,354.99	12,168.23	4,002.77	75.2%
Interfund - IT Replacement	2,772.00	2,066.00	172.17	1,549.53	516.47	75.0%
Interfund - My Spokane	435.90	1,532.00	-	1,149.00	383.00	75.0%
TOTAL INTERFUND EXPENDITURES	29,285.58	27,624.00	2,596.91	24,920.72	2,703.28	90.2%
TOTAL ADMINISTRATIVE EXPENDITURES	563,078.19	638,188.00	52,627.18	446,909.57	191,278.43	70.0%

SPOKANE EMPLOYEES' RETIREMENT SYSTEM - 6100
 2018 EXPENDITURE SUMMARY REPORT
OCTOBER 31, 2018

	2017 ACTUAL	2018 BUDGET	OCTOBER ACTUAL EXPENDITURES	2018 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
PENSIONS						
Pensions-Annuity Benefit Payments	24,852,639.62	27,000,000.00	2,228,202.04	21,733,781.38	5,266,218.62	80.5%
Pensions-Disability Payments	125,328.48	140,000.00	10,444.04	104,440.40	35,559.60	74.6%
Pensions-Survivor Annuity Benefits Payments	1,913,816.49	2,100,000.00	172,521.06	1,641,068.96	458,931.04	78.1%
TOTAL PENSIONS	<u>26,891,784.59</u>	<u>29,240,000.00</u>	<u>2,411,167.14</u>	<u>23,479,290.74</u>	<u>5,760,709.26</u>	80.3%
Refunds	551,908.36	1,000,000.00	27,121.51	353,801.89	646,198.11	35.4%
TOTAL EXPENSES	<u><u>28,006,771.14</u></u>	<u><u>30,878,188.00</u></u>	<u><u>2,490,915.83</u></u>	<u><u>24,280,002.20</u></u>	<u><u>6,598,185.80</u></u>	78.6%
INVESTMENT EXPENSE*						
Advisory Technical Service	449,836.97	500,000.00	38,950.64	305,132.34	194,867.66	61.0%

* investment expenses are netted against investment income in the statement of changes of plan net assets to arrive at a net investment income amount.

SERS Schedule of Cash and Investments

October 31, 2018

11/27/2018

	Type		Allocation		
			Target	Current	Diff.
Cash Held by Treasurer	Cash	\$ 47,415			
US Bank	Short-term Inv	149,773			
Total Cash		197,188	0.0%	0.1%	0.1%
Sterling Capital	Total Return	24,807,745			
Total Total Return		24,807,745	10.0%	8.4%	-1.6%
Hotchkis & Wiley	High Yield - Mutual Fund	11,917,710			
Total High Yield		11,917,710	5.0%	4.0%	-1.0%
Polar	LLC	6,772,985			
American Beacon	Mutual Fund	-			
Castine Capital II	Ltd Partnership	7,819,792			
Post Limited Term High Yield	Ltd Partnership	6,086,658			
Rimrock Low Volatility	Ltd Partnership	9,948,786			
Total Absolute Return		30,628,221	8.0%	10.4%	2.4%
Total Capital Preservation		67,550,864	23.0%	22.9%	-0.1%
Hotchkis & Wiley	LC Value - Mutual Fund	15,403,465			
Jackson Square	LC Growth - Mutual Fund	16,414,400			
MFS Heritage	LC Core	14,183,601			
Vanguard S&P 500 Index	LC Core - Mutual Fund	10,684,093			
Total US Large Cap		56,685,559	21.0%	19.2%	-1.8%
Sterling	MC Value	4,492,549			
Vanguard MC Growth	MC Growth - Mutual Fund	3,833,178			
Vanguard MC Index	MC Core - Mutual Fund	3,867,542			
Champlain	SC Core	6,074,179			
Phocas	SC Value - Mutual Fund	3,769,471			
Bridge City	SC Growth	5,406,393			
Vanguard SC Index	SC Core - Mutual Fund	859,407			
Total US Small/Mid Cap		28,302,719	11.0%	9.6%	-1.4%
Total US Equities		84,988,278	32.0%	28.8%	-3.2%
Artisan	SMID Value - Mutual Fund	19,801,224			
Euro Pacific	LC Blend - Mutual Fund	19,268,244			
Vanguard International	LC Index - Mutual Fund	-			
Total International Large Cap		39,069,468	15.0%	13.2%	-1.8%
Trivalent	SC Value - Mutual Fund	11,541,473			
Total International Small/Mid		11,541,473	4.0%	3.9%	-0.1%
Vanguard EM Index	EM - Mutual Fund	1,050,371			
ABS Emerging Markets	Ltd Partnership	7,436,079			
Berens	Ltd Partnership	936,212			
Total Emerging Markets		9,422,662	3.0%	3.2%	0.2%
Total International Equities		60,033,603	22.0%	20.3%	-1.7%
Weatherlow Offshore	Ltd Partnership	15,579,094			
Royalty Opportunities I	Ltd Partnership	3,131,687			
Royalty Opportunities II	Ltd Partnership	2,866,533			
Total Long Biased		21,577,314	7.0%	7.3%	0.3%
Metropolitan Real Estate Partners	Ltd Partnership	200,819			
Morrison Street Fund IV	LLC	356,981			
Morrison Street Fund V	LLC	3,985,918			
Morrison Street Debt Opportunities	LP	4,139,770			
Morgan Stanley Prime	LLC	7,251,412			
Principal (REITs)	REITs	10,072,253			
Total Real Estate		26,007,153	9.0%	8.8%	-0.2%
Contrarian Capital Fund I	Ltd Partnership	9,727,237			
Beach Point	Ltd Partnership	10,597,778			
Total Opportunistic Credit		20,325,015	7.0%	6.9%	-0.1%
Contrarian EM Credit	LLC	6,271,549			
OrbiMed II	Ltd Partnership	8,774,421			
Total Special Opportunities		15,045,970	0.0%	5.1%	5.1%
Total Cash and Investments		\$ 295,528,197	100.0%	100.0%	0.0%
	Monthly Pension	\$ (2,438,701)			
	As of September 30, 2018	\$ 312,182,781			
	Estimated Rate of Return	-4.6%			
Abs. Return and Total Return FI	Thesis 2017.1	55,435,966	18.0%	18.8%	0.8%
High Yield and Opp Credit	Thesis 2017.2	32,242,725	12.0%	10.9%	-1.1%
Equity and Special Situations	Thesis 2017.3	160,067,851	54.0%	54.2%	0.2%

Cash Recon - Nov 18

Date	Transactions	Sources	Uses	Balance
10/25/2018	Beginning Balance			741,187.05
10/25/2018	Distribution - Morrison Street V	62,772.87		803,959.92
10/29/2018	Payroll Contributions	706,147.14		1,510,107.06
10/29/2018	Trust Fees		(23,012.95)	1,487,094.11
10/31/2018	October Pension Payments		(2,438,701.02)	(951,606.91)
10/31/2018	Sale - MFS Blended Research (Large Cap)	325,000.00		(626,606.91)
11/1/2018	Distribution - Morrison Street MSDO	99,739.37		(526,867.54)
11/1/2018	Distribution - OrbiMed Royalty Opps	675,494.99		148,627.45
11/1/2018	Interest	1,145.69		149,773.14
11/5/2018	Return/Reissue Pension Check	291.66	(291.66)	149,773.14
11/9/2018	Return/Reissue Pension Checks	2,483.51	(1,827.14)	150,429.51
11/13/2018	Payroll Contributions	703,486.02		853,915.53
11/19/2018	Wire - City Operating Account		(150,000.00)	703,915.53
11/26/2018	Payroll Contributions	709,913.78		1,413,829.31
11/28/2018	Ending Balance	3,286,475.03	(2,613,832.77)	1,413,829.31
	<u>Upcoming</u>			
11/29/2018	Sale - Jackson Square Large Cap Growth	1,110,000.00		
11/30/2018	November Pension Payments		(2,510,915.81)	