

Spokane Employees' Retirement System (SERS)
Board Meeting, 12:00 p.m. February 27, 2019
City Hall – Council Briefing Center

AGENDA

1. Jayson Davidson, Hyas Group, 2018 4th Quarter Investment Performance Report
 - a. Performance Report
 - Information
 - b. Investment Policy Statement Review
 - Motion
 - c. Large Cap Blend Manager Review
 - Motion
 - d. Other Business
 - Index Fund Transition Update
 - Hyas Group Client Survey
2. Minutes of the January 30, 2019 Meeting
 - Motion
3. Director's Report
 - a. Retirements
 - Motion
 - b. Withdrawals
 - Motion
 - c. Deaths
 - Information
 - d. Expenditure Summary Reports – December 2018, January 2019
 - Motion
 - e. Schedule of Investments – January 2019
 - Information
 - f. Cash Reconciliation – February 2019
 - Information
 - g. Other Business
 - SB 5240 Update
 - SREC Update
4. Upcoming Board Election (Mike Coster's term)
 - Information
5. Other Business
6. Next Meeting - **Wednesday, March 27, 2018 at 12:00 p.m.**

STATEMENT OF INVESTMENT POLICY

Spokane Employees' Retirement System

Date Approved: February 28, 2018

Date Reviewed: ~~February 27, 2019?~~

POLICY OVERVIEW

The Board ("Board") of the Spokane Employees' Retirement System ("SERS") hereby establishes this Statement of Investment Policy ("IPS") for the investment, in accordance with applicable federal, state and municipal laws and regulations, of SERS assets ("Fund"). This IPS defines the investment policies for the management and oversight of the Fund for SERS.

The guiding principles with respect to the investment of the Fund are to preserve the ability for the Fund to meet its long-term liabilities within prudent risk parameters. Toward that end, the Fund has established the following goals:

- 1) Accumulate sufficient assets through a diversified portfolio of investments to pay all current and future retirement benefits and expense obligations of the Fund.
- 2) Establish an asset allocation policy that is expected to meet the required rate of return over long periods of time while minimizing volatility.
- 3) Minimize the costs associated with implementation of the asset allocation through the efficient use of resources.
- 4) Operate solely in the interest of the participants and beneficiaries and for the exclusive purpose of providing benefits to the participants and their beneficiaries and defraying reasonable expenses of administration.
- 5) Seek investment returns and funding policies that will allow for ad hoc increases in retirees' annuities so as to maintain the purchasing power of their benefit.

ROLES AND RESPONSIBILITIES

The Board, as a fiduciary, is responsible for establishing the IPS, reviewing the IPS as required, and making changes as necessary. The Board is also responsible for selecting and monitoring the investment consultant, investment managers, custodian, auditor, actuary and any other service providers necessary in the fulfillment of this policy and the Fund objectives. Responsibility for day-to-day administration and implementation related to the IPS may be delegated to the Chief Investment Officer (CIO) and/or other SERS staff. Responsibilities of the CIO (and/or SERS staff at the direction of the CIO) include:

- 1) Implementation of the Fund's investment goals, objectives and policies.
- 2) Due diligence, monitoring, and contracting of the Fund's investment managers.
- 3) Due diligence, monitoring, and contracting of the Fund's service providers.

- 4) Make buy/sell decisions to provide for regular liquidity requirements and rebalancing within the asset allocation guidelines.
 - a. The Board will be notified in advance of all transactions. The transaction will be considered approved if the Board does not object to the proposed transaction within one business day.
- 5) Monitoring and evaluating performance results to assure that the policy guidelines are being met.

The Board and staff may also delegate certain responsibilities to professional service providers in various fields. These experts include:

- 1) **Investment Consultant.** The investment consultant will assist in: 1) establishing investment policy; 2) designing objectives and guidelines; 3) selecting investment managers; 4) reviewing such managers over time; 5) measuring and evaluating investment performance; and, 6) other tasks as deemed appropriate. It is expected that the investment consultant will be selected by the Board and will serve as a co-fiduciary on all investment related decisions and will have the proper insurance to cover exposure.
- 2) **Investment Managers.** An investment manager has discretion to purchase, sell and/or hold the specific securities that will be used to meet the Fund's investment objectives while observing and operating within all policies, guidelines, constraints, and philosophies as outlined in this statement and in their specific manager guidelines.
- 3) **Custodian.** The custodian will maintain possession of securities owned by the Fund, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian will also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the Fund accounts. The custodian will provide at a minimum monthly reporting of assets and transactions and provide any additional data requests.
- 4) **Auditor.** The auditor will provide an annual review the Fund's books and records, accounting policies, and internal controls to provide an opinion that the financial statements are presented fairly and without material misstatement.
- 5) **Actuary.** The actuary will provide an annual valuation of the Fund's total pension liability based on the actuarial assumptions approved by the Board.
- 6) **Other.** Additional specialists may be employed to assist in meeting its responsibilities and obligations to administer Fund assets prudently.

Board and staff do not maintain any control over the individual investment decisions made by the investment managers. The investment managers will be held responsible and accountable to achieve the objectives outlined in their specific investment guidelines as provided in the agreement, prospectus or other such documentation.

All expenses for such experts must be customary and reasonable, and will be borne by the Fund as deemed appropriate and necessary.

INVESTMENT OBJECTIVE

The investment strategy of the Fund has been established to emphasize total return; that is, the aggregate return from capital appreciation, dividend and interest income, net of any investment management fees. The Fund currently has a long term actuarial expected rate of return of 7.50%. In consideration of this expected return, the primary investment management objectives for the Fund assets shall be to maximize total return over time at an acceptable level of risk and to provide relatively smooth and predictable distributions to the beneficiaries.

Additionally, the Fund will be invested according to the following general principles:

- Investments shall be made solely in the interest of and for the beneficiaries of the Fund;
- Investment of the Fund shall be diversified as to minimize the risk of large losses, unless under the circumstances it is prudent not to do so;
- Risk shall be evaluated in the context of the portfolio in its entirety with particular focus on how the various asset classes and investment strategies correlate to one another;
- Care will be taken to provide adequate liquidity to meet all current spending obligations of the Fund;
- Cash is to be employed productively at all times, to provide safety, liquidity, and return; and,
- The investment manager(s) should, at all times, be guided by the principles of “best price and execution” and that the Fund's best interests are the primary consideration.
- Investment management fees shall be reasonable. Fees should be minimized unless additional fees are expected to generate additional returns in excess of the additional fees or to provide additional diversification unavailable in a low-cost, passive investment.

ASSET ALLOCATION GUIDELINES

To achieve its investment objectives, the Fund will be allocated among a number of asset classes. These asset classes may be broadly defined to include capital preservation, domestic equities, international equities, long biased, opportunistic credit, real estate and special opportunities.. The purpose of allocating across these asset classes is to ensure the proper level of diversification within the Fund and improve the risk-adjusted efficiency of the investment portfolio. The following table outlines the Fund's target asset allocation along with standard minimum and maximum allocation rebalancing guidelines. Allocations in excess of the standard minimum or maximum require Board approval.

<u>Asset Class</u>	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Capital Preservation	20%	23%	26%
Cash	0%	0%	2%
Total Return Bond	8%	10%	12%
High Yield Bond	3%	5%	7%
Absolute Return	6%	8%	10%
Domestic Equities	29%	32%	35%
Large Cap Equity	19%	21%	23%
Small/Mid Cap Equity	9%	11%	13%
International Equities	19%	22%	25%
Large Cap Equity	13%	15%	17%
Small/Mid Cap Equity	2%	4%	6%
Emerging Market Equity	1%	3%	5%
Long Biased	4%	7%	10%
Opportunistic Credit	4%	7%	10%
Real Estate	6%	9%	12%
Special Opportunities*	0%	0%	10%

*** Special Opportunities**

This asset class is designed to allow the committee to pursue unique investment opportunities that may fall outside of current asset class descriptions. These opportunities are generally defined by higher expected return potential relative to broad public equity markets. However, they may also include opportunities expected to provide equity-like returns with significantly less risk. Given the variable nature of this opportunity set, the asset class retains a target allocation of 0%, but may be implemented at the discretion of the Board as opportunities present themselves. Funding for the asset class will generally be redirected from the broad public equity allocation.

REBALANCING OF FUND ASSETS

The asset allocation exposures will be closely monitored with the understanding that the various asset classes may perform differently and that the relative attractiveness of asset classes may vary over time. The Fund's allocation will be reviewed at each Board meeting, as well as during periods of severe market change to assure that allocations remain within their respective guidelines and consistent with the long-term objective of the Fund. If an asset class

is outside the allowable range, the Board, or its designee, may take appropriate action to redeploy assets. In any investment rebalancing situation the Board, or its designee, will consider market conditions, costs and other investment related factors. In certain circumstances, when appropriate and at the Board's discretion, the Fund may be allocated outside the ranges provided in the Guidelines.

INVESTMENT PERFORMANCE REVIEW AND EVALUATION

Performance reports shall be compiled at least quarterly and presented to the Board for review. The investment performance of the total Fund, as well as the asset class components, will be measured against commonly accepted performance benchmarks. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this statement. The Board recognizes the long term nature of the Fund's objectives and the variability of market returns. Periodic underperformance relative to any criteria outlined in this IPS will not necessitate the termination of an investment option.

As referenced above, the Fund's total account performance objective is to achieve the long-term actuarial rate of return and to minimize the risk of failing to meet this expected return. To that end, managers have been selected based on their perceived ability to meet and or exceed predetermined benchmarks.

The total return of the Fund will be measured against a passive policy index of comparable risk comprised as follows:

<u>Asset Class</u>	<u>Benchmark</u>	<u>Weight</u>
Cash	US 90 Day T-Bill	0%
Total Return Bond	Barclays US Aggregate Bond Index	10%
High Yield Bond	Barclays US Corporate HighYield Index	5%
Absolute Return	HFRI FOF Conservative Index	8%
Domestic Large Cap Equity	S&P 500 Index	21%
Domestic Small/Mid Cap Equity	Russell 2500 Index	11%
International Large Cap Equity	MSCI ACWI ex-US Index	15%
International Small/Mid Cap Equity	MSCI ACWI ex-US Small Cap Index	4%
Emerging Markets Equity	MSCI EM Free Index	3%
Long Biased	HFRI FOF Composite Index	7%
Opportunistic Credit	HFRI Distressed Restructuring Index	7%
Real Estate - <u>Private</u>	NCREIF – ODCE Index	<u>69%</u>
<u>Real Estate - Public</u>	<u>FTSE NAREIT Index</u>	<u>3%</u>
Special Opportunities	Russell 3000 Index	0%

Additionally, the Board shall compare the performance of each individual investment alternative against the performance of the peer groups, relevant index benchmarks, and the manager’s strategic benchmark if it differs from the relevant benchmark. The Board shall track the investment vehicle’s performance relative to its benchmark(s), and the degree to which variance in the vehicle’s performance can be explained by variance in the performance of the benchmark(s). Initially, indices used for comparison purposes shall include the following:

Investment Category

Relevant Benchmark

US Large Capitalization Stocks—Blended Style	S&P 500 Index
US Large Capitalization Stocks—Growth Style	Russell 1000 Growth Index
US Large Capitalization Stocks—Value Style	Russell 1000 Value Index
US Small Capitalization Stocks—Blended Style	Russell 2000 Index
US Small Capitalization Stocks—Growth Style	Russell 2000 Growth Index
US Small Capitalization Stocks—Value Style	Russell 2000 Value Index
US Mid Capitalization Stocks—Blended Style	Russell Mid Cap Index
US Mid Capitalization Stocks—Growth Style	Russell Mid Cap Growth Index
US Mid Capitalization Stocks—Value Style	Russell Mid Cap Value Index
US Small/Mid Capitalization Stocks – Blended Style	Russell 2500 Index
Foreign Large Capitalization Stocks - Blended Style	MSCI ACWI ex-US Index
Foreign Large Capitalization Stocks - Value Style	MSCI ACWI ex-US Value Index
Foreign Large Capitalization Stocks - Growth Style	MSCI ACWI ex-US Growth Index
Foreign Small/Mid Capitalization Stocks – Blended	MSCI ACWI ex-US Small Cap Index
Emerging Market Large Capitalization Stocks	MSCI Emerging Markets Free Index
Real Estate Investment Trusts (REITS)	FTSE NAREIT Index
Core Liquid Real Estate	NCREIF – ODCE Index
Private Real Estate	NCREIF Property Index
Global Commodities	Bloomberg Commodity Index
Long Biased	HFRI FOF Composite Index
Opportunistic Credit	HFRI Distressed Restructuring Index
Special Opportunities	Russell 3000 Index
US High Yield Bonds	Barclays US Corporate High Yield Index
Absolute Return	HRFI FOF Conservative Index
Total Return Bonds	Barclays Aggregate Bond Index
Global Bonds	Barclays Global Aggregate Bond Index
Treasury Inflation Protected Securities	Barclays U.S. TIPS Index
Money Market	90-Day U.S. Treasury Bills

Notwithstanding this initial designation, the Board may change indices used for comparison if it is determined that a different index provides a more useful or appropriate benchmark for any designated investment vehicle.

If the net of fee performance of an actively managed investment option lags significantly behind that of the representative benchmark index over a trailing five year period and the option’s performance places it significantly below category averages, the Board may designate

the option as “on watch” and, in so doing, shall endeavor to investigate why the option’s relative performance has lagged; and determine whether the option continues to be an appropriate investment for the Fund.

If a statistical analysis of an indexed/passively managed investment option indicates that the option is not performing similarly to its benchmark, the Board may designate the option as “on watch” and, in so doing, shall endeavor to investigate why the invest performance has varied from the benchmark; and determine whether the option continues to be an appropriate investment for the Fund.

In addition to net investment performance, the Board will also review the investment products’ risk characteristics in relation to that performance. Risk will be measured in various ways including, but not limited to:

- Standard deviation
- Risk/return ratios such as Sharp or Treynor Ratios
- Up market and down market performance
- Other statistical measures such as Beta and Alpha
- Style drift

The investment options will also be monitored on an ongoing basis for material changes such as personnel departures, research capability adjustments, organizational changes, or alterations in investment style, philosophy, or strategy, as well as adherence to stated guidelines.

MANAGER SELECTION

To facilitate the Board’s manager selection decisions, the Consultant and Staff will present a formal search, with recommendations, for all new and replacement investment managers or funds. Initial due diligence should include a review of the investment philosophy, process, team, and performance record. Risks posed by a concentrated exposure to a single investment manager or co-investor will also be evaluated. Additional due diligence should be conducted for investments in new asset classes, firms with limited track records, or limited partnerships to evaluate any idiosyncratic risks the investment may pose, which may include interviewing key personnel, legal review, and on-site due diligence.

INVESTMENT POLICY REVIEW

To assure continued relevance of the guidelines, objectives, financial status and capital market expectations as established in this statement of investment policy, the Board will review the IPS annually, or more frequently if conditions warrant.



Spokane Employees' Retirement System On-Watch Fund Summary 4Q 2018

Vanguard Mid Cap Growth

- This is a multi-manager fund currently sub-advised by Frontier Capital (45% AUM), Wellington (5%) and RS Investments (50%). The fund was initially placed on watch for underperformance and subsequently due to manager turnover. In December of 2016, VG replaced long-time manager Chartwell Partners with RS Investments based on a combination of personnel changes, performance and style drift. In December of 2018 VG replaced long-time manager William Blair with Frontier and Wellington citing personnel turnover and lack of acceptable succession planning despite strong performance. Recent performance had improved significantly setting the stage to remove the strategy from watch. However, the recent manager turnover warrants the fund remain on-watch despite performance improvements.

Jackson Square Large Growth

- This large growth strategy has been a consistent top performer placing at or above median in its peer universe in 8 of the last 10 calendar years. However, in 2016 a combination of style headwind (underweight to cyclical growth) and poor stock selection in a couple of their top holdings led them to dramatically underperform for the year. There have not been any fundamental changes to their personnel or process, and we retain our conviction in the team that operates in a very difficult segment of the market increasingly dominated by the results of a handful of large technology firms. Performance post 2016 has been largely at peer median.

MFS Blended Research

- Initially hired to provide a low cost, low tracking error active management solution within the large cap blend asset class. The strategy has retained its relatively low tracking error profile but failed to deliver alpha over a passively managed index. The Fund's high-quality bias (low leverage) and slight value bias have been extended headwinds for the fund. A detailed review is to be completed for the 4Q2018 investment committee meeting.

Sterling Mid Cap Value

- Sterling Mid Value has just recently gone on watch status for underperformance, including significant underperformance (-600bps) in the final two quarters of 2018. Part of this underperformance is due to a structural (long-term/consistent) underweight to Utilities and REITS (top-performing sectors in 4Q18). They simply feel that these sectors of the market generate below average returns on capital over a full cycle. While we agree with this assessment, it creates additional tracking error vs. the policy index and peer group that investors need to be aware of. As expected, they have performed well in the recent market rebound to start 2019. There are no fundamental changes to the strategy or key research personnel.

OrbiMed Partners

- This dedicated long-biased healthcare strategy is on watch for poor performance. They have taken a strong macro position that biotechnology stocks are trading near all-time low valuations versus traditional pharmaceutical companies. As a result, they have structured a portfolio that is heavily long-biased biotech stocks and short pharmaceutical stocks. While we tend to agree with their relative valuation assessment, the current portfolio construction has created a highly volatile return pattern that is dependent on the reversion of valuation spreads between biotech and pharmaceutical stocks. Due to the excessive volatility, we have recently trimmed the position size.

Spokane Employees' Retirement System (SERS)
Board Meeting Minutes
January 30, 2019

The regular monthly meeting was called to order at 12:04 p.m. in the Council Briefing Center at City Hall.

Present: Mike Coster, Mike Cavanaugh, Dean Kiefer, and Candace Mumm

Absent: J.D. Morscheck, Brian Brill, and Jim Tieken

Staff: Phill Tencick, Christine Shisler, Donald Brown, and Tim Szambelan

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

Election of Chairperson

Candace Mumm moved and Mike Cavanaugh seconded the motion to elect Mike Coster as Board Chairperson for the year 2019. The motion passed unanimously

Minutes of the December 5, 2018 and January 22, 2019 Meetings

Candace Mumm moved and Mike Cavanaugh seconded the motion to approve the minutes of the December 5, 2018 and January 22, 2019 meetings 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>
Andrew E. Worlock	56	01/01/2019	18.4	E
Jean M. Dart	64	01/01/2019	10.5	ST
Brian L. Rose	65	01/12/2019	12.5	ST
Don R. Arndt	69	01/12/2019	11.1	E
Albert M. Thompson	67	02/01/2019	12.0	ST
Donna A. Smith	70	02/02/2019	13.1	E
Timothy J. Coles	67	02/02/2019	34.1	E
Janet L. Davey	67	02/08/2019	18.2	ST
Linda G. Shafer	67	02/09/2019	10.1	E
Linda L. Hendrix	62	02/14/2019	21.1	B
Ellen Hung	50	04/01/2019	12.3	ST
Lee Ann Reid	67	04/05/2019	19.6	D
Deborah Y. Bisenius	65	04/06/2019	26.4	ST

Mike Cavanaugh moved and Dean Kiefer seconded the motion to approve the service retirements as amended on the January Retirement Transaction Report. The motion passed unanimously.

Withdrawals for January 2019

<i>Name</i>	<i>Years of Service</i>	<i>Termination Date</i>
Heather L. Lowe	5.1	07/22/2016
Mary M. Reinbold	0.1	06/29/2018
Patrick B. Wanberg	0.3	08/24/2018
David M. Christenson	0.5	11/21/2018
Robert S. Oberst	4.1	11/21/2018
Misty A. Smiley	4.5	12/03/2018

Dean Kiefer moved and Mike Cavanaugh seconded the motion to approve the requests for withdrawal as presented on the January Retirement Transaction Report. The motion passed unanimously.

Vesting

<i>Name</i>	<i>Department</i>	<i>Years of Service</i>
Michael D. Froemming	Development Services Center	13.6

Deaths

<i>Name</i>	<i>Date Retired</i>	<i>Age</i>	<i>Date of Death</i>	<i>Information</i>
Deloris J. Ellis	09/07/1985	95	12/22/2018	No Further Benefits
Karen S. Thornton	01/12/2017	64	12/23/2018	No Further Benefits
Gregory A. Smith	02/02/2013	71	12/25/2018	No Further Benefits
Howard J. Brendel	03/26/1983	92	12/30/2018	No Further Benefits
Roy C. Butts	01/01/2014	84	01/01/2019	E Option Continues

Vesting and death information provided to the Board for review.

Expenditure Summary Report – November 2018

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

Mike Cavanaugh moved and Candace Mumm seconded the motion to approve the November 2018 Expenditure Summary Report. The motion passed unanimously.

Schedule of Investments – December 2018

The monthly investment report was presented to the Board for review. The estimated market value of the SERS portfolio on December 31, 2018 was \$295.7 million with an estimated monthly rate of return of -4.3%.

Monthly Cash Reconciliation

The monthly cash reconciliation reports for December 2018 and January 2019 were presented to provide the Board with additional insight into the ongoing liquidity and cash position of the plan.

SB 5240 Update

Mr. Tencick updated the Board on the SB 5240 hearing before the Ways and Means Committee on January 23, 2019. All of the testimony, including Mr. Tencick's on behalf of SERS, was opposed to the bill due to governance and risk management issues. The Committee has taken no action on the bill since the hearing.

Investment Advisory Committee Update

Mr. Tencick presented the Investment Advisory Committee minutes.

Dean Kiefer moved and Mike Cavanaugh seconded the motion to acknowledge the minutes of the January 24, 2019 SERS Investment Advisory Committee Meeting. The motion passed unanimously.

Annual Board Agenda

Mr. Tencick distributed a draft annual agenda for the year to the Board and asked for input on education topics within the next couples of weeks.

Spokane Regional Emergency Communications (SREC)

Mike Cavanaugh moved and Dean Kiefer seconded the motion to defer taking any action until further information is available. The motion passed unanimously.

City of Spokane Bond Rating

Mr. Tencick led a discussion on the bond rating provided by S & P for the City of Spokane.

There being no other business, the meeting adjourned at 1:00 p.m.

Phillip Tencick, Retirement Director

SERS Retirement Transaction Report

FEBRUARY 2019

Retirements

	Name	Age	Retirement Date	Years of Service	Department	Option
1	John T. McLaughlin	67	02/10/2019	7.5	Streets	ST
2	Leroy E. Eadie	51	02/13/2019	25.1	Parks & Recreation	ST
3	Nicholas B. Codd	65	04/02/2019	39.2	Advanced Wastewater Treatment	E
	Retirements YTD	14				
	2018 Total Retirements	71				

Withdrawals

	Name	Years of Service	Department	Termination Date
1	Claude P. Angeli	4.2	Police Records	05/31/2018
2	Katherine A. Bitz	0.4	Council	07/06/2018
3	Michael L. Graham	0.9	Street	07/31/2018
4	Dawn M. Kidner	2.7	Community & Neighborhood Services	12/26/2018
5	Steven E. Riggs	4.2	Fleet Services	01/11/2019
6	Pamela J. Marske	8.9	Police Records	01/24/2019

Deaths

	Name	Date Retired	Age	Date of Death	Information
1	Gregory A. Smith	02/02/2013	71	12/25/2018	Contribution Balance Paid Out
2	Patricia C. Stanton	01/03/1996	87	01/23/2019	No Further Benefits
3	Judith M. Quinlivan	07/03/2002	68	02/07/2019	No Further Benefits
4	Dennis R. Williams	01/08/2008	73	01/25/2019	D Option Continues
5	Judith M. Quinlivan	07/03/2002	68	02/07/2019	No Further Benefits

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

	2017 ACTUAL	2018 BUDGET	DECEMBER ACTUAL EXPENDITURES	2018 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
OPERATING EXPENDITURES						
Departmental Salaries	272,809.13	290,564.00	34,777.68	279,090.86	11,473.14	96.1%
Departmental Benefits	78,628.12	86,250.00	8,137.02	83,448.34	2,801.66	96.8%
Reserve for Budget Adjustment	-	10,000.00	-	-	10,000.00	0.0%
Administrative Income	(19,374.47)	(10,000.00)	(3,474.76)	(20,853.60)	10,853.60	
Postage/Supplies/Other	4,680.88	9,950.00	579.86	2,688.79	7,261.21	27.0%
State Audit Charges	10,669.62	15,000.00	2,777.80	12,444.28	2,555.72	83.0%
Contractual Services	139,186.91	175,000.00	10,663.09	132,743.15	42,256.85	75.9%
Travel	10,968.76	15,000.00	932.28	7,873.31	7,126.69	52.5%
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	-	1,709.60	790.40	68.4%
Other Miscellaneous Charges	708.66	1,300.00	55.00	664.48	635.52	51.1%
Amortization	17,649.00	-	17,649.00	17,649.00	(17,649.00)	
TOTAL OPERATING EXPENDITURES	533,792.61	610,564.00	72,096.97	526,033.21	84,530.79	86.2%
INTERFUND EXPENDITURES						
Interfund - Centralized Purchasing	-	378.00	128.33	506.33	(128.33)	133.9%
Interfund - Centralized Accounting	2,346.92	2,078.00	(119.44)	1,958.16	119.84	94.2%
Interfund - IT Phones	1,514.36	-	-	-	-	
Interfund - Risk Management	760.00	790.00	-	790.00	-	100.0%
Interfund - Worker's Compensation	104.00	109.00	-	109.00	-	100.0%
Interfund - Reprographics	7,596.07	4,500.00	(670.40)	6,719.51	(2,219.51)	149.3%
Interfund - IT	13,756.33	16,171.00	2,302.33	15,824.72	346.28	97.9%
Interfund - IT Replacement	2,772.00	2,066.00	344.34	2,066.04	(0.04)	100.0%
Interfund - My Spokane	435.90	1,532.00	(1,055.10)	476.90	1,055.10	31.1%
TOTAL INTERFUND EXPENDITURES	29,285.58	27,624.00	930.06	28,450.66	(826.66)	103.0%
TOTAL ADMINISTRATIVE EXPENDITURES	563,078.19	638,188.00	73,027.03	554,483.87	83,704.13	86.9%

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

	2017 ACTUAL	2018 BUDGET	DECEMBER ACTUAL EXPENDITURES	2018 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
PENSIONS						
Pensions-Annuity Benefit Payments	24,852,639.62	27,000,000.00	2,237,400.63	26,202,801.23	797,198.77	97.0%
Pensions-Disability Payments	125,328.48	140,000.00	10,444.04	125,328.48	14,671.52	89.5%
Pensions-Survivor Annuity Benefits Payments	1,913,816.49	2,100,000.00	170,341.74	1,981,214.54	118,785.46	94.3%
TOTAL PENSIONS	<u>26,891,784.59</u>	<u>29,240,000.00</u>	<u>2,418,186.41</u>	<u>28,309,344.25</u>	<u>930,655.75</u>	96.8%
Refunds	551,908.36	1,000,000.00	102,227.88	554,422.11	445,577.89	55.4%
TOTAL EXPENSES	<u><u>28,006,771.14</u></u>	<u><u>30,878,188.00</u></u>	<u><u>2,593,441.32</u></u>	<u><u>29,418,250.23</u></u>	<u><u>1,459,937.77</u></u>	95.3%
INVESTMENT EXPENSE*						
Advisory Technical Service	449,836.97	500,000.00	69,042.68	436,405.71	63,594.29	87.3%

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

SPOKANE EMPLOYEES' RETIREMENT SYSTEM - 6100
 2019 EXPENDITURE SUMMARY REPORT
JANUARY 31, 2019

	2018 ACTUAL	2019 BUDGET	JANUARY ACTUAL EXPENDITURES	2019 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
OPERATING EXPENDITURES						
Departmental Salaries	279,090.86	297,357.00	9,814.32	9,814.32	287,542.68	3.3%
Departmental Benefits	83,448.34	88,446.00	4,761.25	4,761.25	83,684.75	5.4%
Reserve for Budget Adjustment	-	10,000.00	-	-	10,000.00	0.0%
Administrative Income	(19,374.47)	(10,000.00)	-	-	(10,000.00)	
Postage/Supplies/Other	1,970.14	5,950.00	-	-	5,950.00	0.0%
State Audit Charges	12,444.28	15,000.00	-	-	15,000.00	0.0%
Contractual Services	132,743.15	175,000.00	-	-	175,000.00	0.0%
Travel	7,873.31	15,000.00	-	-	15,000.00	0.0%
Registration/Schooling	8,575.00	16,000.00	-	-	16,000.00	0.0%
Other Dues/Subscriptions/Membership	1,709.60	2,500.00	150.00	150.00	2,350.00	6.0%
Other Miscellaneous Charges	1,383.13	3,800.00	207.23	207.23	3,592.77	5.5%
Amortization	17,649.00	-	-	-	-	
TOTAL OPERATING EXPENDITURES	527,512.34	619,053.00	14,932.80	14,932.80	604,120.20	2.4%
INTERFUND EXPENDITURES						
Interfund - Office Performance Mgmt Services	-	800.00	-	-	800.00	0.0%
Interfund - Centralized Purchasing	506.33	1,241.00	311.50	311.50	929.50	25.1%
Interfund - Centralized Accounting	1,958.16	2,080.00	520.00	520.00	1,560.00	25.0%
Interfund - Risk Management	790.00	584.00	-	-	584.00	0.0%
Interfund - Worker's Compensation	109.00	122.00	-	-	122.00	0.0%
Interfund - Reprographics	6,719.51	5,000.00	-	-	5,000.00	0.0%
Interfund - IT	15,824.72	13,108.00	-	-	13,108.00	0.0%
Interfund - IT Replacement	2,066.04	1,965.00	-	-	1,965.00	0.0%
Interfund - My Spokane	476.90	643.00	154.58	154.58	488.42	24.0%
TOTAL INTERFUND EXPENDITURES	28,450.66	25,543.00	986.08	986.08	24,556.92	3.9%
TOTAL ADMINISTRATIVE EXPENDITURES	555,963.00	644,596.00	15,918.88	15,918.88	628,677.12	2.5%

SPOKANE EMPLOYEES' RETIREMENT SYSTEM - 6100
 2019 EXPENDITURE SUMMARY REPORT
JANUARY 31, 2019

	2018 ACTUAL	2019 BUDGET	JANUARY ACTUAL EXPENDITURES	2019 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
PENSIONS						
Pensions-Annuity Benefit Payments	26,202,801.23	28,000,000.00	2,243,294.08	2,243,294.08	25,756,705.92	8.0%
Pensions-Disability Payments	125,328.48	140,000.00	10,444.04	10,444.04	129,555.96	7.5%
Pensions-Survivor Annuity Benefits Payments	1,981,214.54	2,100,000.00	172,274.03	172,274.03	1,927,725.97	8.2%
TOTAL PENSIONS	<u>28,309,344.25</u>	<u>30,240,000.00</u>	<u>2,426,012.15</u>	<u>2,426,012.15</u>	<u>27,813,987.85</u>	8.0%
Refunds	554,422.11	1,000,000.00	-	-	1,000,000.00	0.0%
TOTAL EXPENSES	<u><u>29,419,729.36</u></u>	<u><u>31,884,596.00</u></u>	<u><u>2,441,931.03</u></u>	<u><u>2,441,931.03</u></u>	<u><u>29,442,664.97</u></u>	7.7%
INVESTMENT EXPENSE*						
Advisory Technical Service	436,405.71	500,000.00	4,606.82	4,606.82	495,393.18	0.9%

* 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

January 31, 2019

2/21/2019

	Type		Allocation		
			Target	Current	Diff.
Cash Held by Treasurer	Cash	\$ 81,351			
US Bank	Short-term Inv	200,863			
Total Cash		282,214	0.0%	0.1%	0.1%
Sterling Capital	Total Return	25,164,071			
Total Total Return		25,164,071	10.0%	8.6%	-1.4%
Hotchkis & Wiley	High Yield - Mutual Fund	12,960,942			
Total High Yield		12,960,942	5.0%	4.4%	-0.6%
Polar	LLC	6,899,275			
Castine Capital II	Ltd Partnership	7,539,675			
Post Limited Term High Yield	Ltd Partnership	6,153,915			
Rimrock Low Volatility	Ltd Partnership	9,955,050			
Total Absolute Return		30,547,915	8.0%	10.4%	2.4%
Total Capital Preservation		68,955,142	23.0%	23.5%	0.5%
Hotchkis & Wiley	LC Value - Mutual Fund	15,305,360			
Jackson Square	LC Growth - Mutual Fund	15,525,085			
MFS Heritage	LC Core	14,125,630			
Fidelity S&P 500 Index	LC Core - Mutual Fund	11,645,806			
Total US Large Cap		56,601,881	21.0%	19.3%	-1.7%
Sterling	MC Value	4,468,964			
Vanguard MC Growth	MC Growth - Mutual Fund	3,929,148			
Fidelity MC Index	MC Core - Mutual Fund	3,917,529			
Champlain	SC Core	6,034,633			
Phocas	SC Value - Mutual Fund	3,702,870			
Bridge City	SC Growth	5,456,937			
Fidelity SC Index	SC Core - Mutual Fund	854,446			
Total US Small/Mid Cap		28,364,527	11.0%	9.7%	-1.3%
Total US Equities		84,966,408	32.0%	28.9%	-3.1%
Artisan	SMID Value - Mutual Fund	20,986,670			
Euro Pacific	LC Blend - Mutual Fund	20,600,396			
Fidelity International	LC Index - Mutual Fund	-			
Total International Large Cap		41,587,066	15.0%	14.2%	-0.8%
Trivalent	SC Value - Mutual Fund	11,592,999			
Total International Small/Mid		11,592,999	4.0%	3.9%	-0.1%
Vanguard EM Index	EM - Mutual Fund	1,155,936			
ABS Emerging Markets	Ltd Partnership	7,515,379			
Berens	Ltd Partnership	936,212			
Total Emerging Markets		9,607,527	3.0%	3.3%	0.3%
Total International Equities		62,787,592	22.0%	21.4%	-0.6%
Weatherlow Offshore	Ltd Partnership	14,964,642			
Royalty Opportunities I	Ltd Partnership	2,293,451			
Royalty Opportunities II	Ltd Partnership	2,730,281			
Total Long Biased		19,988,374	7.0%	6.8%	-0.2%
Metropolitan Real Estate Partners	Ltd Partnership	200,819			
Morrison Street Fund V	LLC	4,128,162			
Morrison Street Debt Opportunities	LP	4,146,895			
Morgan Stanley Prime	LLC	7,322,492			
Principal (REITs)	REITs	11,890,794			
Total Real Estate		27,689,162	9.0%	9.4%	0.4%
Contrarian Capital Fund I	Ltd Partnership	8,802,903			
Beach Point	Ltd Partnership	10,322,051			
Total Opportunistic Credit		19,124,954	7.0%	6.5%	-0.5%
Contrarian EM Credit	LLC	6,459,224			
OrbiMed II	Ltd Partnership	3,627,419			
Total Special Opportunities		10,086,643	0.0%	3.4%	3.4%
Total Cash and Investments		\$ 293,598,275	100.0%	100.0%	0.0%
	Monthly Contributions				
	Monthly Pension	\$ (2,449,701)			
	As of December 31, 2018	\$ 273,576,056			
	Estimated Rate of Return	8.3%			
Abs. Return and Total Return FI	Thesis 2017.1	55,711,986	18.0%	19.0%	1.0%
Equity and Special Situations	Thesis 2017.3	157,840,643	54.0%	53.8%	-0.2%

Cash Recon - Feb

Date	Transactions	Sources	Uses	Balance
1/24/2019	Beginning Balance			2,508,140.58
1/25/2019	Distribution - Morrison Street Debt Opps	94,743.19		2,602,883.77
1/29/2019	Trust Fees		(22,786.16)	2,580,097.61
1/31/2019	Distribution - Morrison Street V	41,977.66		2,622,075.27
1/31/2019	Pension Payments		(2,427,266.16)	194,809.11
2/1/2019	Withdrawals		(22,434.47)	172,374.64
2/1/2019	Interest	6,054.13		178,428.77
2/4/2019	Payroll Contributions	738,244.10		916,672.87
2/6/2019	Capital Call - Royalty Opps II		(375,000.00)	541,672.87
2/6/2019	Redeposit/Reissue Payments	3,171.59	(3,171.59)	541,672.87
2/7/2019	Redeposit Payments	3,058.87		544,731.74
2/8/2019	Reissue Payments		(2,393.04)	542,338.70
2/11/2019	Dividends	61.98		542,400.68
2/13/2019	Distribution - Morrison Street V	1,486,177.70		2,028,578.38
2/19/2019	Payroll Contributions	749,936.08		2,778,514.46
2/19/2019	Distribution - Metro Real Estate	14,077.57		2,792,592.03
2/20/2019	Ending Balance	3,137,502.87	(2,853,051.42)	2,792,592.03
	<u>Upcoming</u>			
2/28/2019	February Pension Payments		(2,579,519.29)	