

Spokane Employees' Retirement System (SERS)
Board Meeting, 12:00 p.m. April 24, 2019
City Hall – Council Briefing Center

AGENDA

1. Bill Dowd and Bill Reid, SageView Consulting – Actuarial Valuation Report
 - Information
2. Contribution Rate
 - Motion
3. Ad-hoc
 - Motion
4. Minutes of the March 27, 2019 Meeting
 - Motion
5. Director's Report
 - a. Retirements
 - Motion
 - b. Withdrawals
 - Motion
 - c. Vesting
 - Information
 - d. Deaths
 - Information
 - e. Expenditure Summary Report – March 2019
 - Motion
 - f. Schedule of Investments – March 2019
 - Information
 - g. Cash Reconciliation – March 2019
 - Information
 - h. Other Business
6. Other Business
7. Next Meeting - **Wednesday, May 29, 2019 at 12:00 p.m.**

**Spokane Employees' Retirement System (SERS)
Board Meeting Minutes
March 27, 2019**

The regular monthly meeting was called to order at 12:01 p.m. in the Council Briefing Center at City Hall.

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

Absent: Brian Brill and J.D. Morscheck

Staff: Phill Tencick, Donald Brown, and Tim Szambelan

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

Minutes of the February 27, 2019 Meeting

Candace Mumm moved and Jim Tieken seconded the motion to approve the minutes of the February 27, 2019 meeting as presented.

Director's Report

Service Retirements

<i>Name</i>	<i>Age</i>	<i>Retirement Date</i>	<i>Years of Service</i>	<i>Option</i>
Thomas E. Danek	52	02/01/2019	3.9 Portability	E
Andrew C. Hess	67	03/19/2019	18.7	E
Joan M. Hamilton	61	04/01/2019	27.5	ST
Matthew M. Doval	54	04/02/2019	13.1	ST
Joan P. Medina	50	04/06/2019	30.6	C-20
John R. Johnson	60	04/19/2019	29.6	E
Michael W. Nauroth	67	05/03/2019	18.4	E
Cathleen E. Johnson	61	05/04/2019	15.6	ST

Jim Tieken moved and Dean Kiefer seconded the motion to approve the service retirements as amended on the March Retirement Transaction Report. The motion passed unanimously.

Withdrawals for March 2019

<i>Name</i>	<i>Years of Service</i>	<i>Termination Date</i>
Vance W. Peterson	1.1	10/02/1982
Jeffrey S. Cross	2.6	09/09/2014
Michele R. Frachiseur	0.7	03/24/2017
Marie A. Coulter	0.3	11/08/2018

Mike Cavanaugh moved and Jim Tieken seconded the motion to approve the requests for withdrawal as presented on the March Retirement Transaction Report. The motion passed unanimously.

Vesting

<i>Name</i>	<i>Department</i>	<i>Years of Service</i>
Brian R. Bowman	Water	5.7

Deaths

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

Vesting and death information provided to the Board for review.

Expenditure Summary Report – February 2019

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

Dean Kiefer moved and Jim Tieken seconded the motion to approve the February 2019 Expenditure Summary Reports. The motion passed unanimously.

Schedule of Investments – February 2019

The monthly investment report was presented to the Board for review. The estimated market value of the SERS portfolio on February 28, 2019 was \$300.1 million with an estimated monthly rate of return of 2.6%.

Monthly Cash Reconciliation

The monthly cash reconciliation report for March 2019 was presented to provide the Board with additional insight into the ongoing liquidity and cash position of the plan.

Other Business

Mr. Tencick updated the Board on the status of Senate Bill 5240 (SB5240). The Ways and Means Committee did not take any action on the bill before the March 1, 2019 deadline for it to be passed out of committee.

Mr. Tencick provided analysis on the impact of allowing exempt confidential employees not participating in SERS. There are currently 36 employees in these positions. If all were to opt out, there would be a negative impact on the plan of approximately \$360 thousand per year. To offset this cost, contributions for remaining participants would have to increase by 38bp. Once an alternative option is designed, Spokane Municipal Code (SMC) would have to be updated discrimination testing would have to be performed before the alternative could be implemented.

Long-Term Funding Strategy

Mr. Tencick led a discussion on the Long-Term Funding of SERS. Meeting the Actuarially Defined Contribution (ADC) rate will ensure that the plan's glide path will be met. A contribution rate increase following short term investment underperformance increases the likelihood meeting funding goals earlier than expected. As the plan approaches full funding, it will be necessary to address offsetting priorities related to the timing of reaching fully funded status, the cost of doing so, the investment risk to take, and when to grant ad hoc increases.

Doodle Survey Results

Mr. Tencick shared the results of the Doodle Survey that was emailed to the Board members asking which day of the week and time slot would work best in their schedule. The last Wednesday of the month at 1:30 p.m. was the most popular time slot with 86%; however, the availability of the Council Briefing Center was only available 53% of the time. Discussion ensued and it was decided the next two meetings would still be held in the Briefing Center at noon. Having made no change to the meeting time or place, no motion was made.

There being no other business, the meeting adjourned at 1:02 p.m.

Phillip Tencick, Retirement Director

SERS Retirement Transaction Report

April 2019

Retirements

	Name	Age	Retirement Date	Years of Service	Department	Option
1	John W. Ashwood	72	05/04/2019	36.5	Parking Meter	C-20
2	Wilfred P. Marchant	55	05/04/2019	30.3	Golf	ST
3	Mark A. Smith	58	05/04/2019	26.0	Street	E
4	Jeffrey E. Magin	62	05/11/2019	33.7	Water	E
5	Penny S. Blomgren	67	07/02/2019	14.8	Advanced Wastewater Treatment	ST
	Retirements YTD	28				
	2018 Total Retirements	71				

Withdrawals

	Name	Years of Service	Department	Termination Date
1	Alicia D. Ayars	2.7	Community & Neighborhood Services	08/17/2018
2	James L. Driver	11.5	Water	12/20/2018
3	Abigail M. Martin	1.8	Neighborhood Services	12/14/2018
4	Carleigh E. Hill	0.3	Library	01/01/2019
5	Alexandra M. Nowak	1.7	Municipal Court	01/22/2019
6	Ronald E. Lukas	3.7	Asset Management	02/08/2019
7	Keri L. Mitchell	0.8	Civil Service	04/05/2019

Vesting

	Name	Department	Years of Service
1	Boris A. Borisov	Planning Services	5.8

Deaths

	Name	Date Retired	Age	Date of Death	Information
1	Dale F. Larsen	10/17/2014	64	03/26/2019	No Further Benefits
2	George W. Davis	01/12/1985	96	04/13/2019	No Further Benefits

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

	2018 ACTUAL	2019 BUDGET	MARCH ACTUAL EXPENDITURES	2019 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
OPERATING EXPENDITURES						
Departmental Salaries	279,090.86	297,357.00	32,620.00	64,354.32	233,002.68	21.6%
Departmental Benefits	83,448.34	88,446.00	8,386.47	19,716.72	68,729.28	22.3%
Reserve for Budget Adjustment	-	10,000.00	-	-	10,000.00	0.0%
Administrative Income	(19,374.47)	(10,000.00)	(5,713.89)	(5,713.89)	(10,000.00)	
Postage/Supplies/Other	1,970.14	5,950.00	134.51	296.19	5,653.81	5.0%
State Audit Charges	12,444.28	15,000.00	57.96	242.31	14,757.69	1.6%
Contractual Services	132,743.15	175,000.00	348.00	348.00	174,652.00	0.2%
Travel	7,873.31	15,000.00	-	326.52	14,673.48	2.2%
Registration/Schooling	8,575.00	16,000.00	100.00	285.00	15,715.00	1.8%
Other Dues/Subscriptions/Membership	1,709.60	2,500.00	75.00	225.00	2,275.00	9.0%
Other Miscellaneous Charges	1,383.13	3,800.00	70.01	400.28	3,399.72	10.5%
Amortization	17,649.00	-	-	-	-	
TOTAL OPERATING EXPENDITURES	527,512.34	619,053.00	36,078.06	80,480.45	532,858.66	13.0%
INTERFUND EXPENDITURES						
Interfund - Office Performance Mgmt Services	-	800.00	-	-	800.00	0.0%
Interfund - Centralized Purchasing	506.33	1,241.00	(1.25)	310.25	930.75	25.0%
Interfund - Centralized Accounting	1,958.16	2,080.00	-	520.00	1,560.00	25.0%
Interfund - Risk Management	790.00	584.00	-	146.00	438.00	25.0%
Interfund - Worker's Compensation	109.00	122.00	-	30.50	91.50	25.0%
Interfund - Reprographics	6,719.51	5,000.00	904.41	2,204.38	2,795.62	44.1%
Interfund - IT	15,824.72	13,108.00	1,101.90	2,197.66	10,910.34	16.8%
Interfund - IT Replacement	2,066.04	1,965.00	163.75	327.50	1,637.50	16.7%
Interfund - My Spokane	476.90	643.00	-	154.58	488.42	24.0%
TOTAL INTERFUND EXPENDITURES	28,450.66	25,543.00	2,168.81	5,890.87	19,652.13	23.1%
TOTAL ADMINISTRATIVE EXPENDITURES	555,963.00	644,596.00	38,246.87	86,371.32	552,510.79	13.4%

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

	2018 ACTUAL	2019 BUDGET	MARCH ACTUAL EXPENDITURES	2019 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
PENSIONS						
Pensions-Annuity Benefit Payments	26,202,801.23	28,000,000.00	2,267,936.52	6,762,388.55	21,237,611.45	24.2%
Pensions-Disability Payments	125,328.48	140,000.00	10,444.04	31,332.12	108,667.88	22.4%
Pensions-Survivor Annuity Benefits Payments	1,981,214.54	2,100,000.00	173,101.70	577,561.31	1,522,438.69	27.5%
TOTAL PENSIONS	<u>28,309,344.25</u>	<u>30,240,000.00</u>	<u>2,451,482.26</u>	<u>7,371,281.98</u>	<u>22,868,718.02</u>	24.4%
Refunds	554,422.11	1,000,000.00	18,182.49	125,682.85	874,317.15	12.6%
TOTAL EXPENSES	<u><u>29,419,729.36</u></u>	<u><u>31,884,596.00</u></u>	<u><u>2,507,911.62</u></u>	<u><u>7,583,336.15</u></u>	<u><u>24,295,545.96</u></u>	23.8%
INVESTMENT EXPENSE*						
Advisory Technical Service	436,405.71	500,000.00	36,602.45	46,419.03	453,580.97	9.3%

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

SERS Schedule of Cash and Investments

March 31, 2019

4/18/2019

	Type		Allocation		
			Target	Current	Diff.
Cash Held by Treasurer	Cash	\$ 40,545			
US Bank	Short-term Inv	141,176			
Total Cash		181,721	0.0%	0.1%	0.1%
Sterling Capital	Total Return	24,972,281			
Total Total Return		24,972,281	10.0%	8.3%	-1.7%
Hotchkis & Wiley	High Yield - Mutual Fund	13,231,537			
Total High Yield		13,231,537	5.0%	4.4%	-0.6%
Polar	LLC	7,051,429			
Castine Capital II	Ltd Partnership	7,588,587			
Post Limited Term High Yield	Ltd Partnership	6,239,191			
Rimrock Low Volatility	Ltd Partnership	10,011,833			
Total Absolute Return		30,891,040	8.0%	10.2%	2.2%
Total Capital Preservation		69,276,579	23.0%	23.0%	0.0%
Hotchkis & Wiley	LC Value - Mutual Fund	15,554,577			
Jackson Square	LC Growth - Mutual Fund	16,095,753			
MFS Heritage	LC Core	-			
Fidelity S&P 500 Index	LC Core - Mutual Fund	27,067,870			
Total US Large Cap		58,718,200	21.0%	19.5%	-1.5%
Sterling	MC Value	4,512,910			
Vanguard MC Growth	MC Growth - Mutual Fund	4,209,690			
Fidelity MC Index	MC Core - Mutual Fund	4,120,618			
Champlain	SC Core	6,330,086			
Phocas	SC Value - Mutual Fund	3,789,539			
Bridge City	SC Growth	5,597,056			
Fidelity SC Index	SC Core - Mutual Fund	879,839			
Total US Small/Mid Cap		29,439,738	11.0%	9.8%	-1.2%
Total US Equities		88,157,938	32.0%	29.3%	-2.7%
Artisan	SMID Value - Mutual Fund	21,336,343			
Euro Pacific	LC Blend - Mutual Fund	21,556,979			
Fidelity International	LC Index - Mutual Fund	-			
Total International Large Cap		42,893,322	15.0%	14.2%	-0.8%
Trivalent	SC Value - Mutual Fund	11,920,750			
Total International Small/Mid		11,920,750	4.0%	4.0%	0.0%
Vanguard EM Index	EM - Mutual Fund	1,185,635			
ABS Emerging Markets	Ltd Partnership	8,224,741			
Berens	Ltd Partnership	936,212			
Total Emerging Markets		10,346,588	3.0%	3.4%	0.4%
Total International Equities		65,160,660	22.0%	21.6%	-0.4%
Weatherlow Offshore	Ltd Partnership	15,703,452			
Royalty Opportunities I	Ltd Partnership	2,293,451			
Royalty Opportunities II	Ltd Partnership	3,105,281			
Total Long Biased		21,102,184	7.0%	7.0%	0.0%
Metropolitan Real Estate Partners	Ltd Partnership	198,679			
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	12,541,491			
Total Real Estate		28,337,719	9.0%	9.4%	0.4%
Contrarian Capital Fund I	Ltd Partnership	8,513,071			
Beach Point	Ltd Partnership	10,744,442			
Total Opportunistic Credit		19,257,513	7.0%	6.4%	-0.6%
Contrarian EM Credit	LLC	6,198,938			
OrbiMed II	Ltd Partnership	3,885,548			
Total Special Opportunities		10,084,486	0.0%	3.3%	3.3%
Total Cash and Investments		\$ 301,377,079	100.0%	100.0%	0.0%
	Monthly Contributions	1,523,210			
	Monthly Pension	(2,451,582)			
	As of February 28, 2019	\$ 300,130,349			
	Estimated Rate of Return	0.7%			
Abs. Return and Total Return FI	Thesis 2017.1	55,863,321	18.0%	18.5%	0.5%
Equity and Special Situations	Thesis 2017.3	163,403,084	54.0%	54.2%	0.2%

Cash Recon - Apr

Date	Transactions	Sources	Uses	Balance
3/21/2019	Beginning Balance			1,795,193.18
3/27/2019	Distribution - Royalty Opps	41,550.84		1,836,744.02
3/29/2019	Sale - Sterling Core Fixed Income	700,000.00		2,536,744.02
3/29/2019	Distribution - Morgan Stanley Prime RE	72,245.38		2,608,989.40
3/29/2019	Pension Payments		(2,470,028.94)	138,960.46
4/1/2019	Payroll Contributions	736,938.22		875,898.68
4/1/2019	Interest	2,215.58		878,114.26
4/15/2019	Payroll Contributions	747,069.04		1,625,183.30
4/15/2019	Reissue Payment		(1,594.34)	1,623,588.96
4/17/2019	Returned Payment	2,002.26		1,625,591.22
4/17/2019	Ending Balance	2,302,021.32	(2,471,623.28)	1,625,591.22
	<u>Upcoming</u>			
4/18/2019	Purchase		(1,600,000.00)	
4/29/2019	Payroll Contributions	750,000.00		
4/29/2019	Sale - TBD	1,750,000.00		
4/30/2019	April Pension Payments		(2,500,000.00)	