

Spokane Employees' Retirement System (SERS)
Board Meeting, 12:00 p.m. October 30, 2019
City Hall – Council Briefing Center

AGENDA

- 1) Minutes of the September 26, 2019 and October 9, 2019 Meetings
 - Motion

- 2) Director's Report
 - a) Retirements
 - Motion
 - b) Withdrawals
 - Motion
 - c) Vesting
 - Information
 - d) Deaths
 - Information
 - e) Expenditure Summary Report – August 2019 and September 2019
 - Motion
 - f) Schedule of Investments – August 2019 and September 2019
 - Information
 - g) Cash Reconciliation – September 2019 and October 2019
 - Information
 - h) Other Business
 - Bridge City Fees Update - Information

- 3) Multiple Employer Plan Amendments
 - Motion

- 4) Proposed Salary Ordinance
 - Information

- 5) Portfolio Risk Review
 - Information

- 6) Other Business

- 7) Next Meeting – **Wednesday, December 4th at 12:00 p.m.**

Spokane Employees' Retirement System (SERS)
Board Meeting Minutes
August 28, 2019

The regular monthly meeting was called to order at 12:03 p.m. in the Council Briefing Center at City Hall.

Present: Mike Coster, Mike Cavanaugh, Candace Mumm, Brian Brill, and J.D. Morscheck

Absent: Dean Kiefer and Jim Ticken

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

Guests: Jayson Davidson, Brian Loescher, Joe Cavanaugh, Dave Hanshaw, Natalie Hilderbrand, Jon Barnhart, David Lewis, and John Bjork

Hyas Group, 2019 2nd Quarter Investment Performance Report

Mr. Davidson presented the Second Quarter 2019 Performance Report and discussed what was a strong quarter on a relative and absolute basis for the vast majority of the managers in the SERS portfolio, and the portfolio itself. Mr. Davidson also discussed the increase in global market volatility that has taken place since the end of the quarter. The following funds remained on watch status for performance in violation of investment policy parameters: Jackson Square Large Cap Growth, Vanguard Mid Cap Growth, OrbiMed Partners, Hotchkis and Wiley Diversified Value, Sterling Mid Cap Value, and Frontier Phocas Small Cap Value. Vanguard Mid Cap Growth is also on watch for qualitative reasons associated with some fundamental changes to the underlying manager structure and the Post Limited Term High Yield will remain on watch for a key personnel departure.

Candace Mumm moved and Mike Cavanaugh seconded the motion to place the Hotchkis and Wiley High Yield Fund on watch for performance in violation of investment policy parameters. The motion passed unanimously.

Mr. Loescher informed the Board that Bridge City Capital Management contacted Hyas Group asking for consideration to revise the "most favored nations" clause they have in place with SERS under the terms of the agreement. The revision is necessary to accommodate a larger funding from a prospective client that has requested their own most favored nations clause. The combination of the original clause with the new clause from the prospective client would put Bridge City in an untenable business position regarding the original agreement. Hyas Group recommended that the Board work with Bridge City to find a workable solution. This may require a revision to the existing agreement. Hyas Group will present alternatives at the next meeting.

Mr. Davidson presented a Large Cap Growth Manager Search Report and the Board reviewed alternatives to replace the Jackson Square Large Cap Growth Fund.

J.D. Morscheck moved and Candace Mumm seconded the motion to terminate Jackson Square. The motion was amended by J.D. Morscheck to go from Jackson Square to a passive investment. Discussion ensued and J.D. Morscheck withdrew the motion.

Mike Cavanaugh moved and Brian Brill seconded the motion to terminate Jackson Square and replace the funding with the MFS Large Cap Growth Fund. The motion passed with Mike Coster, Mike Cavanaugh, Candace Mumm, and Brian Brill voting yes and J.D. Morscheck voting no. Hyas Group will work with Staff to facilitate this change.

Active Risk Primer

Mr. Tencick led a discussion on Active Risk.

Minutes of the July 31, 2019 Meeting

Candace Mumm moved and Mike Cavanaugh seconded the motion to approve the minutes of the July 31, 2019 meeting as amended. 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>
Cindy J. Kinzer	54	08/16/2019	10.6	E
Karen L. Gaines	62	09/07/2019	17.4	E
Grant Wencel (vested)	62	11/01/2019	5.1	E

Mr. Tencick presented the service retirements, noting Mr. Wencel's age was listed incorrectly. Mike Cavanaugh moved and Candace Mumm seconded the motion to approve the service retirements as amended on the August Retirement Transaction Report. The motion passed unanimously.

Withdrawals for August 2019

<i>Name</i>	<i>Years of Service</i>	<i>Termination Date</i>
Amelia K. Alberts	0.3	12/11/2018
Micah D. Carter	0.9	06/05/2019

Mike Cavanaugh moved and Brian Brill seconded the motion to approve the requests for withdrawal as presented on the August Retirement Transaction Report. The motion passed unanimously.

Deaths

<i>Name</i>	<i>Date Retired</i>	<i>Age</i>	<i>Date of Death</i>	<i>Information</i>
Patricia J. Oakshott	06/06/2001	88	08/12/2019	No Further Benefits

Death information provided to the Board for review.

Expenditure Summary Report – July 2019

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

Mike Cavanaugh moved and J.D. Morscheck seconded the motion to approve the July 2019 Expenditure Summary Report. The motion passed unanimously.

Schedule of Investments – July 2019

The monthly investment report was presented to the Board for review. The estimated market value of the SERS portfolio on July 31, 2019 was \$307 million with an estimated rate of return of 0.2% 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.

Multiple Employer Plan Amendments

Mike Cavanaugh moved and Candace Mumm seconded the motion to defer this topic to the September meeting. The motion passed unanimously.

There being no other business, the meeting adjourned at 1:56 p.m.

Phillip Tencick, Retirement Director

Spokane Employees' Retirement System (SERS)
Board Meeting Minutes
October 9, 2019

The Special Board Meeting was called to order at 12:29 p.m. in the Conference Room 5A at City Hall.

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

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

Guests: Christine Cavanaugh, Joe Cavanaugh, Natalie Hilderbrand, Dave Kokot, David Lewis, Jon Barnhart, Richard Czernik, and Cylas Engeland

Jim Tieken arrived at 12:33 p.m.

Proposed Salary Ordinance

Mr. Tencick led a discussion on policy proposals that would allow exempt confidential employees to opt out of SERS or to have the salary review commission set their compensation. Ms. Cavanaugh answered questions that were asked by Board members and guests.

Mike Cavanaugh moved and Candace Mumm second the motion to defer the discussion of the Proposed Salary Ordinance to the October meeting. The motion passed unanimously.

Candace Mumm left at 1:15 p.m.

There being no other business, the meeting adjourned at 1:21 p.m.

Phillip Tencick, Retirement Director

SERS Retirement Transaction Report

September 2019

Retirements

	Name	Age	Retirement Date	Years of Service	Department	Option
1	Frances I. Perkins	62	10/05/2019	13.3	Engineering Services	ST
2	Roberta G. Moxley	50	11/01/2019	18.7	Information Technology	A
	Retirements YTD	62				
	2018 Total Retirements	71				

Withdrawals

	Name	Years of Service	Department	Termination Date
1	Scott A. Lowell	6.0	Solid Waste Management	05/25/2017
2	Arthur E. Hartman	4.0	Water	07/15/2019
3	Christina M. Wolfe	0.6	Police - Records	08/02/2019
4	Chariti A. Gagne	4.6	Worker's Compensation	08/30/2019

Vesting

	Name	Department	Years of Service
1	Jeremy J. Atwood	Combined Communications Center	20.8

Deaths

	Name	Date Retired	Age	Date of Death	Information
1	Ollie J. Bennett	04/02/1991	82	08/29/2019	No Further Benefits
2	Richard L. Olsen	12/12/2009	74	09/09/2019	E Option Continues
3	Roxanne Rodgers	02/03/2001	83	09/09/2019	No Further Benefits
4	Frank W. Benson	02/10/1996	79	09/19/2019	E Option Continues
5	Darrel C. Klein	08/05/2008	73	09/19/2019	No Further Benefits

SERS Retirement Transaction Report

October 2019

Retirements

	Name	Age	Retirement Date	Years of Service	Department	Option
1	Susanne Miller	66	01/04/2020	12.0	Library	E
2	Scott A. Stewart	59	11/06/2019	25.8	Sewer Maintenance	D
	Retirements YTD	63				
	2018 Total Retirements	71				

Withdrawals

	Name	Years of Service	Department	Termination Date
1	Todd L. Churchill	9.4	Solid Waste Management	07/03/2017
2	Molly R. Ostheller	1.4	Public Defender	03/15/2019
3	Stephanie C. Radecke	1.1	Public Defender	07/24/2019

Vesting

	Name	Department	Years of Service
1	Crystal J. Marchand	Finance	6.7

Deaths

	Name	Date Retired	Age	Date of Death	Information
1	Lorraine Schmeling	03/27/1985	95	10/07/2019	No Further Benefits
2	Abraham F. Ferris	06/03/2003	73	10/11/2019	Option D Continues
3	Mary Kay Dayharsh	12/19/2014	85	10/12/2019	No Further Benefits
4	Gerald M. Danielson	11/02/1999	83	10/19/2019	No Further Benefits

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

	2018 ACTUAL	2019 BUDGET	AUGUST ACTUAL EXPENDITURES	2019 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
OPERATING EXPENDITURES						
Departmental Salaries	299,596.89	320,122.00	35,042.88	198,367.28	121,754.72	62.0%
Departmental Benefits	62,942.31	65,681.00	5,962.14	40,665.11	25,015.89	61.9%
Reserve for Budget Adjustment	-	10,000.00	-	-	10,000.00	0.0%
Administrative Income	(19,374.47)	(10,000.00)	-	(10,990.13)		
Postage/Supplies/Other	1,970.14	5,950.00	79.07	957.51	4,992.49	16.1%
State Audit Charges	12,444.28	15,000.00	2,109.24	4,930.99	10,069.01	32.9%
Contractual Services	132,743.15	175,000.00	5,500.00	107,701.67	67,298.33	61.5%
Travel	7,873.31	15,000.00	309.00	2,714.51	12,285.49	18.1%
Registration/Schooling	8,575.00	16,000.00	-	810.00	15,190.00	5.1%
Other Dues/Subscriptions/Membership	1,709.60	2,500.00	421.00	907.40	1,592.60	36.3%
Other Miscellaneous Charges	1,383.13	3,800.00	55.00	1,999.76	1,800.24	52.6%
Amortization	17,649.00	-	-	-	-	
TOTAL OPERATING EXPENDITURES	527,512.34	619,053.00	49,478.33	348,064.10	269,998.77	56.2%
INTERFUND EXPENDITURES						
Interfund - Office Performance Mgmt Services	-	800.00	-	-	800.00	0.0%
Interfund - Centralized Purchasing	506.33	1,241.00	-	930.75	310.25	75.0%
Interfund - Centralized Accounting	1,958.16	2,080.00	-	1,560.00	520.00	75.0%
Interfund - Risk Management	790.00	584.00	146.00	438.00	146.00	75.0%
Interfund - Worker's Compensation	109.00	122.00	30.50	91.50	30.50	75.0%
Interfund - Reprographics	6,719.51	5,000.00	-	3,685.26	1,314.74	73.7%
Interfund - IT	15,824.72	13,108.00	1,096.39	7,676.32	5,431.68	58.6%
Interfund - IT Replacement	2,066.04	1,965.00	163.75	1,146.25	818.75	58.3%
Interfund - My Spokane	476.90	643.00	154.58	463.74	179.26	72.1%
TOTAL INTERFUND EXPENDITURES	28,450.66	25,543.00	1,591.22	15,991.82	9,551.18	62.6%
TOTAL ADMINISTRATIVE EXPENDITURES	555,963.00	644,596.00	51,069.55	364,055.92	279,549.95	56.5%

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

	2018 ACTUAL	2019 BUDGET	AUGUST ACTUAL EXPENDITURES	2019 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
PENSIONS						
Pensions-Annuity Benefit Payments	26,202,801.23	28,000,000.00	2,352,296.84	18,350,097.95	9,649,902.05	65.5%
Pensions-Disability Payments	125,328.48	140,000.00	10,444.04	83,552.32	56,447.68	59.7%
Pensions-Survivor Annuity Benefits Payments	1,981,214.54	2,100,000.00	169,901.31	1,436,495.58	663,504.42	68.4%
TOTAL PENSIONS	<u>28,309,344.25</u>	<u>30,240,000.00</u>	<u>2,532,642.19</u>	<u>19,870,145.85</u>	<u>10,369,854.15</u>	65.7%
Refunds	554,422.11	1,000,000.00	3,915.56	359,205.03	640,794.97	35.9%
TOTAL EXPENSES	<u><u>29,419,729.36</u></u>	<u><u>31,884,596.00</u></u>	<u><u>2,587,627.30</u></u>	<u><u>20,593,406.80</u></u>	<u><u>11,290,199.07</u></u>	64.6%
INVESTMENT EXPENSE*						
Advisory Technical Service	436,405.71	500,000.00	61,311.90	259,027.57	240,972.43	51.8%

* 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
SEPTEMBER 30, 2019

	2018 ACTUAL	2019 BUDGET	SEPTEMBER ACTUAL EXPENDITURES	2019 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
OPERATING EXPENDITURES						
Departmental Salaries	299,596.89	320,122.00	23,532.22	221,899.50	98,222.50	69.3%
Departmental Benefits	62,942.31	65,681.00	4,956.34	45,621.45	20,059.55	69.5%
Reserve for Budget Adjustment	-	10,000.00	-	-	10,000.00	0.0%
Administrative Income	(19,374.47)	(10,000.00)	(5,595.34)	(16,585.47)		
Postage/Supplies/Other	1,970.14	5,950.00	30.58	988.09	4,961.91	16.6%
State Audit Charges	12,444.28	15,000.00	2,211.09	7,142.08	7,857.92	47.6%
Contractual Services	132,743.15	175,000.00	1,131.00	108,832.67	66,167.33	62.2%
Travel	7,873.31	15,000.00	-	2,714.51	12,285.49	18.1%
Registration/Schooling	8,575.00	16,000.00	-	810.00	15,190.00	5.1%
Other Dues/Subscriptions/Membership	1,709.60	2,500.00	-	907.40	1,592.60	36.3%
Other Miscellaneous Charges	1,383.13	3,800.00	55.00	2,054.76	1,745.24	54.1%
Amortization	17,649.00	-	-	-	-	
TOTAL OPERATING EXPENDITURES	527,512.34	619,053.00	31,916.23	379,980.33	238,082.54	61.4%
INTERFUND EXPENDITURES						
Interfund - Office Performance Mgmt Services	-	800.00	-	-	800.00	0.0%
Interfund - Centralized Purchasing	506.33	1,241.00	-	930.75	310.25	75.0%
Interfund - Centralized Accounting	1,958.16	2,080.00	-	1,560.00	520.00	75.0%
Interfund - Risk Management	790.00	584.00	-	438.00	146.00	75.0%
Interfund - Worker's Compensation	109.00	122.00	-	91.50	30.50	75.0%
Interfund - Reprographics	6,719.51	5,000.00	-	3,685.26	1,314.74	73.7%
Interfund - IT	15,824.72	13,108.00	1,093.46	8,769.78	4,338.22	66.9%
Interfund - IT Replacement	2,066.04	1,965.00	163.75	1,310.00	655.00	66.7%
Interfund - My Spokane	476.90	643.00	-	463.74	179.26	72.1%
TOTAL INTERFUND EXPENDITURES	28,450.66	25,543.00	1,257.21	17,249.03	8,293.97	67.5%
TOTAL ADMINISTRATIVE EXPENDITURES	555,963.00	644,596.00	33,173.44	397,229.36	246,376.51	61.6%

SPOKANE EMPLOYEES' RETIREMENT SYSTEM - 6100
 2019 EXPENDITURE SUMMARY REPORT
SEPTEMBER 30, 2019

	2018 ACTUAL	2019 BUDGET	SEPTEMBER ACTUAL EXPENDITURES	2019 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
PENSIONS						
Pensions-Annuity Benefit Payments	26,202,801.23	28,000,000.00	2,357,704.04	20,707,801.99	7,292,198.01	74.0%
Pensions-Disability Payments	125,328.48	140,000.00	10,444.04	93,996.36	46,003.64	67.1%
Pensions-Survivor Annuity Benefits Payments	1,981,214.54	2,100,000.00	169,901.31	1,606,396.89	493,603.11	76.5%
TOTAL PENSIONS	<u>28,309,344.25</u>	<u>30,240,000.00</u>	<u>2,538,049.39</u>	<u>22,408,195.24</u>	<u>7,831,804.76</u>	74.1%
Refunds	554,422.11	1,000,000.00	67,975.43	427,180.46	572,819.54	42.7%
TOTAL EXPENSES	<u><u>29,419,729.36</u></u>	<u><u>31,884,596.00</u></u>	<u><u>2,639,198.26</u></u>	<u><u>23,232,605.06</u></u>	<u><u>8,651,000.81</u></u>	72.9%
INVESTMENT EXPENSE*						
Advisory Technical Service	436,405.71	500,000.00	5,296.21	264,323.78	235,676.22	52.9%

* 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

August 31, 2019

9/26/2019

	Type		Allocation		
			Target	Current	Diff.
Cash Held by Treasurer	Cash	\$ 74,043			
US Bank	Short-term Inv	151,979			
Total Cash		226,022	0.0%	0.1%	0.1%
Sterling Capital	Total Return	25,465,790			
Total Total Return		25,465,790	10.0%	8.4%	-1.6%
Hotchkis & Wiley	High Yield - Mutual Fund	13,356,457			
Total High Yield		13,356,457	5.0%	4.4%	-0.6%
Polar	LLC	7,132,674			
Castine Capital II	Ltd Partnership	7,692,841			
Post Limited Term High Yield	Ltd Partnership	6,412,904			
Rimrock Low Volatility	Ltd Partnership	10,018,894			
Total Absolute Return		31,257,313	8.0%	10.4%	2.4%
Total Capital Preservation		70,305,582	23.0%	23.3%	0.3%
Hotchkis & Wiley	LC Value - Mutual Fund	15,399,890			
Jackson Square	LC Growth - Mutual Fund	17,354,148			
MFS Heritage	LC Core	-			
Fidelity S&P 500 Index	LC Core - Mutual Fund	28,185,343			
Total US Large Cap		60,939,381	21.0%	20.2%	-0.8%
Sterling	MC Value	4,582,942			
Vanguard MC Growth	MC Growth - Mutual Fund	4,392,042			
Fidelity MC Index	MC Core - Mutual Fund	4,228,362			
Champlain	SC Core	6,355,453			
Phocas	SC Value - Mutual Fund	3,685,285			
Bridge City	SC Growth	5,589,665			
Fidelity SC Index	SC Core - Mutual Fund	859,719			
Total US Small/Mid Cap		29,693,468	11.0%	9.8%	-1.2%
Total US Equities		90,632,849	32.0%	30.1%	-1.9%
Artisan	SMID Value - Mutual Fund	20,921,407			
Euro Pacific	LC Blend - Mutual Fund	21,105,715			
Fidelity International	LC Index - Mutual Fund	-			
Total International Large Cap		42,027,122	15.0%	13.9%	-1.1%
Trivalent	SC Value - Mutual Fund	11,538,129			
Total International Small/Mid		11,538,129	4.0%	3.8%	-0.2%
Vanguard EM Index	EM - Mutual Fund	1,136,339			
ABS Emerging Markets	Ltd Partnership	8,023,101			
Berens	Ltd Partnership	-			
Total Emerging Markets		9,159,440	3.0%	3.0%	0.0%
Total International Equities		62,724,691	22.0%	20.8%	-1.2%
Weatherlow Offshore	Ltd Partnership	16,469,011			
Royalty Opportunities I	Ltd Partnership	2,400,914			
Royalty Opportunities II	Ltd Partnership	2,647,714			
Total Long Biased		21,517,639	7.0%	7.1%	0.1%
Metropolitan Real Estate Partners	Ltd Partnership	170,164			
Morrison Street Fund V	LLC	2,231,413			
Morrison Street Debt Opportunities	LP	4,122,673			
Morgan Stanley Prime	LLC	7,404,576			
Principal (REITs)	REITs	12,340,697			
Total Real Estate		26,269,523	9.0%	8.7%	-0.3%
Contrarian Capital Fund I	Ltd Partnership	9,379,555			
Beach Point	Ltd Partnership	11,094,309			
Total Opportunistic Credit		20,473,864	7.0%	6.8%	-0.2%
Contrarian EM Credit	LLC	5,544,198			
OrbiMed II	Ltd Partnership	4,080,279			
Total Special Opportunities		9,624,477	0.0%	3.2%	3.2%
Total Cash and Investments		\$ 301,548,625	100.0%	100.0%	0.0%
	Monthly Contributions	1,496,287			
	Monthly Pension	\$ (2,536,558)			
	As of July 31, 2019	\$ 307,487,534			
	Estimated Rate of Return	-1.6%			
Abs. Return and Total Return FI	Thesis 2017.1	56,723,103	18.0%	18.8%	0.8%
Equity and Special Situations	Thesis 2017.3	162,982,017	54.0%	54.0%	0.0%

SERS Schedule of Cash and Investments
September 30, 2019

10/22/2019

	Type		Allocation		
			Target	Current	Diff.
Cash Held by Treasurer	Cash	\$ 69,273			
US Bank	Short-term Inv	128,450			
Total Cash		197,723	0.0%	0.1%	0.1%
Sterling Capital	Total Return	25,318,563			
Total Total Return		25,318,563	10.0%	8.3%	-1.7%
Hotchkis & Wiley	High Yield - Mutual Fund	13,377,263			
Total High Yield		13,377,263	5.0%	4.4%	-0.6%
Polar	LLC	7,111,512			
Castine Capital II	Ltd Partnership	7,833,444			
Post Limited Term High Yield	Ltd Partnership	6,432,954			
Rimrock Low Volatility	Ltd Partnership	10,018,765			
Total Absolute Return		31,396,675	8.0%	10.3%	2.3%
Total Capital Preservation		70,290,224	23.0%	23.1%	0.1%
Hotchkis & Wiley	LC Value - Mutual Fund	16,113,167			
Jackson Square	LC Growth - Mutual Fund	-			
MFS Growth	LC Growth - Mutual Fund	17,060,763			
MFS Heritage	LC Core	-			
Fidelity S&P 500 Index	LC Core - Mutual Fund	28,710,261			
Total US Large Cap		61,884,191	21.0%	20.4%	-0.6%
Sterling	MC Value	4,640,568			
Vanguard MC Growth	MC Growth - Mutual Fund	4,318,790			
Fidelity MC Index	MC Core - Mutual Fund	4,310,263			
Champlain	SC Core	6,467,335			
Phocas	SC Value - Mutual Fund	3,842,293			
Bridge City	SC Growth	5,749,237			
Fidelity SC Index	SC Core - Mutual Fund	877,602			
Total US Small/Mid Cap		30,206,088	11.0%	9.9%	-1.1%
Total US Equities		92,090,279	32.0%	30.3%	-1.7%
Artisan	SMID Value - Mutual Fund	21,601,074			
Euro Pacific	LC Blend - Mutual Fund	21,490,207			
Fidelity International	LC Index - Mutual Fund	-			
Total International Large Cap		43,091,281	15.0%	14.2%	-0.8%
Trivalent	SC Value - Mutual Fund	11,843,656			
Total International Small/Mid		11,843,656	4.0%	3.9%	-0.1%
Vanguard EM Index	EM - Mutual Fund	1,151,533			
ABS Emerging Markets	Ltd Partnership	8,174,487			
Berens	Ltd Partnership	-			
Total Emerging Markets		9,326,020	3.0%	3.1%	0.1%
Total International Equities		64,260,957	22.0%	21.1%	-0.9%
Weatherlow Offshore	Ltd Partnership	16,469,011			
Royalty Opportunities I	Ltd Partnership	2,400,914			
Royalty Opportunities II	Ltd Partnership	2,647,714			
Total Long Biased		21,517,639	7.0%	7.1%	0.1%
Metropolitan Real Estate Partners	Ltd Partnership	170,164			
Morrison Street Fund V	LLC	2,231,413			
Morrison Street Debt Opportunities	LP	4,122,673			
Morgan Stanley Prime	LLC	7,404,576			
Principal (REITs)	REITs	12,609,210			
Total Real Estate		26,538,036	9.0%	8.7%	-0.3%
Contrarian Capital Fund I	Ltd Partnership	9,052,976			
Beach Point	Ltd Partnership	11,167,193			
Total Opportunistic Credit		20,220,169	7.0%	6.7%	-0.3%
Contrarian EM Credit	LLC	5,372,725			
OrbiMed II	Ltd Partnership	3,748,946			
Total Special Opportunities		9,121,671	0.0%	3.0%	3.0%
Total Cash and Investments		\$ 304,038,975	100.0%	100.0%	0.0%
	Monthly Contributions	2,248,845			
	Monthly Pension	\$ (2,606,025)			
	As of August 31, 2019	\$ 301,548,625			
	Estimated Rate of Return	0.9%			
Abs. Return and Total Return FI Equity and Special Situations	Thesis 2017.1	56,715,238	18.0%	18.7%	0.7%
	Thesis 2017.3	165,472,907	54.0%	54.4%	0.4%

Cash Recon - Sep

Date	Transactions	Sources	Uses	Balance
8/22/2019	Beginning Balance			1,587,618.46
8/28/2019	Sale - Sterling Core Fixed Income	1,100,000.00		2,687,618.46
8/30/2019	August Pension Payments		(2,537,419.87)	150,198.59
9/3/2019	Payroll Contributions	745,762.16		895,960.75
9/3/2019	Interest	1,780.38		897,741.13
9/6/2019	Termination - Jackson Square	17,544,370.38		18,442,111.51
9/6/2019	Subscription - MFS Growth		(17,544,370.38)	897,741.13
9/12/2019	Redeposit/Reissue Pension Payment	370.04	(370.04)	897,741.13
9/16/2019	Payroll Contributions	757,014.24		1,654,755.37
9/16/2019	Distribution - Royalty Opps II	146,103.90		1,800,859.27
9/18/2019	Ending Balance	20,295,401.10	(20,082,160.29)	1,800,859.27
	<u>Upcoming</u>			
9/26/2019	Sale - Sterling Mid Cap Value	100,000.00		
9/30/2019	Payroll Contributions	745,000.00		
9/30/2019	September Pension Payments		2,606,024.82	

Cash Recon - Oct

Date	Transactions	Sources	Uses	Balance
9/18/2019	Beginning Balance			1,800,859.27
9/26/2019	Sale - Sterling Mid Cap Value	100,000.00		1,900,859.27
9/27/2019	Distribution - Royalty Opps I	12,465.25		1,913,324.52
9/27/2019	Distribution - Morgan Stanley PRIME	73,022.21		1,986,346.73
9/30/2019	Payroll Contributions	746,068.26		2,732,414.99
9/30/2019	September Pension Payments		(2,606,024.82)	126,390.17
10/4/2019	Interest	2,060.22		128,450.39
10/4/2019	Redeposit/Reissue Pension Payment	1,458.89	(1,458.89)	128,450.39
10/16/2019	Payroll Contributions	746,133.02		874,583.41
10/16/2019	Redeposit/Reissue Pension Payment	370.04	(370.04)	874,583.41
10/22/2019	Distribution - Morrison Street MSDO	98,487.68		973,071.09
10/23/2019	Ending Balance	1,780,065.57	(2,607,853.75)	973,071.09
	<u>Upcoming</u>			
10/28/2019	Payroll Contributions	745,000.00		
10/30/2019	Sale - TBD	900,000.00		
10/31/2019	October Pension Payments		(2,597,118.39)	

[Changes to SMC provisions to permit participation by SREC Members *and SPFD Members* – changes shown in red.]

3.05.020 Definitions

- A. “Accumulated contributions” means the sum of all normal contributions deducted from the compensation of a member, and in-lieu payments of employees’ contributions by the City, standing to the credit of the member’s individual account, together with contribution interest as established pursuant to SMC 4.14.070(D) (1) compounded monthly.
- B. “Annuity” means payments derived from contributions made by a member as provided in SMC 3.05.190.
- C. “Beneficiary” means any person in receipt of a pension, annuity, retirement allowance, disability allowance, or any other benefit provided in this chapter and chapter 4.14 SMC.
- D. “Board” means “board of administration” as provided in chapter 4.14 SMC.
- E. “City” means the City of Spokane.
- F. “City service” means service by an employee rendered to the City for compensation and, for the purpose of this chapter and chapter 4.14 SMC, a member shall be considered as being in City service only while the member is receiving compensation for such service. **City service also includes: (i) service by an employee of SREC for the limited period of time during which the employee also qualifies as a SREC Member; and (ii) service by an employee of SPFD for the limited period of time during which the employee also qualifies as a SPFD Member.**
- G. “Compensation” means the compensation including base pay, shift differential, overtime, holiday pay, hazardous duty pay and out-of-classification pay, payable in cash, plus the monetary value, as determined by the board, of any allowance in lieu thereof. It shall not be reduced by salary reduction contributions to the City’s cafeteria plan or Section 457 plan, or effective January 1, 2001, any qualified transportation fringe benefit plan under Internal Revenue Code section 132(f)(4). Compensation in excess of the limitations set forth in Internal Revenue Code section 401(a)(17) shall not be included in determining benefits, but this restriction does not apply to any individual who was a member prior to January 1, 1996.
- H. “Contribution interest,” unless changed by the board as provided in SMC 4.14.070, means the interest rate on member contributions, which shall be set equal to the average daily interest rate for the 5-year US Treasury Note from July 1 of the previous year to June 30 of the current year, rounded to the nearest 0.25%. The new interest rate will be effective as of July 1 of the current year, beginning in 2016.
- I. “Creditable service” means such City service as is evidenced by the record of normal contributions received from the employee plus prior City service if credit for same is still intact or not lost through withdrawal of accumulated contributions as provided in SMC 3.05.120. The maximum creditable service will be based on the benefit formula eligibility in SMC 3.05.025.

Creditable service includes service rendered by: (i) a SREC employee during the period of time that the SREC employee also is a SREC Member; and (ii) a SPFD employee during the period of time that the SPFD employee also is a SPFD Member.

J. "Employee" means any regularly appointed employee or elected official of the City or of the Spokane public library. Employee also includes: (i) regularly appointed employees of SREC for the limited period of time during which such employees also qualify as SREC Members; and (ii) regularly appointed employees of SPFD for the limited period of time during which such employees also qualify as SPFD Members.

K. "Final compensation" has different meanings that depend on whether the member's benefit is calculated using Tier 1, Tier 2, Tier 3 or Tier 4. For benefits calculated under Tier 1 and Tier 2, "final compensation" means the annual average of the member's compensation during the highest consecutive two-year period of service for which service credit is allowed for purposes of determining retirement benefits for members described in SMC 3.05.025(A) or (B). For benefits calculated under Tier 3, "final compensation" means the annual average of the member's compensation during the highest consecutive three-year period of service for which service credit is allowed. For benefits calculated under Tier 4, "final compensation" means the annual average of the member's compensation during the highest consecutive three-year period of service for which service credit is allowed; for this purpose, the portion of a member's compensation for any year shall not include overtime in excess of twenty percent (20%) of the member's base salary for that year. Final compensation shall not be reduced to reflect salary reduction contributions to the City's cafeteria plan or Section 457 plan, or effective January 1, 2001, any qualified transportation fringe benefit plan under Internal Revenue Code section 132(f)(4). Compensation in excess of the limitations set forth in Internal Revenue Code section 401(a)(17) shall not be included as final compensation when determining benefits, but this restriction does not apply to any individual who was a member prior to January 1, 1996.

L. "Fiscal year" means any year commencing with January 1st and ending with December 31st next following.

M. "Member" means any person included in the membership of the retirement system as provided in SMC 3.05.030.

N. "Normal contributions" means the contributions at the rate provided for in SMC 3.05.040(A) and (B).

O. "Participation date" means the date on which an employee initially joined the retirement system from which the employee had uninterrupted deposit of contributions. If an employee who joins the system terminates and their accumulated contributions are withdrawn is subsequently rehired as a City employee, then that employee's participation date shall be their rehire date and not the date on which the employee was originally hired, whether or not that employee redeposits their contributions as permitted under SMC 3.05.120(C). If an employee becomes subject to SMC 3.05.260 and is rehired following retirement, then any additional retirement allowance earned by that employee shall be determined as if the member's participation date is based on the rehire date.

P. "Pension" means payments derived from contributions made by the City (and by SREC and SPFD, as applicable) as provided for in SMC 3.05.190.

Q. "Regular interest," unless changed by the board as provided in SMC 4.14.070, means the actuarial assumption rate of interest which compounded annually shall place the retirement fund on a sound actuarial basis.

R. "Retirement allowance" means any payments made to a member or successor upon retirement for service or disability.

S. "Retirement fund" means "employees' retirement fund" as created and established in SMC 3.05.070 and SMC 7.08.601. "Retirement system" means "Spokane Employees' Retirement System" (SERS), provided for in this chapter.

T. "SPFD" means Spokane Public Facilities District.

U. "SPFD Member" means any actively employed City employee whose employment was directly transferred to SPFD and who, at the time of such transfer, was an active member of SERS.

V. "SREC" means Spokane Regional Emergency Communications.

W. "SREC Member" means any actively employed City employee whose employment was directly transferred to SREC and who, at the time of such transfer, was an active member of SERS.

X. "Tier 1" means the benefit formula in SMC 3.05.160.

Y. "Tier 2" means the benefit formula in SMC 3.05.165.

Z. "Tier 3" means the benefit formula in SMC 3.05.166.

AA. "Tier 4" means the benefit formula in SMC 3.05.167.

3.05.030 Membership

A. Any new employee of the City must become a member of the retirement system and make contributions required by SMC 3.05.040 on the date of hire, except:

1. temporary, seasonal, or new hire provisionals, as defined by the City Charter and the City civil service commission;

2. members of the police and fire departments who are entitled to benefits under state-enacted retirement programs;

3. participating employees hired under the Comprehensive Employment and Training Act (CETA) and United States Department of Labor (DOL). This proscription does not apply to permanent nonparticipant staff members of the City and Spokane City-County employment and training consortium or its successor; or

4. other non-City-funded employees in temporary employment programs as determined by the board.

B. Any other employee who is an elected official may, at any time prior to the completion of five (5) years of continuous service, elect to deposit with the retirement system an amount equal to what would be or would have been the elected official's normal contributions if a member of the retirement system during this period of service, with regular interest as determined by the board. The City matches said funds and deposits the same in the retirement fund in a manner similar to that provided for the matching of the normal contributions under the provisions of this chapter, provided that no such elected official shall obtain any benefits of the provisions of the retirement system except contribution interest accruing at the rate provided for interest on employees' normal contributions. The return of any such funds so deposited shall be governed by the provisions as to the return of normal contributions. If and when any such elected official becomes a member the sums so deposited by this member shall be transferred to the credit of such member. Any elected official entering the retirement system under this provision shall have a participation date as of the date of such election to join the system and shall not be considered a member until the date of such election.

C. An employee of SREC who is a SREC Member will continue to be treated as a SREC Member for so long as that individual remains continuously employed with SREC. A SREC Member will cease to be treated as continuously employed with SREC on the date on which he or she terminates active employment with SREC. Once an individual who qualifies as a SREC Member terminates employment as a SREC employee, that individual will not again be treated as a SREC Member if he or she is subsequently rehired by SREC (or SPFD) and can again become a benefit accruing member under SERS if and only if he or she is subsequently rehired as an employee of the City. With respect to an individual employed by SREC as a SREC Member, the term "City" as used in this chapter of the SMC shall be construed to include SREC, where appropriate and applicable.

D. An employee of SPFD who is a SPFD Member will continue to be treated as a SPFD Member for so long as that individual remains continuously employed with SPFD. A SPFD Member will cease to be treated as continuously employed with SPFD on the date on which he or she terminates active employment with SPFD. Once an individual who qualifies as a SPFD Member terminates employment as a SPFD employee, that individual will not again be treated as a SPFD Member if he or she is subsequently rehired by SPFD (or SREC) and can again become a benefit accruing member under SERS if and only if he or she is subsequently rehired as an employee of the City. With respect to an individual employed by SPFD as a SPFD Member, the term "City" as used in this chapter of the SMC shall be construed to include SPFD, where appropriate and applicable.

Section 03.05.040 Contributions

A. The normal rates of contributions of members are those adopted by the board, subject to the approval of the City Council. The rates so adopted remain in full force and effect until revised or changed by the board in the manner provided in chapter 4.14 SMC.

1. Contributions by Members.

Prior to January 1, 2009, each member shall contribute six and seventy-two one-hundredths percent (6.72%) of the member's compensation. Effective January 1, 2009, the rate of contribution was prospectively increased to seven and seventy-five hundredths percent (7.75%). Effective September 1, 2014, the rate of contribution is prospectively increased to eight and twenty-five hundredths percent (8.25%). Effective December 17, 2017, the rate of contribution is prospectively increased to nine percent (9.00%). Although designated as employee contributions that reduce the member's salary, the City government (and, where applicable, SREC and SPFD), as the employer, shall pay such contributions to the retirement fund pursuant to Internal Revenue Code section 414(h). The member will not have an option of choosing to receive the contributed amounts directly instead of having them paid by the City government (and, where applicable, by SREC and SPFD) to the retirement fund. The picked-up contributions will be included as Social Security wages up to the Social Security wage base, and will also be included in calculating the member's final compensation. It is contemplated that the aggregate normal contributions made by the City (and SREC and SPFD) into the retirement fund will be enough to properly fund the retirement benefits payable hereunder.

2. Contribution by the City Government.

The City government will make contributions in an amount that matches the members' (other than SREC Members' and SPFD Members') in-lieu contributions. SREC will make contributions in an amount that matches the SREC Members' in-lieu contributions. SPFD will make contributions in an amount that matches the SPFD Members' in-lieu contributions.

3. Contribution Rate Review

In the event that an official actuarial report for a given fiscal year, prepared at the direction of the board, indicates that the Actuarially Determined Employer Contribution Rate (within the meaning of GASB) is greater than the City's (and SREC's and SPFD's) contributions, the City shall, subject to approval by the board and City Council, prospectively increase both the employee contribution rate and the City's (and SREC's and SPFD's) matched contribution rate by up to 1.00% of the member's compensation without further bargaining unit negotiation. Increases are limited to once per fiscal year. In the event that an official actuarial report for a given fiscal year, prepared at the direction of the Board, indicates that the retirement system is fully funded (within the meaning of GASB), the City may, subject to approval by the board and City Council, prospectively decrease both the employee contribution rate and the City's (and SREC's and SPFD's) matched contribution rate by up to 1.00% of the member's compensation without further bargaining unit negotiation. Decreases are limited to once per fiscal year.

B. Subject to the provisions of this chapter and chapter 4.14 SMC, the board certifies to the head of each office or department the normal rate of contribution for each member provided for in subsection (A) of this section. The head of the department applies such rate of contribution to the

compensation of each and every payroll; and each of said in-lieu amounts are paid by the director of accounting into the retirement fund, hereinafter provided for, and are credited by the board, together with contribution interest, to an individual account of the member for whom the contribution was made. Contribution interest is credited to each individual account at such periods as the board may determine. Any in-lieu payments contributed by the City (and SREC) are fully and immediately vested for the benefit of the employee immediately upon payment into the retirement fund.

C. The director of accounting transfers to the retirement fund an amount equal to the aggregate normal contributions as soon as administratively practicable following each payroll period.

Section 03.05.070 Employees' Retirement Fund

A. The City treasurer shall be the custodian of the retirement fund as provided in SMC 7.08.601. The retirement fund created hereby shall be a trust fund held for the exclusive benefit of the members of the retirement system and their beneficiaries. Except as provided under 3.05.240(B), no part of the corpus or income of the retirement fund shall be used for, or diverted to, purposes other than for the exclusive benefit of the members or their beneficiaries and the payment of fees and expenses of maintaining and administering the retirement system. All benefit formulas under SMC 3.05.160, SMC 3.05.165 SMC 3.05.166 and SMC 03.05.167 are encompassed within the retirement fund without separate accounting.

B. This section shall be interpreted to allow the following:

1. A return of the contribution to the City (or to SREC and SPFD, as applicable) or its application as a credit on future contributions after the board determines that the City (or SREC and SPFD, as applicable) has paid or overpaid the contribution under a mistake of fact.
2. The making of refunds required by law; and
3. Termination of the retirement system and distribution of its assets to the City (or to SREC and SPFD, as applicable) after all liabilities with respect to the members and their beneficiaries have been satisfied.

Section 03.05.080 City's Contribution

There shall be paid into the retirement fund by contributions of the City the amounts necessary to pay all pensions and other benefits allowable under this chapter to members on account of prior service and minimum allowances provided for in SMC 3.05.160, SMC 3.05.165 SMC 3.05.166, and SMC 3.05.167. SREC shall contribute to the retirement fund the amounts necessary to pay its share of the pensions and other benefits allowable under this chapter with respect to benefits accrued by SREC employees while SREC Members. SPFD shall contribute to the retirement fund the amounts necessary to pay its share of the pensions and other benefits allowable under this chapter with respect to benefits accrued by SPFD employees while SPFD Members. There shall also be paid into the retirement fund by contributions of the City (and SREC and SPFD, as applicable) the amounts necessary to pay its share of disability pensions allowable under this

chapter. Until the amount accumulated in the retirement fund becomes at least as large as the present value of all amounts thereafter payable from said fund, the amount annually due to the said fund under this section shall be the amount payable from said fund in the ensuing fiscal year on account of prior service, disability, and minimum allowances above referred to.

Section 03.05.090 Released Matching Funds

Contributions by the City shall match contributions made by the employee or in-lieu payments. Similarly, contributions (i) by SREC shall match contributions made by SREC employees or in lieu payments by those during periods of time those employees are SREC Members and (ii) by SPFD shall match contributions made by SPFD employees or in lieu payments by those during periods of time those employees are SPFD Members. The City (and SREC and SPFD, as applicable) is not entitled to a repayment of the matching contributions made when an employee ceases to be employed by the City (or by SREC and SPFD, as applicable). All such contributions are identified as released matching funds to provide for future retirements. The City's (and SREC's and SPFD's) liability for prior service credits, disability pensions, minimum pensions, and military service is offset by the released matching funds.

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