

Spokane Employees' Retirement System (SERS)
Board Meeting, 12:00 p.m. January 29, 2020
City Hall – City Council Briefing Center

AGENDA

- 1) Election of Chairperson
 - Motion
- 2) Minutes of the December 4, 2019
 - Motion
- 3) Director's Report
 - a. Retirements
 - Motion
 - b. Withdrawals
 - Motion
 - c. Vesting
 - Information
 - d. Deaths
 - Information
 - e. Expenditure Summary Report – November 2019
 - Motion
 - f. Schedule of Investments – November 2019 and December 2019
 - Information
 - g. Monthly Cash Reconciliation
 - Information
 - h. Other Business
 - (1) Investment Advisory Committee Update
 - (2) Annual Board Agenda
 - (3) SB 5240 Update
- 4) Morrison Street MSDO LPA Amendment and Liquidity Window
 - Motion
- 5) Multiple Employer Plan Amendments
 - Motion
- 6) Other Business
- 7) Next Meeting – **Wednesday February 26, 2020 at 12:00 p.m.**

**Spokane Employees' Retirement System (SERS)
Board Meeting Minutes
December 4, 2019**

The regular monthly meeting was called to order at 12:02 p.m. in the Council Briefing Center at City Hall.

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

Absent: Mike Coster, Brian Brill, and J.D. Morscheck

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

Guests: Jayson Davidson, Brian Loescher, Joe Cavanaugh, Natalie Hilderbrand, Richard Czernik, Don Steuber, Chris Cavanaugh, and John Bjork

Hyas Group, 2019 3rd Quarter Investment Performance Report

Mr. Davidson presented the Third Quarter 2019 Performance Report. He discussed what continues to be an economy that is growing, albeit slowly, and the global market reaction to this slow growth environment. The following funds will remain on watch status for performance in violation of investment policy parameters: Hotchkis & Wiley High Yield Fund, Vanguard Mid Cap Growth, OrbiMed Partners, Hotchkis and Wiley Diversified Value, Sterling Mid Cap Value, and Frontier Phocas Small Cap Value. The Vanguard option 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. While the performance watch funds remained in violation, Mr. Davidson did note some relative strength for most managers as the Funds move into the Fourth Quarter of this year. Hyas Group is specifically looking at the prospect of presenting alternatives to the Vanguard Mid Growth Fund and the Orbimed Partners product. Both of these questions will be debated at the Hyas Group's next Investment Committee meeting before being presented to the Board at the 4th Quarter Investment Performance Report in February 2020. The Post product may also be considered for watch removal at that meeting.

Hyas Group informed the Board that Bridge City Capital Management accepted the edits to their proposed "most favored nations" clause. The new clause has been executed and establishes a maximum fee of 35bp with the potential for lower fees if any other clients overall fee is lower than SERS' fee.

Brian Loescher, Hyas Group's Chief Investment Officer, presented the Hyas Group prepared analysis for the most current Morrison Street real estate equity product. SERS has invested in Morrison Street's Fund IV, Fund V, MSDO and Hyas recommended a \$7 million commitment to the new Fund VI. Funding will be drawn down as it is called, and assets will be pulled from sources as part of standard rebalancing practices. Hyas Group will work with staff and outside counsel to complete the necessary agreement paperwork.

Dean Kiefer moved and Mike Cavanaugh seconded the motion to make a \$7M commitment to Morrison Street Fund VI. The motion passed unanimously.

Mr. Davidson shared information regarding an personnel turnover for the American Funds EuroPacific Growth Fund. Mark Denning was terminated from the firm after it was discovered that he held seven undisclosed securities in a personal account. Mr. Denning managed a small 7% sleeve of assets along with eight other managers with similar allocations. Given the multi-manager approach, Hyas does not think the Mr. Denning's departure is a high enough concern to issue a watch recommendation. No action was taken.

Minutes of the October 30, 2019 Meeting

Candace Mumm moved and Mike Cavanaugh seconded the motion to approve the minutes of the October 30, 2019 meeting as presented. The motion passed unanimously.

Director's Report

Service Retirements

<i>Name</i>	<i>Age</i>	<i>Retirement Date</i>	<i>Years of Service</i>	<i>Option</i>
Kristen L. Rossey	51	12/01/2019	13.0	C-10
Ron F. Kendall	59	12/14/2019	29.0	E
Debra D. Robole	65	01/01/2020	8.1	E
David M. Allison	54	01/08/2020	30.8	E

Dean Kiefer moved and Candace Mumm seconded the motion to approve the service retirements as presented on the November Retirement Transaction Report. The motion passed unanimously.

Withdrawals for November 2018

<i>Name</i>	<i>Years of Service</i>	<i>Termination Date</i>
David M. Charbonneau	6.7	04/15/2019
Caitlyn C. Salerno	0.6	09/19/2019
Miranda L. Andrews	0.2	10/01/2019
Karen K. Foster	0.4	10/15/2019

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

Vesting

<i>Name</i>	<i>Department</i>	<i>Years of Service</i>
Heather L. Trautman	Neighborhood Services	23.2

Deaths

<i>Name</i>	<i>Date Retired</i>	<i>Age</i>	<i>Date of Death</i>	<i>Information</i>
Mike G. Sherick	01/14/1998	80	10/01/2019	No Further Benefits
C. Dean Haugen	10/04/1994	79	10/23/2019	No Further Benefits
Ronald E. Triplett	10/02/2015	67	10/26/2019	No Further Benefits
Beverly J. Lyson	02/03/1995	83	11/02/2019	No Further Benefits
Harold "Herb" Herbig	06/05/1999	88	11/19/2019	E Option Continues
Pamela K. Braun	03/17/1993	68	11/21/2019	No Further Benefits

Vesting and Death information provided to the Board for review.

Expenditure Summary Report – October 2019

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

Dean Kiefer moved and Candace Mumm seconded the motion to approve the November 2019 Expenditure Summary Report. The motion passed unanimously.

Schedule of Investments – October 2019

The monthly investment report was presented to the Board for review. The estimated market value of the SERS portfolio on October 31, 2018 was \$307 million with an estimated rate of return of 1.4% for the month.

Monthly Cash Reconciliation

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

Other Business

Mr. Tencick discussed the transition plan with Mayor Elect Woodward.

Multiple Employer Plan Amendments

Mr. Tencick led the group in a discussion of the changes. Discussion ensued and the motion was deferred until the changes discussed could be integrated.

Other Business

Candace Mumm shared with the Board, with the new council members; she may no longer be serving on the SERS Board.

There being no other business, the meeting adjourned at 1:46 p.m.

Phillip Tencick, Retirement Director

SERS Retirement Transaction Report
January 2020

Retirements

	Name	Age	Retirement Date	Years of Service	Department	Option
1	Kay F. Bisaro	66	01/08/2020	13.0	Parks & Recreation	ST
2	Doris L. Stragier	60	01/11/2020	40.8	Legal	E
3	Anthony J. Titchenal	50	02/01/2020	21.9	Water	ST
4	Allen R. Craft	63	02/06/2020	29.8	Solid Waste Management	C-20
5	Gavin J. Cooley	61	02/08/2020	16.8	Treasurer	E
6	Alvin 'Ed' Kimbrel	65	02/15/2020	20.5	Development Services	ST
7	James C. Kestell	63	03/03/2020	28.2	Water	E
8	Curtis L. Lozier	65	04/02/2020	26.8	Street	E
	Retirements YTD	5				
	2019 Total Retirements	69				

Withdrawals

	Name	Years of Service	Department	Termination Date
1	Ray L. Cunneen	0.5	Water	11/07/2019

Vesting

	Name	Department	Years of Service
1	Barbara L. Ackerman	Civil Service	11.8
2	Kimberly A. Arredondo	Police - Radio	16.7
3	Brandon J. Blankenagel	Integrated Capital Management	11.5
4	James G. Caddey	Office of Performance Management	6.6
5	William A. Gagne	Worker's Compensation	19.5
6	Adam J. McDaniel	Council	5.7

Deaths

	Name	Date Retired	Age	Date of Death	Information
1	Doris L. Ibach	02/02/1994	91	09/14/2019	No Further Options
2	Mearl Holland	06/04/1985	97	11/14/2019	No Further Options
3	William J. Gibford	08/21/1991	80	11/26/2019	E Option Continues
4	Elizabeth F. Davidson	01/19/1991	88	12/12/2019	No Further Options
5	Florida M. Goodson	05/19/2004	94	12/20/2019	No Further Options
6	Jennifer A. Nist	02/17/2012	68	01/08/2020	No Further Options
7	Ronald E. Long	06/04/2004	77	01/13/2020	D Option Continues

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

	2018 ACTUAL	2019 BUDGET	NOVEMBER ACTUAL EXPENDITURES	2019 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
OPERATING EXPENDITURES						
Departmental Salaries	299,596.89	320,122.00	23,532.22	268,963.96	51,158.04	84.0%
Departmental Benefits	62,942.31	65,681.00	4,956.91	55,534.63	10,146.37	84.6%
Reserve for Budget Adjustment	-	10,000.00	-	-	10,000.00	0.0%
Administrative Income	(19,374.47)	(10,000.00)	-	(16,585.47)		
Postage/Supplies/Other	1,970.14	5,950.00	38.95	1,081.48	4,868.52	18.2%
State Audit Charges	12,444.28	15,000.00	1,376.24	9,129.17	5,870.83	60.9%
Contractual Services	132,743.15	175,000.00	2,479.50	121,766.88	53,233.12	69.6%
Travel	7,873.31	15,000.00	105.14	2,819.65	12,180.35	18.8%
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	101.40	2,073.80	426.20	83.0%
Other Miscellaneous Charges	1,383.13	3,800.00	971.12	3,080.88	719.12	81.1%
Amortization	17,649.00	-	-	-	-	
TOTAL OPERATING EXPENDITURES	527,512.34	619,053.00	33,561.48	448,674.98	163,792.55	72.5%
INTERFUND EXPENDITURES						
Interfund - Office Performance Mgmt Services	-	800.00	-	-	800.00	0.0%
Interfund - Centralized Purchasing	506.33	1,241.00	-	1,241.00	-	100.0%
Interfund - Centralized Accounting	1,958.16	2,080.00	-	2,080.00	-	100.0%
Interfund - Risk Management	790.00	584.00	146.00	584.00	-	100.0%
Interfund - Worker's Compensation	109.00	122.00	30.50	122.00	-	100.0%
Interfund - Reprographics	6,719.51	5,000.00	4,359.54	8,044.80	(3,044.80)	160.9%
Interfund - IT	15,824.72	13,108.00	1,099.43	10,964.93	2,143.07	83.7%
Interfund - IT Replacement	2,066.04	1,965.00	163.75	1,637.50	327.50	83.3%
Interfund - My Spokane	476.90	643.00	-	618.32	24.68	96.2%
TOTAL INTERFUND EXPENDITURES	28,450.66	25,543.00	5,799.22	25,292.55	250.45	99.0%
TOTAL ADMINISTRATIVE EXPENDITURES	555,963.00	644,596.00	39,360.70	473,967.53	164,043.00	73.5%

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

	2018 ACTUAL	2019 BUDGET	NOVEMBER ACTUAL EXPENDITURES	2019 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
PENSIONS						
Pensions-Annuity Benefit Payments	26,202,801.23	28,000,000.00	2,355,403.33	25,427,540.84	2,572,459.16	90.8%
Pensions-Disability Payments	125,328.48	140,000.00	10,175.32	114,615.72	25,384.28	81.9%
Pensions-Survivor Annuity Benefits Payments	1,981,214.54	2,100,000.00	169,436.06	1,945,449.11	154,550.89	92.6%
TOTAL PENSIONS	<u>28,309,344.25</u>	<u>30,240,000.00</u>	<u>2,535,014.71</u>	<u>27,487,605.67</u>	<u>2,752,394.33</u>	90.9%
Refunds	554,422.11	1,000,000.00	42,843.44	521,971.12	478,028.88	52.2%
TOTAL EXPENSES	<u><u>29,419,729.36</u></u>	<u><u>31,884,596.00</u></u>	<u><u>2,617,218.85</u></u>	<u><u>28,483,544.32</u></u>	<u><u>3,394,466.21</u></u>	89.3%
INVESTMENT EXPENSE*						
Advisory Technical Service	436,405.71	500,000.00	55,995.00	367,409.61	132,590.39	73.5%

* 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
November 30, 2019

1/23/2020

	Type		Allocation		
			Target	Current	Diff.
Cash Held by Treasurer	Cash	\$ 155,089			
US Bank	Short-term Inv	26,409			
Total Cash		181,498	0.0%	0.1%	0.1%
Sterling Capital	Total Return	25,382,698			
Total Total Return		25,382,698	10.0%	8.1%	-1.9%
Hotchkis & Wiley	High Yield - Mutual Fund	13,405,629			
Total High Yield		13,405,629	5.0%	4.3%	-0.7%
Polar	LLC	7,268,238			
Castine Capital II	Ltd Partnership	8,071,312			
Post Limited Term High Yield	Ltd Partnership	6,479,790			
Rimrock Low Volatility	Ltd Partnership	10,033,393			
Total Absolute Return		31,852,733	8.0%	10.2%	2.2%
Total Capital Preservation		70,822,558	23.0%	22.7%	-0.3%
Hotchkis & Wiley	LC Value - Mutual Fund	16,696,430			
Jackson Square	LC Growth - Mutual Fund	-			
MFS Growth	LC Growth - Mutual Fund	16,758,807			
MFS Heritage	LC Core	-			
Fidelity S&P 500 Index	LC Core - Mutual Fund	29,996,934			
Total US Large Cap		63,452,171	21.0%	20.4%	-0.6%
Sterling	MC Value	4,923,743			
Vanguard MC Growth	MC Growth - Mutual Fund	4,533,872			
Fidelity MC Index	MC Core - Mutual Fund	4,512,157			
Champlain	SC Core	6,837,108			
Phocas	SC Value - Mutual Fund	4,045,775			
Bridge City	SC Growth	5,989,913			
Fidelity SC Index	SC Core - Mutual Fund	937,957			
Total US Small/Mid Cap		31,780,525	11.0%	10.2%	-0.8%
Total US Equities		95,232,696	32.0%	30.6%	-1.4%
Artisan	SMID Value - Mutual Fund	22,493,749			
Euro Pacific	LC Blend - Mutual Fund	22,685,026			
Fidelity International	LC Index - Mutual Fund	-			
Total International Large Cap		45,178,775	15.0%	14.5%	-0.5%
Trivalent	SC Value - Mutual Fund	12,445,723			
Total International Small/Mid		12,445,723	4.0%	4.0%	0.0%
Vanguard EM Index	EM - Mutual Fund	1,198,471			
ABS Emerging Markets	Ltd Partnership	8,446,318			
Berens	Ltd Partnership	-			
Total Emerging Markets		9,644,789	3.0%	3.1%	0.1%
Total International Equities		67,269,287	22.0%	21.6%	-0.4%
Weatherlow Offshore	Ltd Partnership	16,661,695			
Royalty Opportunities I	Ltd Partnership	2,313,986			
Royalty Opportunities II	Ltd Partnership	2,601,037			
Total Long Biased		21,576,718	7.0%	6.9%	-0.1%
Metropolitan Real Estate Partners	Ltd Partnership	163,374			
Morrison Street Fund V	LLC	2,268,661			
Morrison Street Debt Opportunties	LP	4,085,347			
Morgan Stanley Prime	LLC	7,436,096			
Principal (REITs)	REITs	12,813,687			
Total Real Estate		26,767,165	9.0%	8.6%	-0.4%
Contrarian Capital Fund I	Ltd Partnership	8,899,483			
Beach Point	Ltd Partnership	11,249,198			
Total Opportunistic Credit		20,148,681	7.0%	6.5%	-0.5%
Contrarian EM Credit	LLC	5,455,924			
OrbiMed II	Ltd Partnership	4,249,667			
Total Special Opportunities		9,705,591	0.0%	3.1%	3.1%
Total Cash and Investments		\$ 311,522,696	100.0%	100.0%	0.0%
	Monthly Contributions	1,499,470			
	Monthly Pension	\$ (2,578,820)			
	As of October 31, 2019	\$ 307,165,063			
	Estimated Rate of Return	1.8%			
Abs. Return and Total Return FI	Thesis 2017.1	57,235,431	18.0%	18.4%	0.4%
Equity and Special Situations	Thesis 2017.3	172,207,574	54.0%	55.3%	1.3%

SERS Schedule of Cash and Investments

December 31, 2019

1/23/2020

	Type		Allocation		
			Target	Current	Diff.
Cash Held by Treasurer	Cash	\$ 138,989			
US Bank	Short-term Inv	146,265			
Total Cash		285,254	0.0%	0.1%	0.1%
Sterling Capital	Total Return	25,385,134			
Total Total Return		25,385,134	10.0%	8.0%	-2.0%
Hotchkis & Wiley	High Yield - Mutual Fund	13,686,339			
Total High Yield		13,686,339	5.0%	4.3%	-0.7%
Polar	LLC	7,341,024			
Castine Capital II	Ltd Partnership	8,228,531			
Post Limited Term High Yield	Ltd Partnership	6,510,979			
Rimrock Low Volatility	Ltd Partnership	10,082,676			
Total Absolute Return		32,163,210	8.0%	10.1%	2.1%
Total Capital Preservation		71,519,937	23.0%	22.6%	-0.4%
Hotchkis & Wiley	LC Value - Mutual Fund	17,113,653			
Jackson Square	LC Growth - Mutual Fund	-			
MFS Growth	LC Growth - Mutual Fund	17,203,639			
MFS Heritage	LC Core	-			
Fidelity S&P 500 Index	LC Core - Mutual Fund	30,899,969			
Total US Large Cap		65,217,261	21.0%	20.6%	-0.4%
Sterling	MC Value	5,002,792			
Vanguard MC Growth	MC Growth - Mutual Fund	4,604,542			
Fidelity MC Index	MC Core - Mutual Fund	4,614,773			
Champlain	SC Core	6,903,627			
Phocas	SC Value - Mutual Fund	4,145,325			
Bridge City	SC Growth	6,086,784			
Fidelity SC Index	SC Core - Mutual Fund	965,452			
Total US Small/Mid Cap		32,323,295	11.0%	10.2%	-0.8%
Total US Equities		97,540,556	32.0%	30.8%	-1.2%
Artisan	SMID Value - Mutual Fund	23,089,221			
Euro Pacific	LC Blend - Mutual Fund	23,108,356			
Fidelity International	LC Index - Mutual Fund	-			
Total International Large Cap		46,197,577	15.0%	14.6%	-0.4%
Trivalent	SC Value - Mutual Fund	13,008,016			
Total International Small/Mid		13,008,016	4.0%	4.1%	0.1%
Vanguard EM Index	EM - Mutual Fund	1,281,875			
ABS Emerging Markets	Ltd Partnership	8,446,318			
Berens	Ltd Partnership	-			
Total Emerging Markets		9,728,193	3.0%	3.1%	0.1%
Total International Equities		68,933,786	22.0%	21.7%	-0.3%
Weatherlow Offshore	Ltd Partnership	16,661,695			
Royalty Opportunities I	Ltd Partnership	2,313,986			
Royalty Opportunities II	Ltd Partnership	2,601,037			
Total Long Biased		21,576,718	7.0%	6.8%	-0.2%
Metropolitan Real Estate Partners	Ltd Partnership	163,374			
Morrison Street Fund V	LLC	2,268,661			
Morrison Street Debt Opportunties	LP	4,085,347			
Morgan Stanley Prime	LLC	7,436,096			
Principal (REITs)	REITs	12,677,417			
Total Real Estate		26,630,895	9.0%	8.4%	-0.6%
Contrarian Capital Fund I	Ltd Partnership	8,955,046			
Beach Point	Ltd Partnership	11,506,888			
Total Opportunistic Credit		20,461,934	7.0%	6.5%	-0.5%
Contrarian EM Credit	LLC	5,752,536			
OrbiMed II	Ltd Partnership	4,589,792			
Total Special Opportunities		10,342,328	0.0%	3.3%	3.3%
Total Cash and Investments		\$ 317,006,154	100.0%	100.0%	0.0%
	Monthly Contributions	1,519,558			
	Monthly Pension	\$ (2,591,960)			
	As of November 30, 2019	\$ 311,528,314			
	Estimated Rate of Return	2.1%			
Abs. Return and Total Return FI	Thesis 2017.1	57,548,344	18.0%	18.2%	0.2%
Equity and Special Situations	Thesis 2017.3	176,816,670	54.0%	55.8%	1.8%

Cash Recon - Dec

Date	Transactions	Sources	Uses	Balance
11/27/2019	Beginning Balance			1,354,732.02
11/27/2019	Sale - Hotchkis & Wiley Large Cap Value	450,000.00		1,804,732.02
11/27/2019	Sale - Fidelity S&P 500 Index	400,000.00		2,204,732.02
11/27/2019	Sale - MFS Large Cap Growth	400,000.00		2,604,732.02
11/27/2019	November Pension Payments		(2,578,820.37)	25,911.65
12/2/2019	Interest	497.14		26,408.79
12/6/2019	Return/Reissue Pension Check	503.38	(503.38)	26,408.79
12/9/2019	Payroll Contributions	776,826.26		803,235.05
12/18/2019	Commission Recapture	42.79		803,277.84
12/20/2019	Distribution - Royalty Opps I	12,465.25		815,743.09
12/23/2019	Payroll Contributions	742,731.38		1,558,474.47
12/24/2019	Recall Pension Check	1,234.54		1,559,709.01
12/30/2019	Distribution - Royalty Opps II	54,112.55		1,613,821.56
12/30/2019	Distribution - Morgan Stanley Prime	73,410.62		1,687,232.18
12/31/2019	Sale - Artisan Internation Value	500,000.00		2,187,232.18
12/31/2019	Sale - EuroPacific	550,000.00		2,737,232.18
12/31/2019	December Pension Payments		(2,591,960.00)	145,272.18
12/31/2019	Ending Balance	3,961,823.91	(5,171,283.75)	145,272.18

Cash Recon - Jan

Date	Transactions	Sources	Uses	Balance
1/1/2020	Beginning Balance			145,272.18
1/2/2020	Interest	993.18		146,265.36
1/6/2020	Payroll Contributions	791,391.86		937,657.22
1/13/2020	Reissue Pension Payment		(619.19)	937,038.03
1/15/2020	Reissue Pension Payment	1,240.64		938,278.67
1/17/2020	Return/Reissue Pension Payment	1,240.64	(1,240.64)	938,278.67
1/17/2020	Distribution - Morrison Street V	19,667.95		957,946.62
1/21/2020	Payroll Contributions	829,767.20		1,787,713.82
1/22/2020	Ending Balance	1,644,301.47	(1,859.83)	1,787,713.82
	<u>Upcoming</u>			
1/31/2020	Sale - TBD	800,000.00		
1/31/2020	January Pension Payments		(2,546,747.92)	
2/3/2020	Payroll Contributions	750,000.00		

**Spokane Employees' Retirement System (SERS)
Investment Advisory Committee Minutes
January 21, 2019**

The Investment Advisory Committee (IAC) meeting was called to order at 2:05 pm on January 21, 2019 in the City Hall Retirement Office via a conference call. The committee met in accordance with Washington State RCW 35.39.080 and .090 and submits the following report.

Present: Brian Brill, Gene Fitzpatrick, and Phillip Tencick
Absent: Gavin Cooley, and Dean Kiefer
Guests: Jayson Davidson and Brian Loescher from Hyas Group

2019 Market Update

Mr. Davidson reviewed broad economic data and the major market indices for the fourth quarter of 2019. Economic data remains largely positive, with modest GDP growth, continued strong employment, and mild inflation. Monetary policy reversed course during the year, with the Fed cutting rates three times to assuage market fears of a slowing economy. Markets had excellent returns for the year, with all major asset classes posting positive returns. Equity markets saw percentage gains ranging from the high teens for emerging markets to more than 30% for large cap US equities. It was noted that earnings growth will have to continue accelerating for markets to exceed the expectations currently priced into equities. Interest rate sensitive markets also generated positive rates as baseline rates fell and spreads tightened during the year.

Investment Manager Actions

Mr. Davidson highlighted the investment activities from 2019:

Watch List as of January 1, 2019

- Jackson Square Large Cap Growth – Performance
- Vanguard Mid Cap Growth – Performance
- OrbiMed Partners – Performance (Partial Redemption Pending at Year-end)
- MFS Blended Research – Performance
- Sterling Mid Cap Value – Performance

4th Quarter Performance Review Meeting – February 27, 2019

- Add to Watch List: Hotchkis & Wiley Diversified Value – Performance
- Add to Watch List: Frontier Phocas Small Cap Value – Performance
- Add to Watch List: Vanguard Mid Cap Growth – Qualitative
- No action taken: Senior level turnover at MetWest's parent company, TCW
- Large Cap Core Manager Review resulted in transition from active to passive allocation: MFS Blended Research transitioned to Fidelity S&P 500 Index

1st Quarter Performance Review Meeting – May 29, 2019

- Add to Watch List: Post Limited Term High Yield – Qualitative

2nd Quarter Performance Review Meeting – August 28, 2019

- Add to Watch List: Hotchkis & Wiley High Yield – Performance
- Terminate: Jackson Square Large Cap Growth – Performance
- Hire: MFS Large Cap Growth Fund

3rd Quarter Performance Review Meeting – December 4, 2019

- New commitment: Morrison Street Fund VI
- No action taken: EuroPacific Growth Fund personnel turnover

Watch List as of December 31, 2019

- Vanguard Mid Cap Growth – Performance, Qualitative
- OrbiMed Partners – Performance
- Sterling Mid Cap Value – Performance
- Hotchkis & Wiley Diversified Value – Performance
- Frontier Phocas Small Cap Value – Performance
- Post Limited Term High Yield – Qualitative
- Hotchkis & Wiley High Yield – Performance

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

Respectfully submitted,
Phillip Tencick

Annual SERS Board Agenda - 2020

Board Meeting	Topic
January	Annual Agenda - Staff
February	Performance Review - Hyas
March	
April	Valuation - SageView
May	Performance Review - Hyas
June	Audit Report - Moss Adams
July	
August	Performance Review - Hyas
September	
October	
December	Performance Review, IPS - Hyas

Ad Hoc	
	Asset Allocation (2016)
	Public Disclosure Exemption (2016)
	Actuary RFP (2016)
	Consultant RFP (2016)
	Audit RFP (2016)
	Cash Overlay (2016)
	Rule of 90 Implementation (2017)
	SB 5160 - City Plan Transfer Option (2017)
	Monthly Payment Processing to US Bank (2017)
	Experience Study (2017)
	Credit Search (2017)
	Cash/Liquidity Reporting (2017)
	Board Member Search (2017)
	Castine Strategy Transition (2018)
	Credit Search - Contrarian (2018)
	Emerging Markets Search - ABS (2018)
	Special Situation Search - Contrarian (2018)
	Index Provider Search - Fidelity (2018)
	SB 5240 City Plan Transfer Option (2019)
	Real Estate Fund Search (2019)
	SREC Eligibility (2019)
	Exempt Confidential Analysis (2019)
	MSDO LPA and Liquidity Window
	Mid Cap Growth Search
	Absolute Return Search

Research Agenda	
Investments	Asset Allocation (2016) Opportunistic Credit Primer (2016) Allocation Implementation Searches (2016) OrbiMed Partners Manager Review (2017) Fees vs. Alpha Analysis (2017) Risk Factor Analysis (2017) Manager Review - Bridge City (2018) Manager Review - Dimensional (2018) Index Provider Primer (2018) EM Equity Primer (2018) Active Risk Budgeting (2019) Large Cap Investment Strategy (2019) Risk Factor Analysis (2019) Manager Reviews Asset Class Reviews Wharton's Choice
Governance	Fiduciary Duty (2016) Ethics in Practice (2017) Sustainability (2017) Plan Design Benchmarking (2017) Board Rules (2018) ESG Review (2018) Open Meeting Training (2018) Bond Rating Improvements (2019) Ongoing Due Diligence Review Consultant Performance Metrics
Administrative	Payment processing (2016) Participant/Demographic Analysis (2018) Total Retirement Value
Long-Term	Plan design and risk with improved funding (2019) Consultant RFP Actuary RFP Audit RFP Asset Allocation Study

Organization	Program	Location	Dates	Cost	Travel	#	Membership	Notes
CII	Spring Conference	Washington, DC	3/9/2020 - 3/11/2020	\$0	\$1,250		\$5,000	Corporate Governance focus
IFEBP/Wharton	Portfolio Concepts and Management	Philadelphia, PA	4/20/2020 - 4/23/2020	\$5,495	\$1,500			
IFEBP	Investment Institute	New Orleans, LA	4/27/2020 - 4/29/2020	\$1,515	\$1,250			
NCPERS	Trustee Education Summit	Las Vegas, NV	5/9/2020 - 5/10/2020	\$400	\$500			Optional with conference
NCPERS	Annual Conference	Las Vegas, NV	5/10/2020 - 5/13/2020	\$1,020	\$1,500		\$250	
CFA Institute	Annual Conference	Atlanta, GA	5/17/2020 - 5/20/2020	\$1,295	\$3,500			
Plan Sponsor	Annual Conference	Orlando, FL	6/8/2020 - 6/10/2020	\$0	\$1,250			
IFEBP/Wharton	Alternative Investment Strategies	San Francisco, CA	7/20/2020 - 7/22/2020	\$4,155	\$1,250			
NASRA	Annual Conference	Park City, UT	8/8/2020 - 8/12/2020	\$1,130	\$1,750		\$2,775	
NCPERS	Public Pension Funding Forum	Chicago, IL	8/23/2020 - 8/25/2020	\$800	\$1,250		\$250	
IFEBP	Annual Employee Benefits Conference	Honolulu, HI	11/15/2020 - 11/18/2020	\$1,595	\$1,500			
P2F2	Annual Conference	Philadelphia, PA	10/25/2020 - 10/28/2020	\$425	\$1,500	1		Christine attending
NSIIP	Annual Conference	Dallas, TX	11/4/2020 - 11/5/2020	\$300	\$1,000			Includes Trustee Training
NCTR	Trustee Workshop	Berkeley, CA	7/19/2020 - 7/22/2020	\$2,500	\$1,500		\$1,625	Teacher's retirement organization; still relavent
CII	Fall Conference	San Francisco, CA	9/21/2020 - 9/23/2020	\$0	\$1,250		\$5,000	Corporate Governance focus
NCTR	Annual Conference	La Jolla, CA	10/10/2020 - 10/13/2020	\$1,230	\$1,500		\$1,625	Teacher's retirement organization; still relavent

Additional Resources		
Benefits Link	Comprehensive Calendar	Online
IFEBP	Education Calendar	Online
Savvy Investor	Conference Calendar	Online
CFA Institute Courses	Primer for Investment Trustees	Online

► *Morrison Street Debt Opportunities Fund*

After direct consultation with the preponderance of our investors and/or their advisors, it seems the dominant sentiment is a preference for holding the MSDO portfolio loans over the longer term, due primarily to the relative irreplaceability of the cash flow stream. The lack of volatility and steady income have come to represent an investment better designed for annual cash flow and accumulated profits over time, as opposed to an IRR-driven investment with a shorter holding period. These outcomes are also partly due to the fixed payment structure of the underlying loans, which means the MSDO portfolio is more akin to a bond than to a traditional real estate investment.

Nevertheless, the original design of the Fund contained a business plan that anticipated the portfolio would be profitably sold within a targeted window of 4 to 6 years (we are now 4 years from the first closing). In theory, the Fund's options during the contemplated liquidity window would be to : 1) hold to maturity; 2) sell the entire portfolio, or; 3) conduct a partial sale of the portfolio. Since most investors would prefer to hold the loans, yet we have this underlying promise to offer a liquidity event, we believe the most prudent course of action is a middle ground: we intend to pursue a partial sale that should serve to allow any investors seeking to exit to do so, while maximizing the amount retained within the Fund by those investors comfortable with a longer term investment.

We have been asked many times why we don't simply call for a vote waiving the liquidity requirement, and our answer has remained the same – the Fund was designed with a midstream liquidity event in mind and we feel a moral obligation to attempt to provide an exit option to anyone who seeks it. Simultaneously we need to achieve the highest potential price for any selling partners, which meant we needed to conduct a thorough process of sourcing external capital to insure the highest and best price and execution. We have consulted extensively with numerous investment banks, foreign investors, and loan sales brokers. We have considered debt and equity alternatives, open-end and closed-end structures. At the end of it all, we arrived at the following outcome:

In very short form, we've identified an area of regulatory arbitrage that allows insurance companies to invest more efficiently in direct loan participations than they can achieve within a partnership (due to widely varying regulatory capital reserves). Accordingly, we've determined that insurance companies are the most logical investor into MSDO at this time, since our ability to offer them preferential capital treatment results in them being able to pay the highest price. We're planning to allow two such firms to acquire minority participation interests in MSDO portfolio loans at a significant premium of perhaps 12% to 14% over the current outstanding balance of the 27 loans included (out of 31 total loans) as part of the transaction.

As described more fully in the attached notice letter, we are asking for your assistance with two items to facilitate the contemplated transactions:

- 1) We are seeking approval for the required amendment to the partnership agreement. We are proposing two primary changes that essentially push out the key deadlines by two years: i) an extension of the 10/1/22 liquidity event deadline to 10/1/24, and; ii) an extension of the outside date of the partnership from 10/1/27 to 10/1/29. While certainly not a motivation for the recapitalization, this amendment does have the effect of extending by two years to 2024 the period during which the Manager and the General Partner may earn fees or carried interest.
- 2) We ask you to elect what percentage of your current ownership position you might want to sell as part of the recapitalization. The base options are: i) 100% sale of your position; ii) the minimum required sale (estimated to settle at 0% to 15%, depending on number of sellers), or; iii) sell a specific percentage (including 0%).

In all these cases, please keep in mind that depending on the final survey results and sizing and pricing with insurance companies, we may or may not be able to fill specific orders in full or in part.

Note that advisors with multiple clients may make a single election to apply to their entire client base, or could also select individual client options if needed. We are shooting for a closing of the recapitalization in mid-February. Therefore, we are hoping to receive returned surveys no later than January 22, 2020, in order to finalize the details of the transactions.

The notice and survey packet attached includes more detailed math and also contains the required amendment to the partnership agreement. It is clear to us that it's in the best interest of any investor who doesn't sell in full now that the Fund life be extended to allow for maximum profit from ongoing cash flows, and to facilitate the participation transaction by allowing a full term hold for the new insurance company investors. We originated a few loans that don't mature until late 2028, and as a contingency we need to allow the Fund a small window into late 2029 to be repaid or to work out loans following maturity. This added term is taken in context with the revised liquidity deadline of 10/1/24, meaning the Fund will again seek to offer liquidity within the next four years, so that investors may continue to have future flexibility in their hold/sell decisions.

By pioneering this unique participation structure with the insurance companies now, we are creating a path for potentially repeatable liquidity options. We are effectively allowing the Fund to hold the underlying investments to full term, thereby retaining the benefits of owning high yielding assets in a closed-end structure, while adding some of the favorable redemption features more common to an open-end vehicle. We might even consider offering liquidity more frequently in the future if the process can be conducted with a simple survey, without complicated amendments and without a minimum required sale from investors seeking to hold longer.

We look forward to answering any questions you may have about the process, timing, and financial outcomes of this recapitalization transaction. Please keep in mind we should know quite a bit more and be better suited to answer those questions once we receive back the results from the survey. Thanks in advance for your time, consideration and assistance in this process.



Morrison Street Debt Opportunities Fund, L.P.
121 SW Morrison Street, Suite 200
Portland, Oregon 97204

Phillip Tencick
Spokane Employees' Retirement System
800 W. Spokane Falls Blvd, Suite 604
Spokane, WA 99201

January 7, 2020

Dear Limited Partner:

Re: Morrison Street Debt Opportunities Fund, L.P. (the “Fund”)

Overview

As previously discussed, we are pleased to further describe (i) our plans to enter into a recapitalization of the Fund in which two insurance companies may acquire minority participation interests in Fund portfolio loans (the “**Recapitalization**”) and (ii) an amendment (the “**Amendment**”) to the Amended and Restated Agreement of Limited Partnership of the Fund previously dated October 1, 2015 (the “**Partnership Agreement**”) that will extend a 2022 Liquidity Event deadline by two years and will extend the term of the Fund by two years (capitalized terms used but not defined herein shall have the meanings set forth in the Partnership Agreement). The Amendment has the effect of extending by two years to 2024 the period during which the Manager and the General Partner may earn fees or carried interest.

Action Items/Process

In connection with the Recapitalization, we are asking you to:

- 1) vote to approve the amendment
- 2) elect whether you would like to sell either: i) 100% of your position; ii) the minimum required amount of your current position (estimated to settle at 0% to 15%, depending on number of sellers), or; iii) a specific percentage (including 0%).

Please understand that we may or may not be able to fill any specific orders, including desired sales of 100%, the minimum required sale, or specific percentages. The exact amounts will depend on a successful closing and the final pricing and sizing of the insurance company transactions. The priority of sales proceeds will be given first to investors seeking to sell all of their position, then we would fill orders for any other amounts above 15%, and lastly, we would fill orders to sell 15% or less. In theory, if no investors elected to sell any of their position, then everyone would sell approximately 15% of their position. However, given this prioritization structure, it is highly likely that investors who remain in the Fund will be selling less than 15% of their position as part of this transaction (including as little as 0%). Finally, it is also possible that if enough sellers emerge, then those electing to sell 100% will not have their orders filled in full at this time due to an overall constraint of capital available from the insurance companies in 2020 and the exclusion of four of the loans from the underlying transaction, as explained in the Transaction Details section below.

Guidance

It is very important to note that this recapitalization should not be taken as a recommendation for investors to elect the full sale or partial sale options, for a variety of reasons. The portfolio continues to perform quite well overall and the cash flow stream is irreplaceable. Following the amendment, we retain the goal of providing one or more liquidity events within the next five years; therefore, this transaction is simply a first step for any investors desiring near-term liquidity and is not intended to be a last chance for liquidity. We have several tools we could apply to repeat a recapitalization process one or more times on a larger or smaller scale. For IRR-driven investors, an early sale could provide a slight boost to compound annual returns, but likely at the cost of reduced profits. Agreeing to the amendment and electing to sell the smallest amount possible (whether ultimately 0% to 15% of your position) is the preferred strategy for investors more focused on continuing to earn cash flow and accumulate more total profits over the medium term.

We believe investors seeking to remain in the Fund should consider voting in favor of the amendment in order to push out by two years the date of required liquidity (otherwise we would be required to sell more sooner). Investors seeking full or partial liquidity should consider voting for the amendment in order to facilitate the insurance company transactions that are the source of the current round of liquidity.

In any event, we will endeavor to conduct another transaction or set of transactions with the goal of allowing you the option to sell all, none or part of your investment prior to the end of 2024. In our opinion, the logical outcome for all investors other than those in need of immediate liquidity would be to sell the minimum now and wait for the next transaction for an opportunity to elect a full return of capital. Ultimately the ideal future outcome might be a recapitalization prior to the end of 2024 that provides a full return of capital (when combined with prior distributions), while still retaining an ongoing cash flow/profits interest from 2024 to 2028. We have several ideas that could accomplish this objective, and we would explore them in more detail as we get closer to the next liquidity deadline.

It is important for investors to note that this letter is not intended to constitute legal, tax, or accounting advice or investment recommendations. Investors should consult their own advisors regarding such matters.

Transaction Details

In the big picture, the Fund had \$200 million in capital commitments, made \$186 million of loans, of which \$16.3 million had previously repaid. Of the 31 remaining loans, 30 continue to perform. The exception is the Regent Portfolio which remains in non-performing status and has therefore been excluded from the transaction with the insurance companies. In addition, the insurance companies may be prohibited for regulatory purposes from acquiring ownership interests in the B-notes (due to some definitional/statutory uncertainty over whether they constitute real estate or securities for insurance company purposes). The final due diligence process could in theory lead to the exclusion of one or more other assets. However, as of this writing we anticipate the insurance companies will be investing into 27 of the Fund's 31 investments. It is these 27 loans to which the purchase prices (estimated at 112% to 114% of the outstanding balance of the included loans) will be attributable. The transaction is estimated to equate to a ~7% IRR to the purchasing insurance companies. This segmentation of applying the price to a portion of the portfolio means

the price premium isn't as great as if otherwise applied to the entire portfolio, and is also part of the reason it's possible investors seeking to sell may not be able to exit the entirety of their position at this time if the total proceeds of the transaction are not sufficient. Please keep in mind the fair market value of the loans on our financial statements was already nearly 105% of the outstanding amounts, so the net writeup won't be as much as would be expected if the loans were still held at par.

The final math will depend greatly upon each investor's admittance date to the Fund and the final structuring with the insurance companies. In rough terms, an investor selling in full now is likely to achieve a net IRR (compound annual return) of 9.0% to 10.0% and a net profit multiple of 1.25x to 1.30x. By comparison, if the loans were held and performed all the way to maturity, the same investor could potentially achieve a total net profit multiple of 1.72x, though the net IRR might diminish to less than 9% over a longer period of time. Obviously our intention is to conduct another transaction or series of transactions that would alter the actual returns received in the future. This analysis is intended simply to show the difference in potential profit multiple between selling now and holding longer.

In connection with the Amendment, attached hereto as Exhibit A is the specific Amendment we are hereby proposing to make. Accordingly, we hereby seek your approval to make the proposed Amendment attached hereto as Exhibit A. Pursuant to Section 15.1 of the Partnership Agreement, this Amendment may only be entered into by the written consent of the General Partner and Majority in Interest of Limited Partners.

In order to proceed with the Recapitalization and Amendment, we respectfully request that you complete, sign and return the enclosed Consent and Election Form by no later than January 22, 2020. Although the closing timeline is subject to change, we are targeting a transaction completion date in mid-February so your prompt response is greatly appreciated. Please return the Consent and Election Form by email to msfunds@morrisonstreetcapital.com. Should you have any questions regarding the Recapitalization or Amendment, please contact Marcus Parker by telephone at (503) 952-0747 or by email at mparker@morrisonstreetcapital.com.

We appreciate your cooperation and support.

Respectfully,

Morrison Street Capital, LLC

CONSENT AND ELECTION FORM

In order to facilitate the Recapitalization (as defined in the attached letter), we are requesting your consent to the proposed amendment of the Amended and Restated Agreement of Limited Partnership of the Partnership (the “**Partnership Agreement**”). As set forth in Exhibit A attached hereto (the “**Amendment**”), this action will extend a 2022 Liquidity Event deadline by two years and will extend the term of the Fund by two years (capitalized terms used but not defined herein shall have the meanings set forth in the Partnership Agreement). The Amendment has the effect of extending by two years to 2024 the period during which the Manager and the General Partner may earn fees or carried interest.

- I approve of the Amendment
 I do not approve of the Amendment

Regardless of your election above, please complete the Survey below.

IN WITNESS WHEREOF, the undersigned Limited Partner(s) of Morrison Street Debt Opportunities Fund, L.P., a Delaware limited partnership (the “**Partnership**”) has/have executed this Consent and Election Form as of January 29, 2020. If such Limited Partner(s) is/are represented by a discretionary investment advisor, such discretionary investment advisor may complete and execute this Consent and Election Form on behalf of the Limited Partner(s).

SPOKANE EMPLOYEES' RETIREMENT SYSTEM:

By: _____
Name: Phillip Tencick
Title: Retirement Director

Survey

To assist us in prioritizing sales proceeds, please indicate the amount of your position you would prefer to sell. Please note the General Partner will use best efforts but cannot guarantee any individual request will be met as indicated, including desired sales of 100%, the minimum required sale, or any other specified percentage (including 0%).

- 100% of your position
 Minimum required sale (estimated to be as little as 0% and as much as 15%)
 Specific amount (if you have a preference for an option other than a 100% sale or the minimum required sale) (*please indicate*) 25 %

**AMENDMENT TO
AMENDED AND RESTATED AGREEMENT OF LIMITED
PARTNERSHIP OF
MORRISON STREET DEBT OPPORTUNITIES FUND, L.P.**

Among: **MSDO FUNDING, LLC,**
a Delaware limited liability company “General Partner”

And: The persons and/or entities listed from time to time in the Schedule of Partners Each a “Limited Partner” and collectively the “Limited Partners”

Dated: January __, 2020

Background

Morrison Street Debt Opportunities Fund, L.P., a Delaware limited partnership (the “Fund”), is governed by an Amended and Restated Agreement of Limited Partnership dated October 1, 2015 (as amended, the “Partnership Agreement”). This Amendment (the “Amendment”) specifies the terms under which the Partnership Agreement is further amended. For purposes of this Amendment: (a) the “double underlined” language shown is inserted in and added to the Partnership Agreement; and (b) the language shown with a “~~strike through~~” is deleted from the Partnership Agreement. Capitalized terms used but not defined in this Amendment have the meanings specified in the Partnership Agreement. All Section and Article references in this Amendment are to the Partnership Agreement.

Agreement

1. Section 2.2 (Term). Section 2.2 shall be amended to read as follows:

“Term. The term of the Fund commenced on the date the Certificate of Limited Partnership of the Fund was filed with the Secretary of State of the State of Delaware and shall continue, unless the Fund is sooner dissolved pursuant to Section 13, until ~~the tenth anniversary of the Initial Closing~~ October 1, 2027, provided that the term of the Fund may be extended by the General Partner for up to two successive periods of one year, and provided, further, that the term of the Fund shall continue to the second anniversary of the last day of the term solely for purposes of Section 12.3. ~~Notwithstanding the foregoing, the target term of the Fund is four to five years from the date of the Initial Closing.~~”

2. Section 7.2(b) (Distributions of Distributable Cash Attributable to Investments). Section 7.2(b) shall be amended to read as follows:

“Distributions of Distributable Cash Attributable to Investments. Distributable Cash attributable to any Investment (including income from Permitted Temporary Investments

realized pending investment in such Investment or pending distribution of Distributable Cash relating to such Investment) shall initially be apportioned among the Partners (including the General Partner) in proportion to their respective Percentage Interests relating to such Investment. Amounts allocated to the General Partner with respect to the General Partner's Commitment will be distributed to the General Partner. With respect to distributions made to Limited Partners on or before ~~the seventh anniversary of the date of the Initial Closing~~ October 1, 2024, the amount apportioned to any Limited Partner pursuant to the preceding sentence shall then be immediately reapportioned as between such Limited Partner and the General Partner and distributed as follows:²²

3. Section 7.2(c) (Carried Interest). Section 7.2(c) shall be amended to read as follows:

"Carried Interest. The amounts distributed to the General Partner with respect to Distributable Cash initially apportioned to a Limited Partner under Section 7.2(b)(iii) are referred to as the "Carried Interest." For clarity, Carried Interest is determined and calculated separately for each Limited Partner. The General Partner shall not be entitled to any Carried Interest distributions with respect to distributions made after ~~the seventh anniversary of the date of the Initial Closing~~ October 1, 2024. The General Partner may, in its sole discretion, reduce, waive or rebate all or any portion of the Carried Interest otherwise allocable to the General Partner with respect to any Limited Partner."

4. Amendment. Section 15.1 provides that any provision of the Partnership Agreement may be modified or amended only with the written consent of the General Partner and Majority in Interest.

5. Continuing Agreement. Except as otherwise set forth herein, the Partnership Agreement shall continue in effect as previously written.

6. Effective Date. This Amendment is dated effective January __, 2020.

7. Governing Law. This Amendment and all rights of the parties hereunder shall be governed by and construed and enforced in accordance with the laws of the State of Delaware.

[Signature page follows]

IN WITNESS WHEREOF, the undersigned has executed this Amendment effective as of the day and year first written above.

GENERAL PARTNER:

MSDO Funding, LLC,
A Delaware limited liability company

By: _____

Name: Rance S. Gregory

Title: Chairman of the Board of Managers

By: _____

Name: Rance S. Gregory

Title: Chief Executive Officer

[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 can again become a benefit accruing member under SERS if and only if either (1) he or she is subsequently rehired as an employee of the City, or (2) he or she is subsequently rehired as an employee of SREC (or SPFD) within three (3) years of initial termination of employment with SREC and (i) was immediately placed in layoff status at the time of termination from SREC, (ii) continuously maintained layoff status while separated from SREC, and (iii) is either (a) rehired directly from layoff status by SREC (in which case that individual will again be treated as a SREC Member) or (b) rehired directly from layoff status by SPFD (in which case that individual will subsequently be treated as a SPFD Member), and (iv) did not withdraw contributions from SERS. 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 can again become a benefit accruing member under SERS if and only if either (1) he or she is subsequently rehired as an employee of the City, or (2) he or she is subsequently rehired as an employee of SPFD (or

SREC) within three (3) years of initial termination from SPFD and (i) was immediately placed in layoff status at the time of termination from SPFD, (ii) continuously maintained layoff status while separated from SPFD, ~~and~~ (iii) is either (a) rehired directly from layoff status by SPFD (in which case that individual will again be treated as a SPFD Member) or (b) rehired directly from layoff status by SREC (in which case that individual will subsequently be treated as a SREC Member), and (iv) did not withdraw contributions from SERS. 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.