

Spokane Employees' Retirement System (SERS)
Board Meeting Minutes
March 4, 2020

The regular monthly meeting was called to order at 1:02 p.m. in the Council Briefing Center at City Hall.

Present: Mike Coster, Joe Cavanaugh, Michael Cathcart, Dean Kiefer, and J.D. Morscheck

Absent: Brian Brill and Jim Tieken

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

Guests: Brian Loescher, Ted Grigsby, Natalie Hilderbrand, Dave Hanshaw, Richard Czernik, Jon Barnhart, Duane Studer, and John Bjork

Hyas Group, 2019 4th Quarter Investment Performance Report

Ted Grigsby reviewed the Fourth Quarter 2019 Performance Report with the Board. Hyas Group discussed the state of the economy and the strong market performance last year. Also discussed were the recent interest rate cut by the Federal Reserve and the potential short and long-term impact on fixed income and equity markets. It was not recommended to make any tactical moves to derisk the portfolio. The following funds will remain on watch status: Hotchkis & Wiley High Yield Fund, OrbiMed Partners, Hotchkis and Wiley Diversified Value, Sterling Mid Cap Value, and Frontier Phocas Small Cap Value. All funds on watch showed relative strength throughout 2019 and either outperformed their benchmark or performed in the top quartile of their peer group, apart from Hotchkis & Wiley High Yield. Hyas had previously discussed presenting alternatives for the Orbimed Partners product, however it performed extremely well in 2019 beating its relative benchmark by 20.45%. Also discussed was exploring the possibility of increasing exposure to additional asset categories, such as Emerging Market Debt, to diversify against a historically low interest rate environment.

Post Limited Term High Yield was on watch status due to a senior leadership transition at the firm. This transition has been completed with highly experienced senior staff now in place. Hyas Group continues to have a high degree of confidence in the firm/team, and performance continues to meet or exceed its relative benchmark over short and longer-term time periods. Hyas Group recommended removing from watch status.

Joe Cavanaugh moved and Dean Kiefer seconded the motion to remove Post Limited Term High Yield from watch status. The motion passed unanimously.

Hyas Group touched briefly on SERS' decision to submit for a partial (25%) redemption to Morrison Street Debt Opportunities Fund at an attractive premium. This provided the opportunity for SERS to realize gains imbedded in the current portfolio and provide liquidity to fund Morrison Street Fund VI. It was also noted that Evanston Capital was seeking to complete a management led buyout of the remaining interest in the firm from TA Associates. The Hyas Group supports this effort and believes it is in the best interest of the firm and its investors.

The Board reviewed the Investment Policy Statement. The date was the only modification to the updated Investment Policy Statement.

Joe Cavanaugh moved and Dean Kiefer seconded the motion to accept the Investment Policy Statement as presented. The motion passed unanimously.

Mid Cap Growth Search

Brian Loescher presented a Mid Cap Growth Manager Search Report, which offered four alternatives to the Vanguard Mid Growth Fund. The four alternatives included Wellington Mid Cap Opps CIT, TimeSquare Mid Cap CIT, MFS Mid Cap Growth R6 and Westfield Mid Cap CIT. Each option was reviewed, discussing both the qualitative and quantitative components of each. The Hyas Group and staff recommended hiring Westfield Mid Cap to replace Vanguard Mid Growth due to their balanced exposure to cyclical and secular growth and their commitment to risk management. Hyas Group will follow up with Westfield to provide the required CIT documentation.

Joe Cavanaugh moved and Dean Kiefer seconded the motion to replace Vanguard Mid Cap Growth with Westfield Mid Cap CIT as recommended by Hyas Group. The motion passed with J.D. Morscheck voting nay.

Minutes of the January 29, 2020 Meeting

Dean Kiefer moved and Joe Cavanaugh seconded the motion to approve the minutes of the January 29, 2020 meeting as presented.

Director's Report

Service Retirements

<i>Name</i>	<i>Age</i>	<i>Retirement Date</i>	<i>Years of Service</i>	<i>Option</i>
Paul D. Charbonneau	65	03/03/2020	30.8	E
Craig A. Moss	61	03/03/2020	21.5	D
Allen L. Pope	65	03/03/2020	31.4	E
Keith E. Fisher	66	04/04/2020	29.5	E
Marvin D. Tucker (vested)	50	06/01/2020	18.2	C-20

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

Withdrawals for March 2020

<i>Name</i>	<i>Years of Service</i>	<i>Termination Date</i>
Ryan M. Brett	3.2	09/27/2019
Steven A. Amundson	0.8	12/28/2019

Dean Kiefer moved and Joe Cavanaugh seconded the motion to approve the requests for withdrawal as amended on the March Retirement Transaction Report. The motion passed unanimously.

Vesting

<i>Name</i>	<i>Department</i>	<i>Years of Service</i>
Michael L. Greene	Golf	13.1
Benjamin T. Stuckart	Council	8.0
Matt E. Gibson	Public Facilities District	20.7
Theresa M. Sanders	Mayor	10.5
Nicole M. Bond	CD/HS Operations	3.6

Deaths

<i>Name</i>	<i>Date Retired</i>	<i>Age</i>	<i>Date of Death</i>	<i>Information</i>
Travis Wilbourn	07/07/2012	69	01/31/2020	D Option Continues

Vesting and Death information provided to the Board for review.

Expenditure Summary Report – December 2019 and January 2020

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

Joe Cavanaugh moved and Dean Kiefer seconded the motion to approve the December 2019 and January 2020 Expenditure Summary Reports. The motion passed unanimously.

Schedule of Investments – January 2020

The monthly investment report was presented to the Board for review. The estimated market value of the SERS portfolio on January 31, 2020 was \$314.4 million with an estimated monthly rate of return of -0.5%.

Monthly Cash Reconciliation

The monthly cash reconciliation report for February 2020 was presented to provide the Board with additional insight into the ongoing liquidity and cash position of the plan.

Other Business

Mr. Tencick updated the Board on the recent changes to the SECURE Act. The changes to the Act that will affect SERS the most is the change in the Required Minimum Distribution age from 70 ½ to 72 and anyone who is vested and reaches the RMD would have to begin receiving distributions.

Upcoming Board Election

Joe Cavanaugh's term on the Board runs through July 5, 2020. Joe Cavanaugh informed the Board of his intent to run again for the Board position.

There being no other business, the meeting adjourned at 2:41 p.m.

/s/

Phillip Tencick, Retirement Director