

**Spokane Employees' Retirement System (SERS)**  
**Board Meeting Minutes**  
**June 3, 2020**

The meeting was called to order at 1:01 p.m. via WebEx conference call.

**Present:** Mike Coster, Jim Tieken, Joe Cavanaugh, Dean Kiefer, Brian Brill, Michael Cathcart, and J.D. Morscheck

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

**Guests:** Jayson Davidson, Brian Loescher, Ted Grigsby, Natalie Hilderbrand, and Richard Czernik

**Hyas Group, 2020 1<sup>st</sup> Quarter Investment Performance Report**

Hyas Group reviewed the First Quarter 2020 Performance Report. They discussed the state of our economy at the timing of this report and the impact that the COVID-19 pandemic played in both the broad economy and securities markets. Also discussed was the drastic fiscal and monetary policy in the US and abroad in response to the pandemic and some of the potential impacts on the securities markets. The Board reviewed the asset allocation of the portfolio and due to significant volatility in equities relative to fixed income, three asset categories were slightly out of stated policy range at the time of reporting (Domestic Equities, Absolute Return & Small/Mid Cap Equity). However, all three were back within policy guidelines by the time of the Board meeting.

The following funds will remain on watch status: Hotchkis & Wiley High Yield Fund, OrbiMed Partners, Hotchkis and Wiley Diversified Value, Frontier Phocas Small Value, and Sterling Mid Cap Value. It was noted that OrbiMed Partners has demonstrated strong execution over 2019 and 1Q 2020, handily outperforming both the MSCI World Healthcare Index and NASDAQ Biotech index. Additionally, Brian Loescher confirmed that the termination of Vanguard Mid Growth and funding of Westfield Mid Growth, as approved by the Board, was completed during 1Q 2020.

The Board also discussed the possibility of simplifying the portfolio. This would include reviewing individual manager execution across the portfolio and the efficacy of the asset classes utilized in portfolio construction. It was discussed that initial steps could include the review and potential consolidation of current managers while remaining within current policy guidelines. Broader asset class changes would be better addressed through a new asset allocation study that will likely occur after the consultant RFP is concluded. The Hyas Group will provide the Board with specific recommendations to begin the simplification process at the 2Q 2020 Board Meeting.

### Frontier Phocas Fund Liquidation

Hyas Group informed the Board that Frontier abruptly announced that the Frontier Phocas Small Cap Value Fund would cease operations as of the end of June citing lack of AUM growth. Hyas Group will proceed with a manager search for replacement and will include a low-cost index option in the search. Until the Board selects an alternative manager, the assets will remain in the portfolio's small cap index fund.

Jim Tieken moved and Dean Kiefer seconded the motion to reallocate the funds from the termination of the relationship with Frontier Phocas to the small cap index until the next manager search as recommended. The motion passed unanimously.

Joe Cavanaugh moved and Jim Tieken seconded the motion to place Castine Partners II on watch due to poor performance and the move in the change in allocation of their exposure. The motion passed unanimously.

### Minutes of the May 6, 2020 Meeting

Joe Cavanaugh moved and Jim Tieken seconded the motion to approve the minutes of the May 6, 2020 meeting as presented. The motion passed unanimously.

### Minutes of the May 20, 2020 Special Meeting

Jim Tieken moved and Dean Kiefer seconded the motion to approve the minutes of the May 20, 2020 special 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> |
|----------------------------|------------|------------------------|-------------------------|---------------|
| Kenneth W. Johnson         | 68         | 05/16/2020             | 15.8                    | E             |
| Robert N. Storm            | 63         | 05/16/2020             | 20.9                    | ST            |
| Robert B. Turner           | 58         | 05/20/2020             | 25.7                    | E             |
| Terrence W. Clark          | 65         | 05/29/2020             | 10.2                    | ST            |
| Timothy E. Morgan          | 64         | 06/02/2020             | 36.1                    | E             |
| Daniel R. Kegley           | 60         | 06/02/2020             | 29.1                    | E             |
| Vernon W. Jones            | 66         | 06/03/2020             | 12.0                    | ST            |
| Patrick J. Dalton          | 66         | 06/20/2020             | 12.2                    | E             |
| Chris J. Hill              | 59         | 06/27/2020             | 32.1                    | ST            |
| Rhoda J. Davis             | 61         | 06/27/2020             | 13.0                    | ST            |
| Cynthia M. Wigen           | 64         | 06/27/2020             | 14.7                    | ST            |
| Clara F. Strom             | 63         | 06/30/2020             | 9.4                     | ST            |
| Ron L. Howerton            | 60         | 07/03/2020             | 35.1                    | ST            |
| Steven R. Pilcher (vested) | 64         | 08/01/2020             | 9.2                     | ST            |

Joe Cavanaugh moved and Jim Tieken seconded the motion to approve the service retirements as presented on the June Retirement Transaction Report. The motion passed unanimously.

Withdrawals for June 2020

| <i>Name</i>       | <i>Years of Service</i> | <i>Termination Date</i> |
|-------------------|-------------------------|-------------------------|
| Kara W. Heatherly | 7.7                     | 03/19/2020              |
| Cory T. Day       | 1.6                     | 03/21/2020              |

Jim Tieken moved and Dean Kiefer seconded the motion to approve the requests for withdrawal as presented on the June 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>  |
|--------------|---------------------|------------|----------------------|---------------------|
| Kim E. Guyor | 01/04/2006          | 70         | 04/01/2020           | No Further Benefits |
| Ruth Thomas  | 04/04/1987          | 86         | 05/18/2020           | No Further Benefits |

Death information provided to the Board for review.

Expenditure Summary Report – April 2020

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

Dean Kiefer moved and Jim Tieken seconded the motion to approve the April 2020 Expenditure Summary Report. The motion passed unanimously.

Schedule of Investments – April 2020

The monthly investment report was presented to the Board for review. The estimated market value of the SERS portfolio on April 30, 2020 was \$274.6 million with an estimated rate of return of 5.7% 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.

Investment Consultant RFP

Mr. Tencick discussed the upcoming Investment Consultant RFP. The RFP was issued May 27, 2020 and the following day the trade papers picked it up which may result in additional firms responding. One firm declined to respond to the RFP after reviewing it.

Other Business

Mr. Tencick shared that the audited financial statements have been issued by Moss Adams. Staff worked diligently to prepare the financial statements amid the additional challenge of working remotely.

Mr. Tencick also shared that the Supreme Court found that ERISA pension plans could not be sued for mismanagement of funds if they are fully funded and able to make their payments to participants as promised. The case establishes a precedent for pension plans, but may not apply to SERS since the plan does not fall directly under ERISA.

**Upcoming Board Election (Joe Cavanaugh's term)**

Mr. Tencick noted the election had been delayed for two months from the April meeting. The City Clerks' office sent notice on May 8, 2020 and nominations will be due June 9, 2020.

There being no other business, the meeting adjourned at 2:55 p.m.

/s/

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**Phillip Tencick, Retirement Director**