

Spokane Employees' Retirement System (SERS)
Board Meeting, 1:00 p.m. September 2, 2020
WebEx Meeting

AGENDA

1. Hyas Group, 2020 2nd Quarter Investment Performance Report
 - a. Performance Report
 - Information
 - b. Small Cap Value Search
 - Motion
 - c. Portfolio Construction Review
 - Information

- 1) Minutes of the August 5, 2020 Meeting
 - Motion

- 2) Director's Report
 - a) Retirements
 - Motion
 - b) Withdrawals
 - Motion
 - c) Vesting
 - Information
 - d) Deaths
 - Information
 - e) Expenditure Summary Report – July 2020
 - Motion
 - f) Schedule of Investments – July 2020
 - Information
 - g) Cash Reconciliation – August 2020
 - Information
 - h) Other Business

- 4) 2021 Budget
 - Motion

- 5) Other Business

- 6) Next Meeting – **Wednesday, October 7th at 1:00 p.m.**

****Please note:** The September Board meeting will be held via [WebEx Meeting](https://spokanecity.webex.com/spokanecity/j.php?MTID=meaea218b7677a56796c1936b5d934436).
<https://spokanecity.webex.com/spokanecity/j.php?MTID=meaea218b7677a56796c1936b5d934436>

Meeting dial-in number: 1-408-418-9388
Meeting number (access code): 146 241 5129
Meeting password: SERS

**Spokane Employees' Retirement System (SERS)
Board Meeting Minutes
August 5, 2020**

The regular monthly meeting was called to order at 1:03 p.m. via WebEx conference call.

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

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

Guests: Natalie Hilderbrand, Richard Czernik, Teri Stripes, and Zack Cziryak

Minutes of the July 1, 2020 Meeting

Joe Cavanaugh moved and Dean Kiefer seconded the motion to approve the minutes of the July 1, 2020 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>
Elizabeth G. Hammond	64	08/07/2020	22.4	ST
Laura E. Williams	50	08/08/2020	21.3	ST

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

Withdrawals for August 2020

<i>Name</i>	<i>Years of Service</i>	<i>Termination Date</i>
Claudie J. Traylor	0.1	12/27/2019
Elijah E Shaffer	0.2	05/21/2020
Gay Lynn James - Beneficiary of Michael E. James	23.8	Active death

Dean Kiefer moved and Jim Tieken seconded the motion to approve the requests for withdrawal as presented on the August Retirement Transaction Report. The motion passed unanimously.

Vesting

<i>Name</i>	<i>Department</i>	<i>Years of Service</i>
Kelly D. Keenan	CD/HS Operations	7.7

Deaths

<i>Name</i>	<i>Date Retired</i>	<i>Age</i>	<i>Date of Death</i>	<i>Information</i>
Wynema J. Wiegman	10/24/2000	70	06/24/2020	No Further Benefits
Michael C. Owen	12/29/2018	67	07/03/2020	E Option Continues
Irene D. McKenna	10/30/2007	92	07/11/2020	No Further Benefits
Helen M. Gheri	09/01/1995	97	07/13/2020	No Further Benefits
Marion T. Haine	06/29/2018	59	07/13/2020	E Option Continues

Vesting and Death information provided to the Board for review.

Expenditure Summary Report – June 2020

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

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

Schedule of Investments – June 2020

The monthly investment report was presented to the Board for review. The estimated market value of the SERS portfolio on June 30, 2020 was \$290.8 million with an estimated rate of return of 2.4% 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

Castine Update

Mr. Tencick updated the Board that the Castine Fund is closing, therefore we will not have to wait until the 3rd quarter to redeem.

Investment Consultant RFP Scoring

Mr. Tencick shared a presentation on Investment Consultant benchmarking and RFP scoring.

Joe Cavanaugh moved and Jim Tieken seconded the motion to extend the finalist presentations until in-person meetings are available and extending the contract with Hyas Group for one year. The motion passed with Brian Brill, Dean Kiefer, and J.D. Morscheck voting nay. Mr. Tencick will notify the RFP finalists of the delay and work with Hyas Group on the contract extension.

Dean Kiefer moved and Joe Cavanagh seconded the motion to contact Hyas Group, Meketa and NEPC (with Callan as back-up if needed) to inform them that they are finalists and presentations are delay until in-person presentations can happen. The motion passed unanimously.

Mr. Tencick reminded the Board that there was also an RFP due for audit services. Joe Cavanaugh moved and Jim Tieken seconded the motion to extend the current contract with Moss Adams for one year and delay the RFP for audit services until we can meet in person. The motion passed unanimously.

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

Phillip Tencick, Retirement Director

SERS Retirement Transaction Report

September 2020

Retirements

	Name	Age	Retirement Date	Years of Service	Department	Option
1	Kemmer C. Ebey	66	09/02/2020	42.4	Water	E
2	Michael D. James	56	09/02/2020	28.5	Fleet Services	E
3	Tami M. Teaford	60	09/02/2020	30.3	Police	E
4	Harry P. Ward	63	09/03/2020	28.2	Water	B
5	Scott L. Bieber	50	09/03/2020	21.3	Solid Waste Disposal	ST
6	May D. Mitchell	62	09/11/2020	25.8	Street	ST
7	Cletus D. Reiland	67	10/03/2020	8.0	Fleet Services	B
8	Michael L. Turner	69	10/03/2020	40.1	Parks & Recreation	E
9	Robert A. Wheeler	65	10/03/2020	12.1	Fleet Services	E
	Retirements YTD	47				
	2019 Total Retirements	69				

Withdrawals

	Name	Years of Service	Department	Termination Date
1	Alex R. Mann	0.24	Planning Services	08/02/2019
2	Jake M. Reed	1.80	Fleet Services	11/01/2019
3	Charlie E. Wolff	2.48	Mayor	12/31/2019
4	Riley B. Smith	0.34	Council	06/28/2020
5	Michael W. Adaszewski	0.37	Water	08/10/2020

Vesting

	Name	Department	Years of Service
1	Nathaniel T. Newcomb	Parks & Recreation	11.5

Deaths

	Name	Date Retired	Age	Date of Death	Information
1	Peter S. Markarian	12/31/2004	88	07/31/2020	No Further Benefits
2	June L. Osborne	08/04/1990	92	08/15/2020	No Further Benefits
3	Tony C. Rossi	01/15/1988	85	08/23/2020	No Further Benefits

SPOKANE EMPLOYEES' RETIREMENT SYSTEM - 6100
 2020 EXPENDITURE SUMMARY REPORT
 JULY 31, 2020

	2019 ACTUAL	2020 BUDGET	JULY ACTUAL EXPENDITURES	2020 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
OPERATING EXPENDITURES						
Departmental Salaries	308,884.99	329,274.00	36,083.29	178,862.71	150,411.29	54.3%
Departmental Benefits	61,457.99	63,101.00	6,132.97	36,385.71	26,715.29	57.7%
Reserve for Budget Adjustment	-	10,000.00	-	-	10,000.00	0.0%
Administrative Income	(21,009.35)	(10,000.00)	-	(10,782.50)		
Postage/Supplies/Other	1,217.16	5,200.00	77.31	2,493.47	2,706.53	48.0%
State Audit Charges	11,146.55	15,000.00	1,409.82	2,219.53	12,780.47	14.8%
Contractual Services	133,696.37	175,000.00	-	95,033.31	79,966.69	54.3%
Travel	3,489.45	15,000.00	-	109.09	14,890.91	0.7%
Registration/Schooling	810.00	16,000.00	-	5,495.00	10,505.00	34.3%
Other Dues/Subscriptions/Membership	2,273.80	2,500.00	-	261.40	2,238.60	10.5%
Other Miscellaneous Charges	3,135.88	2,300.00	154.30	784.40	1,515.60	34.1%
Amortization	17,649.00	-	-	-	-	
TOTAL OPERATING EXPENDITURES	522,751.84	623,375.00	43,857.69	310,862.12	311,730.38	49.9%
INTERFUND EXPENDITURES						
Interfund - Office Performance Mgmt Services	4,189.36	389.00	-	389.00	-	100.0%
Interfund - Centralized Purchasing	1,251.65	516.00	129.00	387.00	129.00	75.0%
Interfund - Centralized Accounting	2,016.40	1,917.00	479.25	1,437.75	479.25	75.0%
Interfund - Risk Management	584.00	586.00	-	146.50	439.50	25.0%
Interfund - Worker's Compensation	122.00	134.00	-	67.00	67.00	50.0%
Interfund - Reprographics	9,376.27	5,000.00	-	2,152.65	2,847.35	43.1%
Interfund - IT	12,896.37	39,237.00	3,269.75	19,618.50	19,618.50	50.0%
Interfund - IT Replacement	1,965.00	1,827.00	152.25	913.50	913.50	50.0%
Interfund - My Spokane	609.90	580.00	145.00	435.00	145.00	75.0%
TOTAL INTERFUND EXPENDITURES	33,010.95	50,186.00	4,175.25	25,546.90	24,639.10	50.9%
TOTAL ADMINISTRATIVE EXPENDITURES	555,762.79	673,561.00	48,032.94	336,409.02	336,369.48	49.9%

SPOKANE EMPLOYEES' RETIREMENT SYSTEM - 6100
 2020 EXPENDITURE SUMMARY REPORT
JULY 31, 2020

	2019 ACTUAL	2020 BUDGET	JULY ACTUAL EXPENDITURES	2020 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
PENSIONS						
Pensions-Annuity Benefit Payments	27,788,707.57	30,000,000.00	2,459,726.66	16,863,351.11	13,136,648.89	56.2%
Pensions-Disability Payments	124,164.02	140,000.00	9,548.30	66,838.10	73,161.90	47.7%
Pensions-Survivor Annuity Benefits Payments	2,142,992.75	2,300,000.00	178,036.26	1,209,238.41	1,090,761.59	52.6%
TOTAL PENSIONS	<u>30,055,864.34</u>	<u>32,440,000.00</u>	<u>2,647,311.22</u>	<u>18,139,427.62</u>	<u>14,300,572.38</u>	55.9%
Refunds	544,437.91	1,000,000.00	142,645.21	351,370.34	648,629.66	35.1%
TOTAL EXPENSES	<u><u>31,156,065.04</u></u>	<u><u>34,113,561.00</u></u>	<u><u>2,837,989.37</u></u>	<u><u>18,827,206.98</u></u>	<u><u>15,285,571.52</u></u>	55.2%
INVESTMENT EXPENSE*						
Advisory Technical Service	446,741.55	500,000.00	53,357.03	201,291.33	298,708.67	40.3%

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

SERS Schedule of Cash and Investments

July 31, 2020

8/25/2020

	Type		Allocation		
			Target	Current	Diff.
Cash Held by Treasurer	Cash	\$ 151,542			
US Bank	Short-term Inv	61,535			
Total Cash		213,077	0.0%	0.1%	0.1%
Sterling Capital	Total Return	27,398,271			
Total Total Return		27,398,271	10.0%	9.4%	-0.6%
Hotchkis & Wiley	High Yield - Mutual Fund	11,617,739			
Total High Yield		11,617,739	5.0%	4.0%	-1.0%
Polar	LLC	7,610,889			
Castine Capital II	Ltd Partnership	-			
Post Limited Term High Yield	Ltd Partnership	6,560,893			
Rimrock Low Volatility	Ltd Partnership	9,710,151			
Total Absolute Return		23,881,933	8.0%	8.2%	0.2%
Total Capital Preservation		63,111,020	23.0%	21.6%	-1.4%
Hotchkis & Wiley	LC Value - Mutual Fund	13,346,604			
MFS Growth	LC Growth - Mutual Fund	19,221,759			
Fidelity S&P 500 Index	LC Core - Mutual Fund	31,636,502			
Total US Large Cap		64,204,865	21.0%	21.9%	0.9%
Sterling	MC Value	4,301,994			
Vanguard MC Growth	MC Growth - Mutual Fund	-			
Westfield MC Growth	MC Growth	3,250,000			
Fidelity MC Index	MC Core - Mutual Fund	4,440,947			
Champlain	SC Core	6,738,857			
Phocas	SC Value - Mutual Fund	-			
Bridge City	SC Growth	5,793,908			
Fidelity SC Index	SC Core - Mutual Fund	3,947,755			
Total US Small/Mid Cap		28,473,461	11.0%	9.7%	-1.3%
Total US Equities		92,678,326	32.0%	31.7%	-0.3%
Artisan	SMID Value - Mutual Fund	20,326,248			
Euro Pacific	LC Blend - Mutual Fund	23,266,433			
Fidelity International	LC Index - Mutual Fund	-			
Total International Large Cap		43,592,681	15.0%	14.9%	-0.1%
Trivalent	SC Value - Mutual Fund	12,714,671			
Total International Small/Mid		12,714,671	4.0%	4.3%	0.3%
Vanguard EM Index	EM - Mutual Fund	458,340			
ABS Emerging Markets	Ltd Partnership	8,378,840			
Total Emerging Markets		8,837,180	3.0%	3.0%	0.0%
Total International Equities		65,144,532	22.0%	22.3%	0.3%
Weatherlow Offshore	Ltd Partnership	17,949,430			
Royalty Opportunities I	Ltd Partnership	1,299,145			
Royalty Opportunities II	Ltd Partnership	997,886			
Total Long Biased		20,246,461	7.0%	6.9%	-0.1%
Metropolitan Real Estate Partners	Ltd Partnership	152,878			
Morrison Street Fund V	LLC	1,217,075			
Morrison Street Debt Opportunties	LP	3,673,369			
Morgan Stanley Prime	LLC	7,236,194			
Principal (REITs)	REITs	11,602,450			
Total Real Estate		23,881,966	9.0%	8.2%	-0.8%
Contrarian Capital Fund I	Ltd Partnership	7,165,244			
Beach Point	Ltd Partnership	11,165,546			
Total Opportunistic Credit		18,330,790	7.0%	6.3%	-0.7%
Contrarian EM Credit	LLC	4,272,859			
OrbiMed II	Ltd Partnership	5,009,776			
Total Special Opportunities		9,282,635	0.0%	3.2%	3.2%
Total Cash and Investments		\$ 292,675,730	100.0%	100.0%	0.0%
	Monthly Contributions	1,622,111			
	Monthly Pension	\$ (2,792,051)			
	As of June 30, 2020	\$ 290,776,386			
	Estimated Rate of Return	1.1%			
Abs. Return and Total Return FI	Thesis 2017.1	51,280,204	18.0%	17.5%	-0.5%
Equity and Special Situations	Thesis 2017.3	167,105,493	54.0%	57.1%	3.1%

Cash Recon - Aug

<u>Date</u>	<u>Transactions</u>	<u>Sources</u>	<u>Uses</u>	<u>Balance</u>
7/30/2020	Beginning Balance			2,365,677.14
7/30/2020	Sale - MFS Growth Fund	450,000.00		2,815,677.14
7/31/2020	July Pension Payments		(2,754,203.61)	61,473.53
8/3/2020	Redeposit/Reissue Withdrawal	141,228.53	(141,228.53)	61,473.53
8/3/2020	Payroll Contributions	804,342.20		865,815.73
8/3/2020	Interest	61.44		865,877.17
8/7/2020	Redeposit/Reissue Pension Payment	228.69	(228.69)	865,877.17
8/12/2020	Redeposit Pension Payment	326.15		866,203.32
8/14/2020	Reissue Pension Payment		(260.91)	865,942.41
8/17/2020	Payroll Contributions	808,789.76		1,674,732.17
8/26/2020	Redemption - Castine Partners	5,707,044.82		7,381,776.99
8/26/2020	Ending Balance	7,912,021.59	(2,895,921.74)	7,381,776.99
	<u>Upcoming</u>			
8/31/2020	August Pension Payments		(2,621,920.27)	
8/31/2020	Payroll Contributions	800,000.00		

SPOKANE EMPLOYEES' RETIREMENT SYSTEM - 6100

2021 PRELIMINARY BUDGET

	2019 ACTUAL	7/2020 YTD ACTUALS	2020 BUDGET	2021 BUDGET	2021 BUDGET CHANGE
REVENUES					
IF Other General Gov't Services	21,009.35	10,782.50	20,000.00	20,000.00	\$ -
Investment Interest/Dividends	6,183,982.22	1,624,470.13	5,000,000.00	4,500,000.00	(500,000.00)
Realized Gains/Losses	19,383,788.21	6,694,561.32	5,000,000.00	5,000,000.00	-
Unrealized Gains/Losses	25,045,699.26	(22,449,204.56)	-	-	-
City Contributions	9,761,280.93	6,059,663.75	10,300,000.00	10,400,000.00	100,000.00
Mandatory Contributions Employees	6,562.24	-	-	-	-
Voluntary Contributions Employees	9,757,761.91	6,059,663.75	10,300,000.00	10,400,000.00	100,000.00
PFD Employer Contributions	23,587.57	8,741.53	24,000.00	12,000.00	(12,000.00)
PFD Employee Contributions	23,587.57	8,741.53	24,000.00	12,000.00	(12,000.00)
SREC Employer Contributions	39,848.16	78,184.29	-	140,000.00	140,000.00
SREC Employee Contributions	39,848.19	78,184.29	-	140,000.00	140,000.00
TOTAL REVENUES	70,286,955.61	(1,826,211.47)	30,668,000.00	30,624,000.00	(44,000.00)
OPERATING EXPENDITURES					
Departmental Salaries	287,886.52	166,272.87	305,857.00	313,666.00	7,809.00
Departmental Benefits	82,456.46	48,975.55	86,518.00	89,815.00	3,297.00
Postage/Supplies/Other	1,217.16	2,493.47	5,200.00	5,200.00	-
State Audit Charges	11,146.55	2,219.53	15,000.00	15,000.00	-
Contractual Services	133,696.37	95,033.31	175,000.00	175,000.00	-
Travel	3,489.45	109.09	15,000.00	15,000.00	-
Registration/Schooling	810.00	5,495.00	16,000.00	16,000.00	-
Other Dues/Subscriptions/Membership	2,273.80	261.40	2,500.00	2,500.00	-
Other Miscellaneous Charges	3,135.88	784.40	2,300.00	2,300.00	-
Depreciation/Amortization	17,649.00	-	-	-	-
TOTAL OPERATING EXPENDITURES	543,761.19	321,644.62	623,375.00	634,481.00	11,106.00

SPOKANE EMPLOYEES' RETIREMENT SYSTEM - 6100
2021 PRELIMINARY BUDGET

	2019 ACTUAL	7/2020 YTD ACTUALS	2020 BUDGET	2021 BUDGET	2021 BUDGET CHANGE
INTERFUND EXPENDITURES					
Interfund - Office Performance Mgmt Svcs	4,189.36	389.00	389.00	5,000.00	4,611.00
Interfund - Centralized Purchasing	1,251.65	387.00	516.00	369.00	
Interfund - Centralized Accounting	2,016.40	1,437.75	1,917.00	1,764.00	
Interfund - My Spokane	609.90	435.00	580.00	756.00	
Interfund - Risk Management	584.00	146.50	586.00	607.00	21.00
Interfund - Worker's Compensation	122.00	67.00	134.00	134.00	-
Interfund - IT	12,896.37	19,618.50	39,237.00	39,237.00	-
Interfund - IT Replacement	1,965.00	913.50	1,827.00	3,003.00	1,176.00
Interfund - Reprographics	9,376.27	2,152.65	5,000.00	9,412.00	4,412.00
TOTAL INTERFUND EXPENDITURES	33,010.95	25,546.90	50,186.00	60,282.00	10,220.00
TOTAL ADMINISTRATIVE EXPENDITURES	576,772.14	347,191.52	673,561.00	694,763.00	21,326.00
PENSIONS					
Pensions-Annuity Benefit Payments	27,788,707.57	16,863,351.11	30,000,000.00	31,500,000.00	1,500,000.00
Pensions-Disability Payments	124,164.02	66,838.10	140,000.00	135,000.00	(5,000.00)
Pensions-Survivor Annuity Benefits Payments	2,142,992.75	1,209,238.41	2,300,000.00	2,500,000.00	200,000.00
TOTAL PENSIONS	30,055,864.34	18,139,427.62	32,440,000.00	34,135,000.00	1,695,000.00
Refunds	544,437.91	351,370.34	1,000,000.00	1,000,000.00	-
Reserve for Budget Adjustment	-	-	10,000.00	10,000.00	-
INVESTMENT EXPENDITURES					
Advisory Technical Service	446,741.55	201,291.33	500,000.00	550,000.00	50,000.00
Total Department Expenditures	\$ 31,623,815.94	\$ 19,039,280.81	\$ 34,623,561.00	\$ 36,389,763.00	\$ 1,766,326.00