

**Spokane Employees' Retirement System (SERS)
Board Meeting Minutes
September 2, 2020**

The meeting was called to order at 1:02 p.m. via WebEx conference call.

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

Absent: Mike Coster

Staff: Phill Tencick, Christine Shisler, Tim Szambelan

Guests: Richard Czernik, Natalie Hilderbrand, Teri Stripes, Jayson Davidson, Brian Loescher, Ted Grigsby

Hyas Group, 2020 2nd Quarter Investment Performance Report

Hyas Group reviewed the Second Quarter 2020 Performance Report and discussed the dramatic stock market rebound that ensued during the quarter. While the Covid-19 pandemic continues to cause economic disruption, global stock markets have mainly recovered what was lost during the first quarter, at the onset of the pandemic. World governments and central banks continue to provide unprecedented levels of support to keep economies afloat as society looks for relief from the outbreak. The strong equity performance created a modest overweight to the US Equity class, based on preliminary figures for August. Hyas Group recommended funding future capital calls from the US Equity allocation, and Large Cap in particular. An initial capital call is expected from Morrison Street Fund VI as the subscription to the Fund is completed/submitted. This funding was previously approved by the Board.

As the Board was previously informed, Castine elected to close the Castine Partners Fund II and return capital to investors. Proceeds, minus a small holdback pending final audit, have been received and are currently held in cash. Hyas Group recommended that the proceeds from this redemption be invested into the Sterling Core Fixed Income Fund to bring that option to policy target. Residual cash amounts should be placed into the Hotchkis and Wiley High Yield Fund. Ultimately, they will be looking to find alternative Absolute Return options to fill the gap left by Castine's liquidation. Hyas Group will pursue both liquid and illiquid alternatives in our search.

Jim Tieken moved to move the proceeds from Castine Partners Fund II to the Sterling Fixed Income Fund. The motion failed due to a second.

Jim Tieken moved and J.D. Morscheck seconded the motion to move the proceeds from Castine Partners Fund II to the Sterling Fixed Income Fund after a portion of the proceeds are held back to fund the September pensions. The motion passed unanimously.

The following funds will remain on watch status: Hotchkis & Wiley High Yield Fund, OrbiMed Partners, Hotchkis and Wiley Diversified Value, and Sterling Mid Cap Value. The Castine Partners Fund II product was liquidated and removed from the portfolio and thus would no longer be considered on watch. Mr. Davidson did note that the majority of watch status options enjoyed a strong relative Second Quarter and continue to do well moving into the latter half of the Third Quarter.

Mr. Davidson informed the Board that American Funds has announced a 3 basis point fee reduction, effective in the second quarter, the EuroPacific Growth Fund.

The Frontier Phocas Small Cap Value Fund was liquidated and removed from the SERS portfolio in mid-June of this year. The liquidation was forced by the fund company, with limited notice, and the assets were transferred into the Fidelity Small Cap Index upon liquidation, as directed by the Board. Considering this liquidation, the Board was presented the Small Cap Value Manager Search Report. The Board reviewed several alternatives to replace the Phocas Fund. After discussion and consideration of risk, performance and cost metrics, the Board did not take action and the proceeds will remain in the Fidelity Small Cap Index.

The Board entertained options for changing and simplifying the portfolio, as discussed in prior meetings. The Hyas Group put forward several options for consideration, some of which could result in rather significant changes to the portfolio's risk profile and policy targets. Given that, the Board did not, at this time, take any formal action. In preparation for the next meeting it was requested that Hyas Group evaluate liquidity constraints and more specific possible steps to the implementation of a restructured portfolio. Mr. Davidson will work with staff on the project.

Minutes of the August 5, 2020 Meeting

Jim Tieken moved and Dean Kiefer seconded the motion to approve the minutes of the August 5, 2020 meeting as presented. The motion passed unanimously.

Director's Report

Service Retirements

Name	Age	Retirement Date	Years of Service	Department
Martha E. Stevenson	56	08/27/2020	7.7	Street
Kemmer C. Ebey	66	09/02/2020	42.4	Water
Michael D. James	56	09/02/2020	28.5	Fleet Services
Tami M. Teaford	60	09/02/2020	30.3	Police
Harry P. Ward	63	09/03/2020	28.2	Water
Scott L. Bieber	50	09/03/2020	21.3	Solid Waste Disposal
May D. Mitchell	62	09/11/2020	25.8	Street

Cletus D. Reiland	67	10/03/2020	8.0	Fleet Services
Michael L. Turner	69	10/03/2020	40.1	Parks & Recreation
Robert A. Wheeler	65	10/03/2020	12.1	Fleet Services

Dean Kiefer moved and Brian Brill seconded the motion to approve the service retirements as presented on the September Retirement Transaction Report. The motion passed unanimously.

Withdrawals for September 2020

<i>Name</i>	<i>Years of Service</i>	<i>Termination Date</i>
Alex R. Mann	0.24	Planning Services
Jake M. Reed	1.80	Fleet Services
Charlie E. Wolff	2.48	Mayor
Riley B. Smith	0.34	Council
Michael W. Adaszewski	0.37	Water

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

Vesting

<i>Name</i>	<i>Department</i>	<i>Years of Service</i>
Nathaniel T. Newcomb	Parks & Recreation	11.5

Deaths

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

Vesting and death information provided to the Board for review.

Expenditure Summary Report – July 2020

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

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

Schedule of Investments – July 2020

The monthly investment report was presented to the Board for review. The estimated market value of the SERS portfolio on July 31, 2020 was \$292.7 million with an estimated

rate of return of 1.1% 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.

2021 Budget

The 2021 Budget was presented to the Board and discussed.

J.D. Morscheck moved and Jim Tieken seconded the motion to adopt the 2021 Budget as presented. The motion passed unanimously.

Other Business

Mr. Tencick gave the Board an update regarding the Morrison Street VI commitment. He informed them of the delay due to Covid-19, but that there has been a lowering of fees. Everything is now in place to move forward with the funding, which will come from US Equities.

There being no other business, the meeting adjourned at 2:53 p.m.

/s/

Phillip Tencick, Retirement Director