

**Spokane Employees' Retirement System (SERS)**  
**Board Meeting, 1:00 p.m. January 6, 2020**  
**WebEx Meeting**

**AGENDA**

- 1) Election of Chairperson
  - Motion
- 2) Minutes of the December 2, 2020
  - Motion
- 3) Director's Report
  - a. Retirements
    - Motion
  - b. Vesting
    - Information
  - c. Deaths
    - Information
  - d. Expenditure Summary Report – November 2020
    - Motion
  - e. Schedule of Investments – November 2020
    - Information
  - f. Monthly Cash Reconciliation
    - Information
  - g. Other Business
- 4) 2021 Investment Outlook Review
  - Information
- 5) Other Business
- 6) Next Meeting – **Wednesday February 3, 2021 at 1:00 p.m.**

**\*\*Please note:** The January Board meeting will be held via [WebEx Meeting](https://spokanecity.webex.com/spokanecity/j.php?MTID=med4b1696dbd5ba52420badb06db6352c).  
<https://spokanecity.webex.com/spokanecity/j.php?MTID=med4b1696dbd5ba52420badb06db6352c>  
Meeting dial-in number: 1-408-418-9388  
Meeting number (access code): 146 104 3703  
Meeting password: SERS

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

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

**Present:** Mike Coster, Jim Tieken, Dean Kiefer, and Brian Brill

**Absent:** Michael Cathcart, Joe Cavanaugh, and J.D. Morscheck

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

**Guests:** Jayson Davidson, Brian Loescher, Natalie Hilderbrand, Justin Anderson, Teri Stripes, Shae Blackwell, Lauren Albanese, and Maja Ben

**Hyas Group, 2012 3<sup>rd</sup> Quarter Investment Performance Report**

Jayson Davidson and Brian Loescher reviewed the Third Quarter 2020 Performance Report and discussed a very good quarter for equity markets. Most equity categories continued their upwards momentum from the previous quarter. Bond markets were relatively flat as the economic recovery across the world remains fragile and renewed lock downs and restrictions have been implemented as COVID-19 infection rates have increased in a number of countries. While some U.S. market experienced some volatility around the election, it is expected that markets will now react more to the progress on vaccines to control the virus, as well as to the new shape of the U.S. government, and which party will control the senate. The SERS portfolio allocation remains close to policy targets and Hyas Group is not recommending any adjustments at this time.

The following funds remained on watch status: Hotchkis & Wiley High Yield Fund, OrbiMed Partners, Hotchkis and Wiley Diversified Value, and Sterling Mid Cap Value. Each of the watch status funds performed well going into the second half of the year, and the Sterling fund may be eligible for removal from watch at the next meeting. The continuation of Sterling's qualitative watch due a change in fund management personnel will also be considered.

The Rimrock Low Volatility option has suffered from relative performance shortfalls since the end of last year and these shortfalls has moved longer-term performance out of compliance with policy parameters.

Jim Tieken moved and Dean Kiefer seconded the motion to place Rimrock Low Volatility on watch due to longer-term performance being out of compliance with the policy parameters. The motion passed unanimously.

Mr. Davidson noted that the Wells Fargo Small Cap Value Fund was added to the portfolio after the close of the quarter. This fund was selected to replace the Frontier Phocas Small Cap Value option that was terminated and liquidated by the firm managing the product. Proceeds from the liquidation were held in the small cap index category until the Wells

Fargo Fund was added. The Small Cap Value Manager Search Report was originally presented at the Second Quarter meeting. No action was taken to add a small value fund at that meeting, but the Board approved the Wells Fargo funding at its subsequent meeting.

Hyas Group informed the Board of changes to the reporting system used to produce the SERS report. Certain graphics and information components are different as a result of the system changes. Hyas Group continues to work with the reporting company to refine certain aspects and will keep staff and the Board informed as further adjustments are made.

### **Minutes of the November 4, 2020 Meeting**

Jim Tieken moved and Dean Kiefer seconded the motion to approve the minutes of the November 30, 2020 meeting as amended. 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>
David B. Compton	62	11/14/2020	19.9	E
Larry W. Kirkpatrick	58	11/14/2020	12.4	ST
Rebecca L. Riedinger	54	12/01/2020	18.5	ST
Ronald W. Hrycenko	60	01/09/2021	24.1	E
Miriam E. Wilde	64	03/01/2021	13.4	ST

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

#### **Withdrawals for December 2020**

<i>Name</i>	<i>Years of Service</i>	<i>Termination Date</i>
Mark A. Benjamin	2.4	05/12/2020
Zachariah Q. Wells	0.4	06/30/2020
Wesley C. Crago	0.7	10/02/2020
John M. Franklin	0.4	10/02/2020
Matthew B. Calhoon	11.1	11/06/2020

Jim Tieken moved and Dean Kiefer seconded the motion to approve the requests for withdrawal as presented on the December 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>
Joyann A. Montgomery	10/30/2015	78	10/15/2020	No Further Benefits
Charles J. Rickerson	01/06/2000	71	11/03/2020	E Option Continues
Julie A. Thompson	10/06/2004	66	11/05/2020	No Further Benefits
Raymond C. Beyer	06/04/1991	91	11/16/2020	No Further Benefits

Death information provided to the Board for review.

### Expenditure Summary Report – October 2020

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

Brian Brill moved and Jim Tieken seconded the motion to approve the October 2020 Expenditure Summary Report. The motion passed unanimously.

### Schedule of Investments – October 2020

The monthly investment report was presented to the Board for review. The estimated market value of the SERS portfolio on October 31, 2020 was \$301 million with an estimated rate of return of -0.3% 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.

### US Bank Retiree Portal

Mr. Tencick shared with the Board the upcoming implementation of an online portal being introduced by US Bank. Through the portal, retirees will be able to retrieve past pay statements and tax documents. Retirees will receive communication from US Bank with login instructions and contact information at US Bank for technical help. Future upgrades would include the ability for retirees to update their address, direct deposit information and tax withholding.

### Voluntary Retirement Incentive Program (VRIP)

Mr. Tencick led a presentation on a Voluntary Retirement Incentive Program. Analysis of previous programs and potential impacts was provided. The program is still being designed and the City has agreed to present the program to the Board before it is implemented.

There being no other business, the meeting adjourned at 2:32 p.m.

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**Phillip Tencick, Retirement Director**

# SERS Retirement Transaction Report

## January 2021

### *Retirements*

	<b>Name</b>	<b>Age</b>	<b>Retirement Date</b>	<b>Years of Service</b>	<b>Department</b>	<b>Option</b>
1	Burton 'Mike' Smith	62	01/04/2021	24.3	IT	E
2	Ellen M. Peters	58	01/06/2021	5.9	Library	E
3	Roger A. Haney	63	01/09/2021	30.4	Solid Waste Disposal	E
4	James A. (Tony) Tompkins	71	01/09/2021	20.5	Public Defender	D
5	Stewart B. Deford	67	02/06/2021	20.0	Water	D
	Retirements YTD	0				
	2020 Total Retirements	74				

### *Vesting*

	<b>Name</b>	<b>Department</b>	<b>Years of Service</b>
1	John C. Britton	Streets	14.2

### *Deaths*

	<b>Name</b>	<b>Date Retired</b>	<b>Age</b>	<b>Date of Death</b>	<b>Information</b>
1	Briana L. Bradley	05/08/2015	65	11/19/2020	No Further Benefits
2	Thomas A. Makela	09/09/2011	72	12/07/2020	No Further Benefits

SPOKANE EMPLOYEES' RETIREMENT SYSTEM - 6100  
 2020 EXPENDITURE SUMMARY REPORT  
**NOVEMBER 30, 2020**

	2019 ACTUAL	2020 BUDGET	NOVEMBER ACTUAL EXPENDITURES	2020 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
<b>OPERATING EXPENDITURES</b>						
Departmental Salaries	308,884.99	329,274.00	24,234.50	275,800.73	53,473.27	83.8%
Departmental Benefits	61,457.99	63,101.00	5,043.23	56,550.03	6,550.97	89.6%
Reserve for Budget Adjustment	-	10,000.00	-	-	10,000.00	0.0%
Administrative Income	(21,009.35)	(10,000.00)	-	(14,214.20)		
Postage/Supplies/Other	1,217.16	5,200.00	53.44	3,507.81	1,692.19	67.5%
State Audit Charges	11,146.55	15,000.00	1,394.07	10,175.17	4,824.83	67.8%
Contractual Services	133,696.37	175,000.00	-	118,173.39	56,826.61	67.5%
Travel	3,489.45	15,000.00	-	109.09	14,890.91	0.7%
Registration/Schooling	810.00	16,000.00	-	5,995.00	10,005.00	37.5%
Other Dues/Subscriptions/Membership	2,273.80	2,500.00	-	1,427.80	1,072.20	57.1%
Other Miscellaneous Charges	3,135.88	2,300.00	65.00	1,124.23	1,175.77	48.9%
Amortization	17,649.00	-	-	-	-	
<b>TOTAL OPERATING EXPENDITURES</b>	<b>522,751.84</b>	<b>623,375.00</b>	<b>30,790.24</b>	<b>458,649.05</b>	<b>160,511.75</b>	<b>73.6%</b>
<b>INTERFUND EXPENDITURES</b>						
Interfund - Office Performance Mgmt Services	4,189.36	389.00	-	389.00	-	100.0%
Interfund - Centralized Purchasing	1,251.65	516.00	-	516.00	-	100.0%
Interfund - Centralized Accounting	2,016.40	1,917.00	-	1,437.75	479.25	75.0%
Interfund - Risk Management	584.00	586.00	146.50	293.00	293.00	50.0%
Interfund - Worker's Compensation	122.00	134.00	33.50	134.00	-	100.0%
Interfund - Reprographics	9,376.27	5,000.00	0.18	3,402.83	1,597.17	68.1%
Interfund - IT	12,896.37	39,237.00	3,270.42	32,701.01	6,535.99	83.3%
Interfund - IT Replacement	1,965.00	1,827.00	152.25	1,522.50	304.50	83.3%
Interfund - My Spokane	609.90	580.00	145.00	580.00	-	100.0%
<b>TOTAL INTERFUND EXPENDITURES</b>	<b>33,010.95</b>	<b>50,186.00</b>	<b>3,747.85</b>	<b>40,976.09</b>	<b>9,209.91</b>	<b>81.6%</b>
<b>TOTAL ADMINISTRATIVE EXPENDITURES</b>	<b>555,762.79</b>	<b>673,561.00</b>	<b>34,538.09</b>	<b>499,625.14</b>	<b>169,721.66</b>	<b>74.2%</b>

SPOKANE EMPLOYEES' RETIREMENT SYSTEM - 6100  
 2020 EXPENDITURE SUMMARY REPORT  
**NOVEMBER 30, 2020**

	2019 ACTUAL	2020 BUDGET	NOVEMBER ACTUAL EXPENDITURES	2020 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
<b>PENSIONS</b>						
Pensions-Annuity Benefit Payments	27,788,707.57	30,000,000.00	2,520,944.87	26,854,026.70	3,145,973.30	89.5%
Pensions-Disability Payments	124,164.02	140,000.00	9,548.30	105,031.30	34,968.70	75.0%
Pensions-Survivor Annuity Benefits Payments	2,142,992.75	2,300,000.00	176,728.98	1,922,496.05	377,503.95	83.6%
<b>TOTAL PENSIONS</b>	<u>30,055,864.34</u>	<u>32,440,000.00</u>	<u>2,707,222.15</u>	<u>28,881,554.05</u>	<u>3,558,445.95</u>	89.0%
Refunds	544,437.91	1,000,000.00	78,865.54	506,090.72	493,909.28	50.6%
<b>TOTAL EXPENSES</b>	<u><u>31,156,065.04</u></u>	<u><u>34,113,561.00</u></u>	<u><u>2,820,625.78</u></u>	<u><u>29,887,269.91</u></u>	<u><u>4,222,076.89</u></u>	87.6%
<b>INVESTMENT EXPENSE*</b>						
Advisory Technical Service	446,741.55	500,000.00	-	318,978.92	181,021.08	63.8%

*\* 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, 2020

12/28/2020

	Type		Allocation		
			Target	Current	Diff.
Cash Held by Treasurer	Cash	\$ 40,595			
US Bank	Short-term Inv	177,341			
<b>Total Cash</b>		<b>217,936</b>	<b>0.0%</b>	<b>0.1%</b>	<b>0.1%</b>
Sterling Capital	Total Return	29,533,926			
<b>Total Total Return</b>		<b>29,533,926</b>	<b>10.0%</b>	<b>9.0%</b>	<b>-1.0%</b>
Hotchkis & Wiley	High Yield - Mutual Fund	15,242,896			
<b>Total High Yield</b>		<b>15,242,896</b>	<b>5.0%</b>	<b>4.7%</b>	<b>-0.3%</b>
Polar	LLC	8,000,433			
Post Limited Term High Yield	Ltd Partnership	6,693,054			
Rimrock Low Volatility	Ltd Partnership	9,994,120			
<b>Total Absolute Return</b>		<b>24,687,607</b>	<b>8.0%</b>	<b>7.5%</b>	<b>-0.5%</b>
<b>Total Capital Preservation</b>		<b>69,682,365</b>	<b>23.0%</b>	<b>21.3%</b>	<b>-1.7%</b>
Hotchkis & Wiley	LC Value - Mutual Fund	16,329,561			
MFS Growth	LC Growth - Mutual Fund	17,698,733			
Fidelity S&P 500 Index	LC Core - Mutual Fund	35,229,716			
<b>Total US Large Cap</b>		<b>69,258,010</b>	<b>21.0%</b>	<b>21.2%</b>	<b>0.2%</b>
Sterling	MC Value	5,189,482			
Westfield MC Growth	MC Growth	5,071,995			
Fidelity MC Index	MC Core - Mutual Fund	5,161,790			
Champlain	SC Core	7,893,106			
Bridge City	SC Growth	6,872,335			
Wells Fargo	SC Value - Mutual fund	4,208,661			
Fidelity SC Index	SC Core - Mutual Fund	468,482			
<b>Total US Small/Mid Cap</b>		<b>34,865,851</b>	<b>11.0%</b>	<b>10.7%</b>	<b>-0.3%</b>
<b>Total US Equities</b>		<b>104,123,861</b>	<b>32.0%</b>	<b>31.8%</b>	<b>-0.2%</b>
Artisan	SMID Value - Mutual Fund	23,427,586			
Euro Pacific	LC Blend - Mutual Fund	26,454,026			
Fidelity International	LC Index - Mutual Fund	-			
<b>Total International Large Cap</b>		<b>49,881,612</b>	<b>15.0%</b>	<b>15.3%</b>	<b>0.3%</b>
Trivalent	SC Value - Mutual Fund	14,117,227			
<b>Total International Small/Mid</b>		<b>14,117,227</b>	<b>4.0%</b>	<b>4.3%</b>	<b>0.3%</b>
Vanguard EM Index	EM - Mutual Fund	508,624			
ABS Emerging Markets	Ltd Partnership	10,352,383			
<b>Total Emerging Markets</b>		<b>10,861,007</b>	<b>3.0%</b>	<b>3.3%</b>	<b>0.3%</b>
<b>Total International Equities</b>		<b>74,859,846</b>	<b>22.0%</b>	<b>22.9%</b>	<b>0.9%</b>
Weatherlow Offshore	Ltd Partnership	20,192,730			
Royalty Opportunities I	Ltd Partnership	1,208,631			
Royalty Opportunities II	Ltd Partnership	950,382			
<b>Total Long Biased</b>		<b>22,351,743</b>	<b>7.0%</b>	<b>6.8%</b>	<b>-0.2%</b>
Metropolitan Real Estate Partners	Ltd Partnership	137,535			
Morrison Street Fund V	LP	1,318,705			
Morrison Street Fund VI	LP	1,820,000			
Morrison Street Debt Opportunities	LP	3,175,992			
Morgan Stanley Prime	LLC	7,241,721			
Principal (REITs)	REITs	11,963,227			
<b>Total Real Estate</b>		<b>25,657,180</b>	<b>9.0%</b>	<b>7.8%</b>	<b>-1.2%</b>
Contrarian Capital Fund I	Ltd Partnership	8,048,785			
Beach Point	Ltd Partnership	12,225,520			
<b>Total Opportunistic Credit</b>		<b>20,274,305</b>	<b>7.0%</b>	<b>6.2%</b>	<b>-0.8%</b>
Contrarian EM Credit	LLC	4,356,818			
OrbiMed II	Ltd Partnership	5,784,580			
<b>Total Special Opportunities</b>		<b>10,141,398</b>	<b>0.0%</b>	<b>3.1%</b>	<b>3.1%</b>
<b>Total Cash and Investments</b>		<b>\$ 327,090,698</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>
	Monthly Contributions	1,610,639			
	Monthly Pension	\$ (2,786,088)			
	As of October 31, 2020	<b>\$ 301,875,552</b>			
	Estimated Rate of Return	8.8%			
<b>Abs. Return and Total Return FI Equity and Special Situations</b>	Thesis 2017.1	<b>54,221,533</b>	<b>18.0%</b>	<b>16.6%</b>	<b>-1.4%</b>
	Thesis 2017.3	<b>189,125,105</b>	<b>54.0%</b>	<b>57.8%</b>	<b>3.8%</b>



## Cash Recon - Dec

Date	Transactions	Sources	Uses	Balance
<b>11/25/2020</b>	<b>Beginning Balance</b>			<b>2,963,416.28</b>
11/30/2020	November Pension Payments		(2,786,087.69)	<b>177,328.59</b>
12/1/2020	Wire - City Operating Account		(150,000.00)	<b>27,328.59</b>
12/1/2020	Interest	12.17		<b>27,340.76</b>
12/4/2020	Return/Reissue Pension Check	2,214.80	(2,214.80)	<b>27,340.76</b>
12/7/2020	Payroll Contributions	832,513.70		<b>859,854.46</b>
12/9/2020	Return/Reissue Pension Check	378.80	(378.80)	<b>859,854.46</b>
12/10/2020	Return/Reissue Pension Check	1,647.18	(1,043.21)	<b>860,458.43</b>
12/16/2020	Distribution - Royalty Opps II	45,162.42		<b>905,620.85</b>
12/18/2020	Distribution - Royalty Opps	50,798.82		<b>956,419.67</b>
12/21/2020	Payroll Contributions	799,267.94		<b>1,755,687.61</b>
12/23/2020	Purchase - Principal REIT		(1,700,000.00)	<b>55,687.61</b>
12/24/2020	Sale - MFS Growth	2,700,000.00		<b>2,755,687.61</b>
12/30/2020	Dividend - Morgan Stanley PRIME	71,468.54		<b>2,827,156.15</b>
<b>12/30/2020</b>	<b>Ending Balance</b>	<b>4,503,464.37</b>	<b>(4,639,724.50)</b>	<b>2,827,156.15</b>
	<u>Upcoming</u>			
12/31/2020	December Pension Payments		(2,721,832.24)	

# 2021 INVESTMENT OUTLOOK SURVEY

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January 6, 2020



# Broad Themes

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## 1) Economic Recovery in 2021

- Impact of COVID Recedes
- Size, Timing, and Breadth Varies
- Alphabet Soup: V, W, K, Square Root

## 2) Fiscal and Monetary Support Remains in Place

- Continued Deficits
- Low Interest Rates

## 3) Risk On for 2021

- Prices ahead of fundamentals, but start of cycle
- Low yields provide less buffer for safe assets

# Risks

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## 1) COVID Containment

- Vaccine
- Testing
- Restrictions

## 2) Inflation

- Fiscal and Monetary Policy Stimulus
- Rebuild with Resilience Over Efficiency
- Wage Pressures

## 3) Temporary vs. Permanent Changes

- Work from Home
- E-commerce
- Travel

# Tactical vs. Strategic

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- Tactical
  - Overweight stocks
    - Non-US for Valuations
    - Emerging for Relative Growth Rate
    - Value vs. Growth Divided
  - Hunt for Yield
    - Emerging Markets Debt
    - Real Assets
    - Credit
- Strategic
  - Lower Return Environment

# Catchy Marketing

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- The New Nominal (Blackrock)
- The Old Normal (Russell)
- Bridge Over Troubled Water (JP Morgan)
- Approaching the Dawn (Vanguard)
- Dark Tunnel, Bright Light (Nuveen)
- A Global Reawakening (Principal)
- Hoping for No More Surprises (Parametric)
- Turning Points on the Road to Recovery