

**Spokane Employees' Retirement System (SERS)**  
**Board Meeting Minutes**  
**March 3, 2021**

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

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

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

**Guests:** Jayson Davidson, Brian Loescher, Natalie Hilderbrand, Richard Czernik, Melissa Wittstruck, and Lauren Albanese

**Jayson Davidson, Hyas Group**

**2020 4th Quarter Investment Performance Report**

Mr. Davidson presented the Fourth Quarter 2020 Performance Report, and discussed the continued strength of global equity markets as world economies fight to recover from the effects of the COVID-19 pandemic. As the prospect of more widespread vaccine distribution and further government stimulus promoted much of the positive momentum during the quarter, those themes remain primary drivers for markets going into 2021. Mr. Davidson did also note that the Fourth Quarter had a pronounced shift in the relative performance of certain asset categories with Small Cap and Value stocks outperforming their Large and Growth counterparts, respectively. Whether the shift will continue remains to be seen as we navigate the probability of a more lasting and comprehensive economic recovery. The SERS portfolio enjoyed strong returns for the quarter on both an absolute and relative basis, beating the policy benchmark by .87% and landing in the top decile of the peer universe. Category allocations remain close to policy targets with the largest disparity coming from the capital preservation category and the absolute return subgroup specifically. A portion of policy allocation difference will be narrowed as a result of the addition of a new Absolute Return manager.

The following funds were on watch status as of quarter end: Hotchkis & Wiley High Yield, OrbiMed Partners, Hotchkis and Wiley Diversified Value, Sterling Mid Cap Value, and Rimrock Low Volatility. With the exception of the Rimrock product, all watch status managers performed well versus policy benchmarks during the quarter, with both Hotchkis & Wiley products outperforming by wide margins.

Hyas Group prepared a memorandum on a recently announced ownership change for Wells Fargo's investment management arm was distributed for discussion. Wells Fargo has entered into a transaction to sell 90% of its investment management practice to two private equity firms, GTCR and Reverence Capital Partners. At this stage, Wells Fargo has indicated that they do not expect there will be any major changes to investment management teams and compensation packages are in place to encourage retention of key personnel. This transaction, in and of itself, is not a surprise as Well Fargo's interest in focusing on its banking business has been known for years. The actual announcement does bring the

positive of removing speculation around what and when Wells Fargo would move on its investment management division. Due to the uncertainty the transaction induces, however, Hyas Group is recommending all Wells Fargo investment products go on watch, including the Special Small Cap Value Fund that is offered within the SERS portfolio.

Brian Brill moved and Jim Tieken seconded the motion to place Wells Fargo Special Small Cap Value on watch due to ownership change. The motion passed unanimously.

The Bridge City Small Cap Growth Fund continued its poor 2020 relative performance streak in the Fourth Quarter and is now in violation with investment policy parameters.

Jim Tieken moved and Dean Kiefer seconded the motion to place Bridge City Small Growth on watch due to performance reasons. The motion passed unanimously.

The Sterling Mid Cap Value product was on watch for quantitative, performance-related reasons as well as for qualitative reasons related to a change in fund management personnel. The Fund performance was again in compliance with investment policy and we are now comfortable that Sterling will be able to absorb this change with no meaningful disruption. Hyas Group, thus, recommended taking the product off watch.

Jim Tieken moved and J.D. Morscheck seconded the motion to remove Sterling Mid Cap Value from watch. The motion passed unanimously.

#### Investment Policy Statement Review

The Board reviewed the Investment Policy Statement. No changes were recommended by Hyas Group.

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

#### Absolute Return Search

Mr. Davidson & Mr. Loescher presented the Hyas Group prepared Absolute Return Bond Manager Search Report and the Board engaged in the evaluation of several products to be added to the SERS portfolio in order to broaden the options within the Absolute Return category. After discussion, the Board voted to add the PIMCO Dynamic Bond Fund. This option will give a more global perspective to the category and is less correlated to the credit exposure offered by the Fund's other Absolute Return options. The initial funding for the new PIMCO offering, \$7 million, will come primarily from the current allocation to the Sterling Capital Total Return Fund, with smaller amounts from broader portfolio rebalancing as warranted.

Jim Tieken moved and Brian Brill seconded the motion to move \$7 million primarily from Sterling Mid Cap, and if overweight elsewhere in the portfolio, to fund the purchase of Blackrock Strategic Income. The motion passed unanimously.

#### Minutes of the February 3, 2021 Meeting

Jim Tieken moved and Joe Cavanaugh seconded the motion to approve the minutes of the February 3, 2021 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>
Carol J. Inkpen	57	01/14/2021	32.1	E
Gerald L. Halladay	60	03/06/2021	15.1	ST
Marilu Garcia	65	03/13/2021	7.6	ST
Lorran R. Sommerfeld	63	04/03/2021	29.8	D
James V. Steiner	56	04/03/2021	31.1	A
Diana M. Clavel	65	04/17/2021	13.9	ST

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

**Withdrawals for March 2021**

<i>Name</i>	<i>Years of Service</i>	<i>Termination Date</i>
Rae-Lynn Barden	8.4	09/04/2020
Crystal R. Griffiths	4.8	12/14/2020

Jim Tieken moved and Dean Kiefer 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>
Ariane E. Schmidt	Police – Administration	15.9
Tracy A. Staab	Municipal Court	13.2

**Deaths**

<i>Name</i>	<i>Date Retired</i>	<i>Age</i>	<i>Date of Death</i>	<i>Information</i>
Gail A. Corder	05/03/2006	80	01/28/2021	No Further Benefits
John R. Johnson	04/19/2019	62	02/08/2021	E Option Continues

Vesting and Death information provided to the Board for review.

**Expenditure Summary Report – December 2020 and January 2021**

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

Joe Cavanaugh moved and Jim Tieken seconded the motion to approve the December 2020 Expenditure Summary Report. The motion passed unanimously.

Jim Tieken moved and Dean Kiefer seconded the motion to approve the January 2021 Expenditure Summary Report. The motion passed unanimously.

Schedule of Investments – January 2021

The monthly investment report was presented to the Board for review. The estimated market value of the SERS portfolio on January 31, 2021 was \$338.3 million with an estimated monthly rate of return of -0.2%.

Monthly Cash Reconciliation

The monthly cash reconciliation report for February 2021 was presented to provide the Board with additional insight into the ongoing liquidity and cash position of the plan.

Other Business

Dean Kiefer will be resigning his position on the Board in July. Mr. Tencick will send out a survey to the Board asking for input on what kind of candidate background is important to the Board. Mr. Tencick expects to present the survey results and draft search plan and include Dean Kiefer's input before his resignation. Michael Cathcart feels the Council would like to have more input in decision process.

Upcoming Board Election

Jim Tieken's term on the Board runs through July 4, 2021. The City Clerks' office recommend the election be delayed due to the current Stay Home, Stay Safe order. The revised timeline would be send notice on July 15, 2021, nominations would be due by August 10, 2021 and the election would be September 14, 2021..

Joe Cavanaugh moved and Brian Brill seconded the motion to delay the election until September. The motion passed unanimously.

Board Appointed Member

J.D. Morscheck's term on the Board runs through April 30, 2021.

Brian Brill moved and Dean Kiefer seconded the motion to appoint J.D. Morscheck as the seventh board member. The motion passed unanimously.

Other Business

The Board moved into closed session at 2:46 p.m. to discuss potential litigation.

There being no other business, the meeting adjourned at 2:59 p.m.

/s/

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**Phillip Tencick, Retirement Director**