

Spokane Employees' Retirement System (SERS)
Board Meeting, 1:00 p.m. December 1, 2021
WebEx Meeting

AGENDA

- 1) Jayson Davidson, Hyas Group
 - a) Third Quarter 2021 Performance Review
 - Information
 - b) Morrison Street MSDO Investor Election
 - Motion
- 2) Minutes of the November 3, 2021 Meeting
 - Motion
- 3) Director's Report
 - a) Retirements
 - Motion
 - b) Withdrawals
 - Motion
 - c) Deaths
 - Information
 - d) Expenditure Summary Report – October 2021
 - Motion
 - e) Schedule of Investments – October 2021
 - Information
 - f) Cash Reconciliation – November 2021
 - Information
 - g) Other Business
 - First Class Cities Pension Plan Conference Summary
- 4) Other Business
- 5) Next Meeting – **Wednesday January 5, 2022 at 1:00 p.m.**

****Please note:** The December Board meeting will be held via [WebEx Meeting](https://spokanecity.webex.com/spokanecity/j.php?MTID=m2ea287c5766f2d51eb97c68cf77cb262).
<https://spokanecity.webex.com/spokanecity/j.php?MTID=m2ea287c5766f2d51eb97c68cf77cb262>

Meeting dial-in number: 1-408-418-9388
Meeting number (access code): 2491 732 8356



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December 1, 2021

Phillip Tencick
Retirement Director
City of Spokane
808 W. Spokane Falls Blvd.
Spokane, WA 99201

RE: MORRISON STREET DEBT OPPORTUNITIES FUND

The Spokane Employees' Retirement System (SERS) invests approximately \$2.9 million (0.8% of total Plan assets) in the Morrison Street Debt Opportunities Fund (Fund). The Fund was created in 2016 to offer refinancing to real estate loans that were expected to mature en masse in 2016-2017. While opportunistic in nature, the Fund essentially follows Morrison Street's approach of providing mezzanine financing to smaller-end real estate entities. The Fund was structured to provide investors with a liquidity event within its first four to seven years. To provide this liquidity event, Morrison Street has arranged to restructure the Fund without changing its fundamental strategy. The process by which this restructuring is expected to happen is outlined below.

1. In the coming weeks the Fund will transfer to the newly created Morrison Street Income Fund (MSIF),
2. Through debt and equity financing, MSIF will raise capital to provide liquidity to investors seeking it,
3. For approximately the next eighteen months, MSIF will operate as a private fund. During this period, Morrison Street may seek to register MSIF as an "interval fund", a legal structure recognized under the Investment Company Act, and which allows for quarterly liquidity on a limited basis. If MSIF does not convert to an interval fund, it will remain a private fund with a term of twelve years.

The Hyas Group recommends that SERS retain its position in MSIF, regardless of if it being an interval or private fund. Doing so will allow SERS to retain participation in Morrison Street's nimble and unique approach to real estate investment. SERS will need to complete an Accredited Investor Verification Letter and Investor Election Form, both of which are brief, to allow this transition. The Hyas Group can assist with the process as needed.

Thank you and please let me know if there are any questions.

Sincerely,

Jayson Davidson, CFA

cc: Christine Shisler, Tom Breaden, Michelle Ruppelt

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

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

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

Staff: Phill Tencick, Christine Shisler, and Tim Szambelan

Guests: Candace Mumm, Jon Barnhart, Richard Czernik, Teri Stripes, Samuel Slade (Pageant Media), and Lauren Albanese (Financial News)

Contribution Analysis

Mr. Tencick presented a review of contribution rates and the positive impact of implementing the Actuarial Determined Contribution (ADC) rate as the basis contribution rates. Councilmember Mumm provided a proposal to make contributions based on vacant positions. No action was taken, as the Board concluded the ADC remains the correct basis for setting the contribution rate.

Candace Mumm left at 1:30 p.m.

Minutes of the October 6, 2021 Meeting

Joe Cavanaugh moved and Jim Tieken seconded the motion to approve the minutes of the October 6, 2021 meeting as amended. The motion passed unanimously.

Director's Report

Service Retirements

Name	Age	Retirement Date	Years of Service	Department
Ana L. Kruger	56	10/24/2021	24.2	Library
Katherine S. Knox	67	10/30/2021	26.4	Public Defender
Kirsti Nelson-Funston	64	10/30/2021	12.6	Library
Tamara L. Tenner	68	11/04/2021	22.2	Police Records
Brian W. Bierig	66	01/08/2022	25.4	Solid Waste Management

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

Withdrawals for November 2021

<i>Name</i>	<i>Years of Service</i>	<i>Department</i>
Jason T. Preeo	4.0	Solid Waste Management
Tyler J. Benner	1.7	Finance
Jesse R. Siemers	0.1	Solid Waste Management
William M. Eddy	0.5	Parks & Recreation

Brian Brill moved and Joe Cavanaugh seconded the motion to approve the requests for withdrawal as presented on the November Retirement Transaction Report. The motion passed unanimously.

Vesting

<i>Name</i>	<i>Department</i>	<i>Years of Service</i>
Hans B. Horstketter	Probation Services	5.2 Portable

Deaths

<i>Name</i>	<i>Date Retired</i>	<i>Age</i>	<i>Date of Death</i>	<i>Information</i>
Betty K. Byrnes	06/15/2020	77	09/22/2021	No Further Benefits
Ellis 'Lynn' Shupe	02/03/2015	71	10/17/2021	Option E Continues

Vesting and death information provided to the Board for review.

Expenditure Summary Report – September 2021

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

Jim Tieken moved and Brian Brill seconded the motion to approve the September 2021 Expenditure Summary Report. The motion passed unanimously.

Schedule of Investments – September 2021

The monthly investment report was presented to the Board for review. The estimated market value of the SERS portfolio on September 30, 2021 was \$364.8 million with an estimated rate of return of -2.2% 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.

Legislative Update

The resolution to set the 2021 contribution rate was deferred until the November 29, 2021 City Council Meeting.

The Spokane Municipal Code changes related to designating beneficiaries and defining spouses is on the agenda for first reading at the November 8, 2021 City Council Meeting and will have its final reading at the November 15, 2021 City Council Meeting.

Investment Consultant RFP Update

The finalists were notified that the Investment Consultant RFP will be reissued. A draft of the new RFP will be presented at the January 5, 2022 Board Meeting.

There being no other business, the meeting adjourned at 1:36 p.m.

Phillip Tencick, Retirement Director

DRAFT

SERS Retirement Transaction Report

December 2021

Retirements

	Name	Age	Retirement Date	Years of Service	Department	Option
1	Jeffrey L. Jensen	66	01/01/2022	15.7	Development Services Center	E
2	Cheryl A. Pritchard	63	01/01/2022	17.4	Library	ST
3	Steven E. Rhodes	67	01/01/2022	29.5	Development Services Center	E
4	Donald W. Skow	67	01/01/2022	23.1	Solid Waste Management	D
5	Mark W. O'Donnell	53	01/04/2022	20.0	Street Advanced	E
6	Michael F. Coster	69	01/07/2022	44.6	Wastewater Treatment	E
7	Mark W. Davis	62	01/07/2022	33.5	Water	ST
	Retirements YTD	63				
	2020 Total Retirements	74				

Withdrawals

	Name	Years of Service	Department	Termination Date
1	Cupid S. Alexander	0.7	Community & Neighborhood Services	07/31/2021
2	Michele L. Anderson	3.2	Police	07/06/2019
3	Shawn D. Eller	4.9	Sewer Maintenance	08/27/2021
4	Matthew D. Eveland	5.9	Asset Management	09/11/2021
5	Holly A. Hocking	5.2	Police	05/14/2021
6	Michael Y. Krupko	3.0	Parking Meter Revenue	10/02/2021
7	Scotty A. Nicol	0.8	Mayor	10/02/2021
8	Sean R. Scoggin	1.3	My Spokane	08/27/2021
9	Codey E. Stevens	1.0	Solid Waste Management	10/02/2021

Deaths

	Name	Date Retired	Age	Date of Death	Information
1	Ellis L. Shupe	02/03/2015	71	10/17/2021	E Option Continues

SPOKANE EMPLOYEES' RETIREMENT SYSTEM - 6100
 2021 EXPENDITURE SUMMARY REPORT
OCTOBER 31, 2021

	2020 ACTUAL	2021 BUDGET	OCTOBER ACTUAL EXPENDITURES	2021 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
OPERATING EXPENDITURES						
Departmental Salaries	315,165.09	313,354.00	22,992.01	237,109.43	76,244.57	75.7%
Departmental Benefits	85,294.40	89,760.00	6,956.85	70,830.85	18,929.15	78.9%
Reserve for Budget Adjustment	-	10,000.00	-	-	10,000.00	0.0%
Administrative Income	(16,886.25)	(10,000.00)	-	(5,945.42)		
Postage/Supplies/Other	3,997.66	5,200.00	124.38	2,296.75	2,903.25	44.2%
State Audit Charges	12,990.88	15,000.00	1,113.94	8,326.11	6,673.89	55.5%
Contractual Services	142,161.60	175,000.00	11,075.18	119,077.37	55,922.63	68.0%
Travel	109.09	15,000.00	-	-	15,000.00	0.0%
Registration/Schooling	5,995.00	16,000.00	-	500.00	15,500.00	3.1%
Other Dues/Subscriptions/Membership	1,752.80	2,500.00	9.95	1,101.20	1,398.80	44.0%
Other Miscellaneous Charges	1,179.23	2,200.00	55.00	1,706.57	493.43	77.6%
Amortization	17,649.00	-	-	-	-	
TOTAL OPERATING EXPENDITURES	569,408.50	634,014.00	42,327.31	435,002.86	203,065.72	68.6%
INTERFUND EXPENDITURES						
Interfund - Office Performance Mgmt Services	389.00	-	-	-	-	
Interfund - Centralized Purchasing	448.85	5,000.00	92.25	369.00	4,631.00	7.4%
Interfund - Centralized Accounting	1,377.27	1,764.00	441.00	1,764.00	-	100.0%
Interfund - My Spokane	970.64	756.00	-	535.77	220.23	70.9%
Interfund - Risk Management	293.00	607.00	-	455.25	151.75	75.0%
Interfund - Worker's Compensation	134.00	134.00	-	100.50	33.50	75.0%
Interfund - Reprographics	5,043.80	9,412.00	-	2,793.15	6,618.85	29.7%
Interfund - IT	39,242.59	39,237.00	3,270.86	29,441.02	9,795.98	75.0%
Interfund - IT Replacement	1,827.00	3,003.00	250.25	2,252.25	750.75	75.0%
TOTAL INTERFUND EXPENDITURES	49,726.15	59,913.00	4,054.36	37,710.94	22,202.06	62.9%
TOTAL ADMINISTRATIVE EXPENDITURES	619,134.65	693,927.00	46,381.67	472,713.80	225,267.78	68.1%

SPOKANE EMPLOYEES' RETIREMENT SYSTEM - 6100
 2021 EXPENDITURE SUMMARY REPORT
OCTOBER 31, 2021

	2020 ACTUAL	2021 BUDGET	OCTOBER ACTUAL EXPENDITURES	2021 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
PENSIONS						
Pensions-Annuity Benefit Payments	29,378,701.18	31,500,000.00	2,619,750.02	25,744,157.89	5,755,842.11	81.7%
Pensions-Disability Payments	114,579.60	135,000.00	9,548.30	95,483.00	39,517.00	70.7%
Pensions-Survivor Annuity Benefits Payments	2,101,833.92	2,500,000.00	174,779.78	1,784,338.62	715,661.38	71.4%
TOTAL PENSIONS	<u>31,595,114.70</u>	<u>34,135,000.00</u>	<u>2,804,078.10</u>	<u>27,623,979.51</u>	<u>6,511,020.49</u>	80.9%
Refunds	513,758.34	1,000,000.00	32,629.58	450,970.21	549,029.79	45.1%
TOTAL EXPENSES	<u><u>32,728,007.69</u></u>	<u><u>35,828,927.00</u></u>	<u><u>2,883,089.35</u></u>	<u><u>28,547,663.52</u></u>	<u><u>7,285,318.06</u></u>	79.7%
INVESTMENT EXPENSE*						
Advisory Technical Service	449,834.07	550,000.00	62,241.35	361,310.16	188,689.84	65.7%

* 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
October 31, 2021

11/29/2021

	Type		Allocation		
			Target	Current	Diff.
Cash Held by Treasurer	Cash	\$ 54,348			
US Bank	Short-term Inv	364,653			
Total Cash		419,001	0.0%	0.1%	0.1%
Sterling Capital	Total Return	27,576,103			
Total Total Return		27,576,103	10.0%	7.5%	-2.5%
Hotchkis & Wiley	High Yield - Mutual Fund	16,115,433			
Total High Yield		16,115,433	5.0%	4.4%	-0.6%
PIMCO Dynamic	Absolute Return	6,957,804			
Polar	LLC	8,663,037			
Post Limited Term High Yield	Ltd Partnership	6,912,515			
Rimrock Low Volatility	Ltd Partnership	10,613,724			
Total Absolute Return		33,147,080	8.0%	9.0%	1.0%
Total Capital Preservation		77,257,617	23.0%	20.9%	-2.1%
Hotchkis & Wiley	LC Value - Mutual Fund	18,192,223			
MFS Growth	LC Growth - Mutual Fund	19,138,587			
Fidelity S&P 500 Index	LC Core - Mutual Fund	43,359,825			
Total US Large Cap		80,690,635	21.0%	21.8%	0.8%
Sterling	MC Value	6,533,504			
Westfield MC Growth	MC Growth	6,219,573			
Fidelity MC Index	MC Core - Mutual Fund	4,412,306			
Champlain	SC Core	9,731,612			
Bridge City	SC Growth	8,554,800			
Wells Fargo	SC Value - Mutual fund	5,639,642			
Fidelity SC Index	SC Core - Mutual Fund	596,056			
Total US Small/Mid Cap		41,687,493	11.0%	11.3%	0.3%
Total US Equities		122,378,128	32.0%	33.1%	1.1%
Artisan	SMID Value - Mutual Fund	28,980,372			
Euro Pacific	LC Blend - Mutual Fund	26,290,772			
Fidelity International	LC Index - Mutual Fund	-			
Total International Large Cap		55,271,144	15.0%	14.9%	-0.1%
Trivalent	SC Value - Mutual Fund	15,231,653			
Total International Small/Mid		15,231,653	4.0%	4.1%	0.1%
Vanguard EM Index	EM - Mutual Fund	551,895			
ABS Emerging Markets	Ltd Partnership	11,842,424			
Total Emerging Markets		12,394,319	3.0%	3.4%	0.4%
Total International Equities		82,897,116	22.0%	22.4%	0.4%
Weatherlow Offshore	Ltd Partnership	22,745,516			
Royalty Opportunities I	Ltd Partnership	1,120,622			
Royalty Opportunities II	Ltd Partnership	514,064			
Total Long Biased		24,380,202	7.0%	6.6%	-0.4%
Metropolitan Real Estate Partners	Ltd Partnership	76,827			
Morrison Street Fund V	LP	318,783			
Morrison Street Fund VI	LP	2,885,194			
Morrison Street Debt Opportunities	LP	2,792,785			
Morgan Stanley Prime	LLC	7,837,683			
Principal (REITs)	REITs	18,364,691			
Total Real Estate		32,275,963	9.0%	8.7%	-0.3%
Contrarian Capital Fund I	Ltd Partnership	10,636,340			
Beach Point	Ltd Partnership	14,133,580			
Total Opportunistic Credit		24,769,920	7.0%	6.7%	-0.3%
Contrarian EM Credit	LLC	5,300,773			
OrbiMed II	Ltd Partnership	449,981			
Total Special Opportunities		5,750,754	0.0%	1.6%	1.6%
Total Cash and Investments		\$ 369,709,700	100.0%	100.0%	0.0%
	Monthly Contributions	1,686,813			
	Monthly Pension	\$ (2,836,708)			
	As of September 30, 2021	\$ 364,770,733			
	Estimated Rate of Return	1.7%			
Abs. Return and Total Return FI Equity and Special Situations	Thesis 2017.1	60,723,183	18.0%	16.4%	-1.6%
	Thesis 2017.3	211,025,998	54.0%	57.1%	3.1%

Cash Recon - Nov

Date	Transactions	Sources	Uses	Balance
10/28/2021	Beginning Balance			2,537,310.66
10/29/2021	Distribution - Morrison Street MSDO	114,774.41		2,652,085.07
10/29/2021	Sale - Fidelity S&P500 Index	550,000.00		3,202,085.07
10/29/2021	October Pension Payments		(2,837,440.61)	364,644.46
11/1/2021	Interest	8.79		364,653.25
11/8/2021	Payroll Contributions	844,468.26		1,209,121.51
11/17/2021	Redeposit/Reissue Pension Payment	433.07	(433.07)	1,209,121.51
11/22/2021	Payroll Contributions	855,687.32		2,064,808.83
11/23/2021	Ending Balance	2,365,371.85	(2,837,873.68)	2,064,808.83
	<u>Upcoming</u>			
11/30/2021	November Pension Payments		(2,977,853.35)	