

**Spokane Employees' Retirement System (SERS)
Board Meeting Minutes
September 1, 2021**

The meeting was called to order at 1:04 p.m. via WebEx conference call and immediately went into closed session.

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

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

Guests: Jayson Davidson, Brian Loescher, Tom Breden, Natalie Hilderbrand, Jon Barnhart, and Rowen Descallar

Jim Tieken arrived on the call at 1:06 p.m.

Closed session ended at 1:09 p.m. and the meeting immediately went into open session.

Michael Cathcart arrived on the call at 1:15 p.m.

Hyas Group, 2021 2nd Quarter Investment Performance Report

Hyas Group presented Second Quarter 2021 Performance Report and noted that equity markets continued their post-pandemic march upward with global stock markets posting strong numbers across all capitalization ranges. The performance style rotation from growth to value stocks stalled during the quarter, however, as markets increasingly weighed signs of economic growth against rising inflation fears. Rising COVID case counts coupled with those inflation fears did cause increased interest in fixed income, and government bonds in particular. The US Aggregate posted a positive 1.83% for the quarter as yields dropped with the renewed demand for fixed income. Hyas Group expect the positive momentum to moderate in the coming months as the sharp snapback in economic activity starts to normalize. The SERS portfolio again posted performance ahead of its policy benchmark with a quarterly number at 5.5% relative to policy's 5.2%, with this portfolio performance essentially matching the peer median. Category allocations remain in line with policy ranges and again there is no expectation to deviate meaningfully from target in the near term.

The following funds were on watch status as of quarter-end: Hotchkis & Wiley High Yield, Polar Long/Short Fund, OrbiMed Partners, Hotchkis and Wiley Diversified Value, Rimrock Low Volatility, Wells Fargo Small Cap Value, and Bridge City Small Cap Growth. Polar was placed on watch due to the announcement that one of its employees being accused of front running clients by trading in personal accounts. The investigation into this matter continues and the watch status will be maintained until further notice. Again, Both

Hotchkiss & Wiley products posted strong relative returns with the Large Cap Value Fund enjoying its second consecutive performance of policy compliance. Hyas Group see little risk of the fund filing back into violation in the near term and are thus recommending it be taken off watch.

Jim Tieken moved and Joe Cavanaugh seconded the motion to remove Hotchkiss & Wiley Diversified Value fund from watch. The motion passed unanimously.

The Bridge City Small Cap Growth Fund also, again, posted policy compliant numbers but we will continue to maintain its watch status. We are not recommending any changes in watch status any in of the other aforementioned products.

Hyas Group analytics and reporting groups will further evaluate the prospect of changing the peer group being used as a benchmark for the Prime Property Fund. The reporting has been limited to a REIT peer group, but they will look into alternatives.

For the matter related to Polar Asset Management's investigation into potential fraud committed by one of its employees, no new information was available. Hyas Group will continue to monitor the situation and provide additional details as warranted.

Mr. Davidson informed the Board that with Hyas Group officially joining Morgan Stanley and that Morgan Stanley Real Estate, which acts as investment manager for the Prime Property Fund, will effectively become an affiliate of the Hyas Group due to its common ownership. He noted that Hyas Group advice and recommendations related to this holding took place prior to this deal's announcement and were based purely on investment considerations and in compliance with the SERS's written investment policy. They expect to continue providing such advice and recommendations with those same considerations. However, as a result of our affiliation with Morgan Stanley Real Estate, and the potential conflicts of interest associated with providing advice on affiliated products, Hyas Group's investment advisory fee will be reduced proportionately to account for Plan assets invested in the Prime Property Fund.

Minutes of the August 4, 2020 Meeting

Joe Cavanaugh moved and Jim Tieken seconded the motion to approve the minutes of the August 4, 2021 meeting as presented. The motion passed unanimously.

Director's Report

Service Retirements

Name	Age	Retirement Date	Years of Service	Department
Adam W. Papini	50	09/01/2021	19.7	Legal
Rebecca L. Ballou	62	09/09/2021	26.8	Solid Waste Management

Lorene E. Butz	64	09/18/2021	22.0	Accounting
Daniel E. Herbers	62	10/05/2021	35.0	Solid Waste Management
Timothy M. Bemis	65	11/02/2021	11.8	Advanced Wastewater Treatment
Cynthia L. Jaeger	66	11/05/2021	19.2	Public Defender

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

Withdrawals for September 2021

<i>Name</i>	<i>Years of Service</i>	<i>Termination Date</i>
Adam M. Franzen	0.1	Water
Julie K. Richburg	2.0	Development Services Center
Zachary D. Anderson	3.0	Water
Jon F. Bockstruck	3.3	Parks & Recreation
Jo-Lynn Brown	2.5	Parks & Recreation
Justin M. Worthington	5.4	Parks & Recreation
Sara L. Thomas	0.6	Combined Communications Center

Joe Cavanaugh 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>
Matthew R. Davis	CD/HS Operations	4.8
Jazmyn A. Clark	Public Defenders	6.4

Deaths

<i>Name</i>	<i>Date Retired</i>	<i>Age</i>	<i>Date of Death</i>	<i>Information</i>
Wesley L. Pogue	09/02/1999	79	03/05/2021	No Further Benefits
Hugh L. Lynn	03/26/1983	97	07/12/2021	No Further Benefits
James E. Thrash	03/02/1989	93	08/11/2021	No Further Benefits
Glenna R. Keller	08/02/1988	83	08/16/2021	D Option Continues
Jeanette K. Cole	05/04/1996	76	08/21/2021	No Further Benefits

Vesting and death information provided to the Board for review.

Expenditure Summary Report – July 2021

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

Jim Tieken moved and Joe Cavanaugh seconded the motion to approve the July 2021 Expenditure Summary Report. The motion passed unanimously.

Schedule of Investments – July 2021

The monthly investment report was presented to the Board for review. The estimated market value of the SERS portfolio on July 31, 2021 was \$369.6 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.

2022 Budget

The 2022 Budget was presented to the Board and discussed.

Joe Cavanaugh moved and Jim Tieken seconded the motion to adopt the 2022 Budget as presented. The motion passed unanimously.

Other Business

Mr. Tencick informed the Board that Jim Tieken, being the only nomination that was received, was elected without ballot to the Board.

There being no other business, the meeting adjourned at 2:36 p.m.

/s/

Phillip Tencick, Retirement Director