

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

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

**Present:** Mike Coster, Jim Tieken, Joe Cavanaugh, Michael Cathcart, Brian Brill

**Absent:** J.D. Morscheck

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

**Guests:** Jayson Davidson & Tom Breaden (Hyas Group), Richard Czernik, Justin Anderson, Teri Stripes, Lauren Albanese (Financial News), Joe Ebisa (Pageant Media)

**Hyas Group, 2021 3<sup>rd</sup> Quarter Investment Performance Report**

Hyas Group reviewed Third Quarter 2021 Performance Report and Mr. Davidson noted that, year-to-date, equity markets have largely maintained their strong absolute numbers across all capitalization ranges. The Third Quarter did, however, bring increased volatility as markets weighed the prospects of continued economic expansion against rising inflation fears. These inflation fears coupled with the Federal Reserve communicating its continued intent to slow, and eventually end, the asset purchase program have caused interest rates to increase measuredly since the end of the Second Quarter. Supply chain constraints continue to weigh on global economic expansion and have added to the upward pricing pressure. Policy makers will continue to wrestle with how to reduce some of this pricing pressure without slowing economic growth. The rise of a new coronavirus variant will mean policy decisions as well as ensuing market and economic reaction should be monitored closely as we move to the end of the year. In keeping with the rather flat returns for markets in general, the SERS portfolio posted a -0.60% return for the quarter, behind the -0.20% for the policy benchmark.

The following funds were on watch status as of quarter-end: Hotchkis & Wiley High Yield, Polar Long/Short Fund, OrbiMed Partners, Rimrock Low Volatility, Allspring (formerly 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 is accused of front running clients while trading in personal accounts. The investigation into this matter continues but the Fund has concluded that SERS is due a 0.09% adjustment to the NAV, which was applied in October. Hyas Group is recommending that the watch status be retained for at least another quarter. The Allspring product has been on watch due to the recent ownership change. Hyas Group will maintain the watch recommendation on that product

through the end of this year. The Bridge City Small Cap Growth Fund again posted policy compliant numbers and Hyas Group is expecting to formally revisit the watch designation at our next quarterly meeting. All other noted options will also remain on watch.

Hyas Group and the Board spent additional time talking about the on watch status for the OrbiMed Partners product and whether SERS wanted to continue to remain invested in it. At this point the inclination is to move away from the funding and Hyas Group will work with staff in the coming weeks to prepare a formal motion for the Board's January meeting. Hyas Group's analytics group will provide a summary of necessary exit actions and will evaluate alternatives for the transferring assets.

The Morrison Street Debt Opportunities Fund was structured to provide investors with a liquidity event within its first four to seven years. To provide the liquidity Morrison Street will restructure the Fund without changing the fundamental strategy. In doing this, the Fund will transfer to the newly created Morrison Street Income Fund (MSIF). MSIF will raise the necessary capital to provide liquidity to those seeking it. Those not wishing to take liquidity can remain invested in MSIF.

Jim Tieken moved and Joe Cavanaugh seconded the motion to stay with Morrison Street Debt Opportunities Fund through the transition event, consistent with the Hyas Group recommendation. The motion passed unanimously.

Mr. Davidson informed the Board of an announced portfolio manager change for the American Funds EuroPacific Growth option. On December 31st, Jesper Lyckeus will be retiring. Mr. Lyckeus is one of eleven managers on the strategy and is responsible for managing about 4% of the assets. EuroPacific Growth, like many of the American Fund's products, employs the large number of co-managers. It is not uncommon for there to be turnover amongst these managers and this one is consistent with prior practices. As such, Hyas Group does not view this change as significant and are not recommending any action as a result.

Mr. Davidson also noted that Bridge City Capital has announced the addition of a new member to the investment team. Brant Demuth joined the firm in November and will assume investment management and portfolio allocation responsibilities. Hyas does not view this as requiring any action.

Mr. Davidson will connect with staff in advance of the next quarterly meeting to discuss alternatives to the current benchmarking and peer groups being used within the Real Estate category. Hyas Group's analytics and reporting groups will assist in the further

evaluation of different peer groups and benchmarks to be used within the category broadly and for the Prime Property Fund more specifically.

**Minutes of the November 3, 2021 Meeting**

Joe Cavanaugh moved and Jim Tieken seconded the motion to approve the minutes of the November 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>
Jeffrey L. Jensen	66	01/01/2022	15.7	E
Cheryl A. Pritchard	63	01/01/2022	17.4	ST
Steven E. Rhodes	67	01/01/2022	29.5	E
Donald W. Skow	67	01/01/2022	23.1	D
Mark W. O'Donnell	53	01/04/2022	20.0	E
Michael F. Coster	69	01/07/2022	44.6	E
Mark W. Davis	62	01/07/2022	33.5	ST

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

**Withdrawals for November 2021**

<i>Name</i>	<i>Years of Service</i>	<i>Termination Date</i>
Cupid S. Alexander	0.7	07/31/2021
Michele L. Anderson	3.2	07/06/2019
Shawn D. Eller	4.9	08/27/2021
Matthew D. Eveland	5.9	09/11/2021
Holly A. Hocking	5.2	05/14/2021
Michael Y. Krupko	3.0	10/02/2021
Scotty A. Nicol	0.8	10/02/2021
Sean R. Scoggin	1.3	08/27/2021
Codey E. Stevens	1.0	10/02/2021

Joe Cavanaugh moved and Jim Tieken 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>
Ellis L. Shupe	02/03/2015	71	10/17/2021	E Option Continues

Death information provided to the Board for review.

Expenditure Summary Report – October 2021

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

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

Schedule of Investments – October 2021

The monthly investment report was presented to the Board for review. The estimated market value of the SERS portfolio on October 31, 2021 was \$369.7 million with an estimated rate of return of 1.7% 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.

Other Business

Mr. Tencick discussed the annual First Class Cities' Pension Plans Meeting. The topics covered were operations, focusing on systems and managing work from home, and investments, focusing on inflation, priorities for 2022, and liability aware investing.

Mr. Tencick informed the Board the City Council has approved the contribution rate change. The contribution rate will change from 10.0% to 10.25%.

Other Business

Mike Coster informed the Board that he will be resigning his position on the Board after today's meeting.

There being no other business, the meeting adjourned at 2:23 p.m.

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**Phillip Tencick, Retirement Director**