

Spokane Employees' Retirement System (SERS)
Board Meeting, 1:00 p.m. April 6, 2022
Council Briefing Center

AGENDA

Guest access from the WebEx lobby will be granted after the closed session ends.

Closed Session

1. Legal Update

Open Session

1. Minutes of the March 2, 2022 Meeting
 - Motion
2. Director's Report
 - a. Retirements
 - Motion
 - b. Withdrawals
 - Motion
 - c. Deaths
 - Information
 - d. Expenditure Summary Report – February 2022
 - Motion
 - e. Schedule of Investments – February 2022
 - Information
 - f. Cash Reconciliation – March 2022
 - Information
 - g. Other Business
 - ABS Emerging Markets Update – Information
3. Investment Thesis 2022/1
 - Motion
4. Investment Consultant Draft RFP
 - Information
5. Other Business
6. Next Meeting - **Wednesday, May 4, 2022 at 1:00 p.m.**

****Please note:** The April Board meeting will be held in person and have electronic access via [WebEx](#)

<https://spokanecity.webex.com/spokanecity/j.php?MTID=mcaf690f6ae27796a8e1ce1d2554e039a>

Meeting dial-in number: 1-408-418-9388

Meeting number (access code): 2494 423 7537

Spokane Employees' Retirement System (SERS)
Board Meeting Minutes
March 2, 2022

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

Present: Jim Tieken, Joe Cavanaugh, Richard Czernik, Jonathan Bingle, Brian Brill

Absent: J.D. Morscheck

Staff: Phill Tencick, Christine Shisler, Donald Brown

Guests: Jayson Davidson, Justin Anderson, Jon Barnhart, Nicolette Ocheltree, Joe Ebisa (Journalist), Frank Albanese (Journalist)

Jayson Davidson, Hyas Group
2021 4th Quarter Investment Performance Report

Mr. Davidson presented the Fourth Quarter 2021 Performance Report and discussed the fact that inflation and economic growth concerns appear to be the primary factors impacting the first months of 2022's market activity. Global inflation numbers have risen to levels not seen in decades, and with the US economy near full employment, the Fed is expected to take action to slow price pressures. Prescribed rate increases and the reduction/elimination of the bond buying program remain part of the Fed's game plan. Global fixed income and equity markets have started the year with increased selling pressure as investors digest the aforementioned growth and inflation landscape. Adding to this is new geopolitical stress in the form of the Russian/Ukraine conflict, which is further exacerbating price pressure on certain commodities. The Fourth Quarter itself was a good one for most equity categories and the SERS portfolio posted a positive 3.6% return for the quarter, compared to a 4.1% for the policy benchmark.

At quarter-end, SERS had the following six funds on watch status: 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. The Hotchkis & Wiley High Yield Fund and the Rimrock Low Volatility Fund remained in violation of performance related policy benchmarks and will remain on watch. The OrbiMed Partners product is slated to be liquidated (minus a small hold back for audit purposes) and removed from the SERS portfolio at the end of this month. Also, Mr. Davidson, staff and the Board discussed the fact that the Sterling Mid Cap Value Fund tipped into policy violation at quarter-end. Performance for the fund has been strong relative to benchmarks year to date in 2022, however, and this fund will revisit the prospect of watch designation at the quarterly next meeting.

With the volatility of the fixed income markets and the prospect of higher interest rates, Mr. Davidson, staff, and the Board discussed the potential advantages of shifting some of the portfolio away from the more traditional bond managers in the capital preservation category and towards the absolute return strategies. Mr. Davidson will work with Hyas Group's analytics team to evaluate pros and cons and come back in the coming weeks with some more formal scenarios to consider.

Considering the events in Ukraine and the sanction activity related to the Russian markets and economy, we discussed impacts on the SERS portfolio holdings broadly and in the ABS Emerging Markets Strategic Portfolio specifically. The Hyas Group analytics team will have a call set up with the ABS team and forward the meeting invite to Mr. Tencick.

The Allspring Fund has been on watch since Wells Fargo's asset management business was sold, effectively placing the fund under new ownership. The ownership change transaction is now over a year old, and Hyas Group is recommending removing the fund from watch. 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 fund is no longer part of any investigation and has settled all disciplinary measures with the SEC. Lastly, the Bridge City Small Cap Growth Fund has posted policy compliant performance numbers for several consecutive quarters and Hyas Group is comfortable removing the fund from watch status.

Richard Czernik moved and Joe Cavanaugh seconded the motion to remove from watch status Allspring Special Small Cap Value, Polar Long/Short and Bridge City Small Cap Growth, per Hyas Group recommendation. The motion passed unanimously.

Investment Policy Statement Review

The Board reviewed the Investment Policy Statement. The date and the benchmarks for the bond asset classes was updated from Barclays to Bloomberg.

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

Minutes of the February 2, 2022 Meeting

Joe Cavanaugh moved and Richard Czernik seconded the motion to approve the minutes of the February 2, 2022 meeting. 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>
Michael J. Tagariello	50	02/01/2022	8.2	ST
Louis W. Meuler	52	02/12/2022	25.5	C20
Cynthia D. Johanns	65	03/04/2022	12.6	ST
Dale G. Maurer	67	03/05/2022	27.3	E

Scott W. Stipe	65	03/05/2022	20.0	ST
Gillian M. F. Sayer	52	03/09/2022	27.7	ST
Samuel P. Greer	63	03/26/2022	13.0	E
Melissa D. Halpin	65	04/05/2022	20.0	ST
Grace A. Hammersley	62	04/17/2022	12.0	E
David T. Rogers	64	05/03/2022	43.0	E

Brian Brill moved and Richard Czernik seconded the motion to approve the service retirements as presented on the March Retirement Transaction Report. The motion passed unanimously.

Withdrawals for March 2022

<i>Name</i>	<i>Years of Service</i>	<i>Termination Date</i>
Daniel S. Pringle	3.8	07/01/2018
Melanie L. Hall	5.6	07/01/2019
Christopher G. Rollis	0.9	07/28/2020
Lara V. Estaris	0.9	07/09/2021
Darci L. Dravland	0.5	08/27/2021
Bradley S. Johnson	2.3	11/11/2021

Brian Brill moved and Richard Czernik seconded the motion to approve the requests for withdrawal as presented on the March Retirement Transaction Report. The motion passed unanimously.

Vesting

<i>Name</i>	<i>Department</i>	<i>Years of Service</i>
Katherine M. Burke	Council	4.0 Portability
Erika J. McCowan	Accounting	12.7
Candace M. Mumm	Council	8.0
Kandace L. Watkins	Council	7.2
Melissa L. Morrison	Council	1.7 Portability

Deaths

<i>Name</i>	<i>Date Retired</i>	<i>Age</i>	<i>Date of Death</i>	<i>Information</i>
Harold R. Folk	11/03/2020	76	01/04/2022	E Option Continues
Ronald L. Tipke	11/02/1996	84	01/17/2022	No Further Benefits
Gary J. Brueher	05/01/2017	78	01/30/2022	D Option Continues
June M. McDonald	09/03/2005	88	02/01/2022	No Further Benefits
Marlene J. Beck	10/31/2009	80	02/08/2022	No Further Benefits
Warren J. Richardson	01/08/1983	86	02/08/2022	No Further Benefits

Vesting and Death information provided to the Board for review.

Expenditure Summary Report – December 2021 and January 2022

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

Richard Czernik moved and Jonathan Bingle seconded the motion to approve the December 2021 and January 2021 Expenditure Summary Reports. The motion passed unanimously.

Schedule of Investments – January 2022

The monthly investment report was presented to the Board for review. The estimated market value of the SERS portfolio on January 31, 2022 was \$359.2 million with an estimated monthly rate of return of -3.9%.

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.

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

Phillip Tencick, Retirement Director

SERS Retirement Transaction Report
April 2022

Retirements

	Name	Age	Retirement Date	Years of Service	Department	Option
1	Tracy L. Stevens	63	03/07/2022	11.8	Advanced Wastewater Treatment	C-20
2	Tiffany S. Ryan	52	03/15/2022	17.4	Police	ST
3	Monica E. Opfer	51	04/01/2022	19.5	Public Works & Utilities	E
4	Michael J. Fagan	62	04/01/2022	8.0	City Council	ST
5	Russell D. Lawrence	63	04/02/2022	12.1	Street	E
6	Scott L. Niemeier	59	04/02/2022	32.1	Parks & Recreation	ST
7	Michael D. Simmons	62	04/02/2022	41.8	Sewer Maintenance	E
8	Richard R. Peterson	64	04/09/2022	15.8	IT	ST
9	Michael A. Fritz	57	04/12/2022	29.6	Water	ST
10	Theresa M. Sanders	62	05/01/2022	10.5	Mayor	E
11	Martin S. Owens	59	06/10/2022	34.7	Street	E
	Retirements YTD	29				
	2021 Total Retirements	66				

Withdrawals

	Name	Years of Service	Department	Termination Date
1	Hannah M.M. Chiabotti	3.9	EMS Fund	10/15/2021
2	Trisha J. Schroff	5.3	Accounting	11/06/2021
3	Matthaeus A. Cavanah	1.4	Water	11/10/2021
4	Jayme J. Schneider	0.6	Police - Radio	11/12/2021
5	Amie S. Blain	2.3	Finance	12/18/2021
6	Stacey L. Hopkins	1.0	Street	01/02/2022
7	Kekaulani K. Garcia	1.3	Library	01/10/2022

Deaths

	Name	Date Retired	Age	Date of Death	Information
1	Kathleen M. Gibford	11/27/2019	83	11/15/2021	No Further Benefits
2	Janice L. Freese	06/02/2007	81	02/23/2022	D Option Continues
3	Virginia L. Huffman	02/02/2005	67	03/01/2022	D Option Continues
4	Tracy L. Stevens	03/07/2022	63	03/10/2022	C20 Option Continues

SPOKANE EMPLOYEES' RETIREMENT SYSTEM - 6100
 2022 EXPENDITURE SUMMARY REPORT
FEBRUARY 28, 2022

	2021 ACTUAL	2022 BUDGET	FEBRUARY ACTUAL EXPENDITURES	2022 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
OPERATING EXPENDITURES						
Departmental Salaries	311,200.63	311,479.00	22,992.01	41,162.82	270,316.18	13.2%
Departmental Benefits	88,085.00	96,560.00	7,532.46	14,218.89	82,341.11	14.7%
Reserve for Budget Adjustment	-	10,000.00	-	-	10,000.00	0.0%
Administrative Income	(15,225.22)	(10,000.00)				
Postage/Supplies/Other	3,133.07	4,950.00	189.83	189.83	4,760.17	3.8%
State Audit Charges	12,432.82	15,000.00	438.12	438.12	14,561.88	2.9%
Contractual Services	131,620.94	175,000.00	15,750.00	15,750.00	159,250.00	9.0%
Travel	-	15,000.00	-	-	15,000.00	0.0%
Registration/Schooling	500.00	16,000.00	-	-	16,000.00	0.0%
Other Dues/Subscriptions/Membership	1,898.55	2,500.00	1,100.00	1,100.00	1,400.00	44.0%
Other Miscellaneous Charges	3,212.30	3,200.00	1,563.94	229.59	2,970.41	7.2%
Amortization	23,532.00	-	-	-	-	
TOTAL OPERATING EXPENDITURES	560,390.09	639,689.00	49,566.36	73,089.25	576,599.75	11.4%
INTERFUND EXPENDITURES						
Interfund - Centralized Purchasing	313.32	9,733.00	-	2,433.25	7,299.75	25.0%
Interfund - Centralized Accounting	1,764.00	2,136.00	-	534.00	1,602.00	25.0%
Interfund - My Spokane	885.25	1,125.00	281.25	281.25	843.75	25.0%
Interfund - Risk Management	607.00	571.00	142.75	142.75	428.25	25.0%
Interfund - Worker's Compensation	134.00	123.00	30.75	30.75	92.25	25.0%
Interfund - Reprographics	3,898.68	5,262.00	-	-	5,262.00	0.0%
Interfund - IT	38,532.25	46,237.00	3,855.90	3,855.90	42,381.10	8.3%
Interfund - IT Replacement	3,003.00	3,305.00	275.42	275.42	3,029.58	8.3%
TOTAL INTERFUND EXPENDITURES	49,137.50	68,492.00	4,586.07	7,553.32	60,938.68	11.0%
TOTAL ADMINISTRATIVE EXPENDITURES	609,527.59	708,181.00	54,152.43	80,642.57	637,538.43	11.4%

SPOKANE EMPLOYEES' RETIREMENT SYSTEM - 6100
 2022 EXPENDITURE SUMMARY REPORT
FEBRUARY 28, 2022

	2021 ACTUAL	2022 BUDGET	FEBRUARY ACTUAL EXPENDITURES	2022 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
PENSIONS						
Pensions-Annuity Benefit Payments	30,993,999.10	33,500,000.00	2,667,090.20	5,317,381.31	28,182,618.69	15.9%
Pensions-Disability Payments	114,579.60	135,000.00	9,548.30	19,096.60	115,903.40	14.1%
Pensions-Survivor Annuity Benefits Payments	2,147,772.56	2,500,000.00	184,130.44	365,725.99	2,134,274.01	14.6%
TOTAL PENSIONS	<u>33,256,351.26</u>	<u>36,135,000.00</u>	<u>2,860,768.94</u>	<u>5,702,203.90</u>	<u>30,432,796.10</u>	15.8%
Refunds	741,018.82	1,000,000.00	71,646.94	91,842.45	908,157.55	9.2%
TOTAL EXPENSES	<u><u>34,606,897.67</u></u>	<u><u>37,843,181.00</u></u>	<u><u>2,986,568.31</u></u>	<u><u>5,874,688.92</u></u>	<u><u>31,978,492.08</u></u>	15.5%
INVESTMENT EXPENSE*						
Advisory Technical Service	557,485.34	565,000.00	68,350.95	47,043.16	517,956.84	8.3%

** 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
February 28, 2022

3/25/2022

				Allocation		
		Type		Target	Current	Diff.
Cash Held by Treasurer	Cash		\$ 178,379			
US Bank	Short-term Inv		10,610			
Total Cash			188,989	0.0%	0.1%	0.1%
Sterling Capital	Total Return		26,564,724			
Total Total Return			26,564,724	10.0%	7.6%	-2.4%
Hotchkis & Wiley	High Yield - Mutual Fund		15,804,879			
Total High Yield			15,804,879	5.0%	4.5%	-0.5%
PIMCO Dynamic	Absolute Return		6,858,624			
Polar	LLC		8,813,246			
Post Limited Term High Yield	Ltd Partnership		6,833,653			
Rimrock Low Volatility	Ltd Partnership		10,544,687			
Total Absolute Return			33,050,210	8.0%	9.4%	1.4%
Total Capital Preservation			75,608,802	23.0%	21.5%	-1.5%
Hotchkis & Wiley	LC Value - Mutual Fund		18,549,214			
MFS Growth	LC Growth - Mutual Fund		16,476,754			
Fidelity S&P 500 Index	LC Core - Mutual Fund		39,080,935			
Total US Large Cap			74,106,903	21.0%	21.1%	0.1%
Sterling	MC Value		6,629,030			
Westfield MC Growth	MC Growth		5,541,074			
Fidelity MC Index	MC Core - Mutual Fund		4,076,929			
Champlain	SC Core		8,671,015			
Bridge City	SC Growth		8,069,320			
Allspring (FKA: Wells Fargo)	SC Value - Mutual fund		5,588,900			
Fidelity SC Index	SC Core - Mutual Fund		533,583			
Total US Small/Mid Cap			39,109,851	11.0%	11.1%	0.1%
Total US Equities			113,216,754	32.0%	32.2%	0.2%
Artisan	SMID Value - Mutual Fund		26,624,753			
Euro Pacific	LC Blend - Mutual Fund		22,600,471			
Fidelity International	LC Index - Mutual Fund		-			
Total International Large Cap			49,225,224	15.0%	14.0%	-1.0%
Trivalent	SC Value - Mutual Fund		13,615,416			
Total International Small/Mid			13,615,416	4.0%	3.9%	-0.1%
Vanguard EM Index	EM - Mutual Fund		522,232			
ABS Emerging Markets	Ltd Partnership		10,833,239			
Total Emerging Markets			11,355,471	3.0%	3.2%	0.2%
Total International Equities			74,196,111	22.0%	21.1%	-0.9%
Weatherlow Offshore	Ltd Partnership		21,298,966			
Royalty Opportunities I	Ltd Partnership		614,480			
Royalty Opportunities II	Ltd Partnership		394,009			
Total Long Biased			22,307,455	7.0%	6.3%	-0.7%
Metropolitan Real Estate Partners	Ltd Partnership		79,803			
Morrison Street Fund VI	LP		3,870,529			
Morrison Street Income Fund	LP		2,768,145			
Morgan Stanley Prime	LLC		8,512,820			
Principal (REITs)	REITs		17,574,098			
Total Real Estate			32,805,395	9.0%	9.3%	0.3%
Contrarian Capital Fund I	Ltd Partnership		10,812,786			
Beach Point	Ltd Partnership		14,282,286			
Total Opportunistic Credit			25,095,072	7.0%	7.1%	0.1%
Contrarian EM Credit	LLC		5,368,124			
OrbiMed II	Ltd Partnership		3,165,496			
Total Special Opportunities			8,533,620	0.0%	2.4%	2.4%
Total Cash and Investments			\$ 351,763,209	100.0%	100.0%	0.0%
		Monthly Contributions	1,712,983			
		Monthly Pension	\$ (2,932,416)			
		As of January 31, 2022	\$ 359,232,349			
		Estimated Rate of Return	-1.7%			
Abs. Return and Total Return FI	Thesis 2017.1		59,614,934	18.0%	16.9%	-1.1%
Equity and Special Situations	Thesis 2017.3		195,946,485	54.0%	55.7%	1.7%

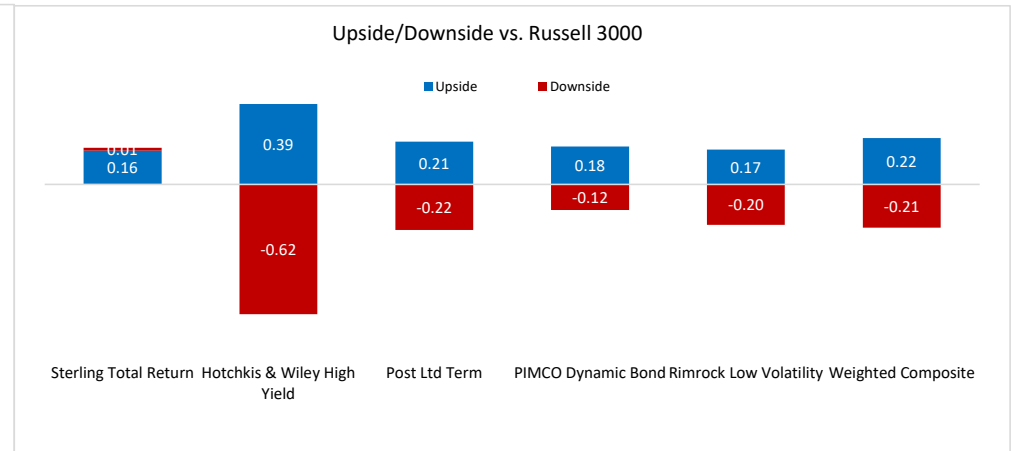
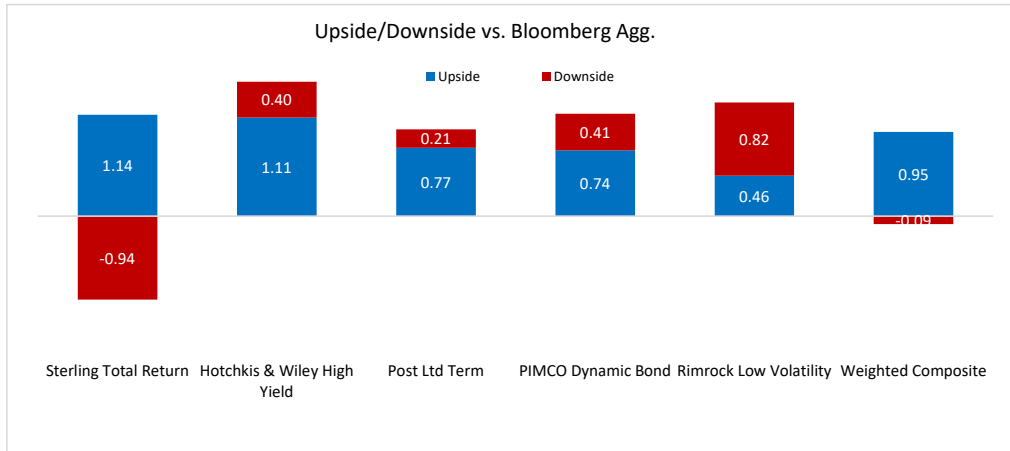
Cash Recon - Mar

Date	Transactions	Sources	Uses	Balance
2/24/2022	Beginning Balance			1,783,770.78
2/25/2022	Sale - Fidelity S&P 500 Index	300,000.00		2,083,770.78
2/28/2022	Payroll Contributions	857,001.66		2,940,772.44
2/28/2022	Pension Payments		(2,930,173.01)	10,599.43
3/1/2022	Interest	10.40		10,609.83
3/7/2022	Redeposit Payment	663.07		11,272.90
3/8/2022	Reissue Payment		(24.04)	11,248.86
3/9/2022	Return/Reissue Payment	857.24	(857.24)	11,248.86
3/14/2022	Payroll Contributions	859,963.84		871,212.70
3/16/2022	Distribution - Royalty Opps II	8,658.01		879,870.71
3/28/2022	Payroll Contributions	860,428.12		1,740,298.83
3/30/2022	Distribution - Morgan Stanley PRIME	83,897.86		1,824,196.69
3/30/2022	Ending Balance	2,971,480.20	(2,931,054.29)	1,824,196.69
	<u>Upcoming</u>			
3/31/2022	Sale - Fidelity S&P 500 Index	1,250,000.00		
3/31/2022			(2,949,906.89)	

Spokane Employees' Retirement System

Capital Preservation / Absolute Return Bond Review

Manager	% Al loc.	Yi el d to Ma turity	Dur ations		5- Year		Corr el ation	
			Rat e	Spr ead	ASD	Ret ur n	Russel l 3000 Index	Bl oomberg Agg Bond Index
Sterling Total Return	7.30%	2.56%	6.05	6.16	3.53	4.29	0.33	0.88
Hotchkis & Wiley High Yield	4.30%	6.00%	4.60	4.50	10.92	4.96	0.95	-0.12
Post Ltd Term	1.90%	4.66%	2.04	2.54	4.51	3.67	0.91	0.03
PIMCO Dynamic Bond	1.90%	2.34%	2.01	5.70	4.30	3.76	0.80	0.00
Rimrock Low Volatility	2.80%	6.90%	1.30	2.41	5.27	2.80	0.82	-0.26
Weighted Composite	18.20%	4.24%	4.14	4.76	4.87	4.19	0.89	0.15
<i>Russel l 3000 Index</i>					18.68	17.97	1.00	-0.09
<i>Bl oomberg Agg Bond Index</i>					3.23	3.57	-0.09	1.00



	Correlation of Quarterly Returns					Correlation of Quarterly Excess Returns Over BB Agg				
	Sterling	H&W	Post	PIMCO	Rimrock	Sterling	H&W	Post	PIMCO	Rimrock
Sterling	1.00	0.33	0.46	0.43	0.20	1.00	0.89	0.80	0.77	0.75
H&W	0.33	1.00	0.96	0.89	0.93	0.89	1.00	0.96	0.89	0.90
Post	0.46	0.96	1.00	0.86	0.89	0.80	0.96	1.00	0.91	0.95
PIMCO	0.43	0.89	0.86	1.00	0.89	0.77	0.89	0.91	1.00	0.95
Rimrock	0.20	0.93	0.89	0.89	1.00	0.75	0.90	0.95	0.95	1.00
Average	0.36	0.78	0.79	0.77	0.73	0.80	0.91	0.90	0.88	0.89



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Investment Thesis – 2022/1

- Strategic Positioning:** Overweight Absolute Return +400bp (Current target: 10%, +/- 2%)
Underweight Core Fixed Income -400p (Current target: 8%, +/- 2%)
- Investment Thesis:** The current interest rate environment is historically low and future rates are anticipated to rise. Rising rates will produce losses in the core fixed income portfolio. The absolute return portfolio is designed to generate positive returns in all interest rate environments, including rising rates. The proposed positioning will provide downside protection in a rising rate environment. Additionally, the return expectations for absolute return in the current low interest rate environment are higher than core fixed income (5.8% and 2.6% yield to maturity, respectively). This action replaces Investment Thesis 2017/1.
- Risk Factors:**
- Liquidity – Absolute return is a less liquid asset class than core fixed income. Liquidity ranges from monthly with 30 days' notice to semi-annually with 45 days' notice, with a one-year lockup for new investments. This position will provide less liquidity to meet monthly pension payments, although the position size does not present a significant threat. Rebalancing or unwinding the position will be the two areas where limited liquidity poses the greatest risk.
- Correlation – Absolute return strategies have a lower correlation to fixed income markets. The lower rate and spread durations result in less sensitivity to interest rates. The strategies tend to provide less upside participation, much better downside protection, and do not serve as a hedge to equity market declines when compared to core fixed income.
- High, and steady, interest rates – Higher rates provide more cushion against falling interest rates. Additionally, when nominal yields approach the absolute return expectations, the lower risk of core fixed income makes it a more desirable investment.
- Start Date:** May 1, 2022
- End Date:** To be determined
- Review Frequency:** Annually, or upon a change in the interest rate environment. A review would be warranted when the yield of the core fixed income portfolio is within 100bp of the absolute return portfolio.

REQUEST FOR PROPOSAL
CITY OF SPOKANE
SPOKANE EMPLOYEES' RETIREMENT SYSTEM
DEFINED BENEFIT PLAN
INVESTMENT CONSULTING SERVICES

I. GENERAL INFORMATION

The Spokane Employees' Retirement System (SERS) is a defined benefit plan with \$374 million in assets as of December 31, 2022. The last actuarial valuation showed the plan was 63.9% funded, using a 7.5% rate of return. SERS is focused on providing the promised benefits in a sustainable and affordable manner that will ensure it remains a valuable benefit to the employees of the City of Spokane.

A list of current money managers and the fund's target asset allocation is included at the end of this RFP along with the investment policy (see Appendix A).

II. SCOPE OF SERVICES

The Scope of Services will cover five years and include, but is not limited to, the following:

- A. Asset Allocation Study (to be conducted at the commencement of the engagement)
- B. Manager Searches
- C. Ongoing Consulting Services:
 - Quarterly and annual investment performance reports
 - Quarterly onsite performance presentations to the Board on the first Wednesday of March, June, September, and December.
 - Annual review of investment policies
 - Quantitative and qualitative analysis of investment strategies as needed
 - Occasional meetings with the investment committee, management, and staff
- D. Serve as a fiduciary to the plan.

III. SUBMISSION OF PROPOSAL

The current timeline for the RFP process is as follows. The plan reserves the right to extend due dates subsequent the receipt of proposals. All respondents will be notified of any extensions.

RFP Issuance	April 11, 2022
Written questions regarding the RFP due	April 25, 2022
Answers to written questions provided	May 2, 2022
Proposals due	May 16, 2022
Evaluation of proposals completed	July 8, 2022
Finalist presentations	July 26-28, 2022
Contract Award	August 3, 2022

Inquiries and other communications about this Request for Proposals shall be through the contacts listed below. Direct communications with other management or elected officials may be grounds for rejecting a proposal.

All inquiries and questions regarding this RFP must be in writing. Answers to all items received by 5PM PDT on Monday, April 25, 2022 will be answered and posted on the SERS website (<http://www.spokanesers.org>) on Monday, May 2, 2022.

Proposals shall be delivered to the City no later than **Monday, May 16, 2022 at 5PM PDT**. The City reserves the right to disqualify any proposals received late. Proposals will be submitted electronically, but we request three (3) hard copies of your proposal provided in addition to the electronic submission.

Inquiries and electronic submissions can be submitted to ptencick@spokanecity.org.

Hard copy proposals should be addressed to:

Spokane Employees' Retirement System
Proposal for SERS Investment Consulting Services
808 West Spokane Falls Boulevard
Suite 604
Spokane, WA 99201

PROPOSAL QUESTIONS

I. OVERALL ORGANIZATION

Note: When answering the following proposal questions, please include information at the firm-wide level and for the office that will be servicing SERS, if applicable (e.g. the servicing office has 10 consultants and the firm has 50).

- 1) Please provide a brief history of your firm.
- 2) What is the present ownership of your organization? How long has the ownership structure been in place? Who are the largest shareholders? If privately held, how are ownership interests transacted?
- 3) Please describe your firm's succession plan for senior leadership.
- 4) Besides consulting, what other investment-related services do you provide to clients?
- 5) Please provide a breakdown of your firm's revenue by line of business, specifically showing discretionary and non-discretionary investment consulting as line items.
- 6) What proportion of current clients have engaged another line of business outside of investment consulting services?
- 7) What are your strategic growth initiatives?
- 8) Is the firm, including its directors, officers or employees party to any current lawsuits, regulatory investigation, or governmental investigation? Over the previous five years, has the firm settled any lawsuits related to its investment consulting practice, or has been subject to a government or regulatory investigation? If so, please describe.
- 9) **Conflicts of Interest**
 - a) How does your firm manage conflicts of interest? What controls, policies, and procedures are in place to insure client interests come first?
 - b) Does your firm or any affiliate of your firm provide trust, investment management or securities brokerage services? If so, please explain.
 - c) Does your firm or any of its employees receive any form of compensation from any investment managers? If so, please explain.
 - d) Does your firm provide any client data to outside firms? Please note, this should include anonymized data, such as client surveys. If your firm provides data, please describe what is provided and what consideration your firm receives.
 - e) Please provide a copy of your most recent form ADV parts I and II (only include in electronic submission).

II. INVESTMENT CONSULTING

The remainder of this questionnaire applies to your firm's investment consulting practice unless otherwise indicated.

- 1) What investment consulting services do you provide? Of these, which separate you from other consulting firms?
- 2) Which areas of practice are areas of growth? Which areas of your practice are areas for improvement?
- 3) What is the average tenure of each client? How many engagements have been won and lost in each of the past three years? Of those engagements, how many were defined benefit plans?
- 4) What is your experience with plans of our size (\$250M to \$500M)? What unique challenges do you feel plans of this size face and how would you address them?
- 5) What is your experience with plans that have a similar funded status (60-70% funded)? What unique challenges do you feel plans at this funded status face and how do you generally recommend addressing them?
- 6) Based on the current market environment, how reasonable is the Plan's current 7.5% assumed long-term rate of return? What is the average assumed rate of return for your other government defined benefit Plan's?
- 7) How has your consulting practice changed following the COVID-19 pandemic? Has extended remote work changed how due diligence, client meetings, office locations, employee recruiting/retention, or other processes are handled?
- 8) Resources
 - a) What is the structure and size of the investment consulting practice? How many consultants are on staff? Which resources are accessible to clients and which serve as support to client facing resources?
 - b) What is the average tenure of each employee and each consultant? How many total employees and consultants have been hired by and departed from the firm in each of the past three years? How many partners have been added to or departed the firm in each of the past three years?
 - c) What is the average number of clients per consultant (by count and by assets advised)? How many clients does the proposed lead consultant currently advise (by count and by assets advised)?
 - d) Please attach biographical information for the lead consultant and any other staff that will be working directly on the account.

III. CLIENTS

1) Demographics

- a) Please provide the number of clients, assets under advisement, and median plan size for the following types of clients:
 - i) [All Consulting Engagements](#)
 - ii) [Non-discretionary Engagements](#)
 - iii) [Government Plans](#)
 - iv) [Defined Benefit Plans](#)
 - v) [Non-discretionary Engagements by Government Defined Benefit Plans](#)
- b) Please provide a representative list of your investment consulting clients.

2) References

- a) Please provide three references. To the extent possible, include governmental defined benefit plans for which you provide consulting/performance measurement services. List the organization, contact name, address, e-mail and telephone number.
- b) Do you give SERS permission to contact other clients not specifically provided as references?

3) What would your clients say are your greatest strengths and weaknesses?

IV. CONSULTING SERVICES

1) Manager Selection

- a) Please provide an overview of your management selection process, including initial and ongoing due diligence practices. Is the process uniform across all assets classes? If not, please explain the differences.
- b) What are the **quantitative** and **qualitative** criteria used to determine your recommend, watch, and/or terminate lists? How often are these lists reviewed? [What is the annual turnover of these lists?](#)
- c) How do you determine when to recommend an active manager versus a passive index?
- d) [Over the past five years, how have managers recommended to clients performed relative to their benchmark and peer group?](#)
- e) [What is the average number of manager searches per client per year?](#)
- f) [How do you evaluate the effectiveness of your manager selection process? Are you able to quantify the value added to clients?](#)

2) Investment Manager Database

- i) Which database(s) do you use? Who supplies and verifies the data in the database(s)?
- ii) Please complete the table below. Investable managers should represent the number of managers that meet the firm’s minimum criteria for recommendation as described in item (b) above. Managers currently covering should represent the number of managers that the firm has conducted initial or ongoing due diligence on during the past 12 months. Managers on recommend list should represent the number of managers that have appeared as finalists in a manager search or are currently on a formal recommend list.

	Total Managers in Database	Investable Managers	Managers Currently Covering	Managers on Recommend List
Equities (Long only)				
(a) US				
(b) International				
(c) Emerging Markets				
(d) Global				
(e) Other (Please describe)				
Fixed Income (Long only)				
(a) US Core				
(b) US High Yield				
(c) US TIPS				
(d) International				
(e) Emerging Markets				
(f) Global				
(g) Other (Please describe)				
Real Estate				
(a) REITs				
(b) Private Real Estate				
(c) Other (Please describe)				
Hedge Funds				
(a) Long/Short				
(b) Absolute Return				
(c) Fund of Funds				
(d) Other (Please describe)				
Alternatives				
(a) Direct Private Equity				
(b) Private Equity Fund of Funds				
(c) Other (Please describe)				
Other (Please describe)				

3) Asset Allocation

- a) Please provide an overview of your asset allocation process.
- b) What methods are used to develop return, risk, and correlation assumptions?
- c) How have your return, risk and correlation assumptions compared to actual market performance?
- d) Please provide a copy of your current long-term return, risk, and correlation assumptions.
- e) To what extent are risk factors beyond volatility used in creating your optimization models?
- f) How are the plan's liabilities incorporated into the model?
- g) What kind of sensitivity and/or scenario analysis is provided?
- h) Over the past five years, how have your clients' target portfolios performed relative their target rate of return and relative to peers?
- i) What rebalancing strategies and tactical tilts are recommended to clients?
- j) How do you evaluate the performance of your capital market assumptions and asset allocation recommendation?

4) Performance Measurement

- a) How frequently do you produce performance evaluation reports for your clients?
 - b) What is the source of your performance data? How is it verified?
 - c) At what point following quarter end are performance reports generally available?
 - d) To what extent can your performance reports be customized to meet a particular client's needs? What are the most common customizations requested?
 - e) Over the past five years, what is the attribution for clients as it relates to allocation effect and manager selection?
 - f) What unique insights does your performance reporting process provide to clients?
 - g) Please provide a sample performance report.
- 5) Are there any additional services that are included in a standard investment consultant engagement (e.g. client education, interim communications, access to research, etc.)?
- 6) How do you measure client outcomes as it relates to the investment consulting services provided?

V. FEES

- 1) Please provide your proposed fee schedules.
- 2) To the extent your firm has agreed-upon retainer fees, what services are typically covered by the retainer? What services are outside the retainer and what are the associated fees for such services?
- 3) To what extent are the quoted fees variable (e.g. based on the number of investment managers, manager searches, Board presentations, etc.)?

VI. ~~COVID-19~~

- 1) ~~What temporary policies and procedures have been put in place at your firm to address COVID-19? How have these impacted client interactions?~~
- 2) ~~As a result of COVID-19, what permanent policies and procedures have been put in place or are likely to be enacted? How will these impact client interactions going forward?~~
- 3) ~~Did your firm receive any financial assistance from federal, state, or local government related to COVID-19? If so, please provide the amount of assistance and how it was used by the firm.~~
- 4) ~~Please provide examples of client communications to plan sponsors related to COVID-19.~~
- 5) ~~How did your firm's response to COVID-19 compare to instances of previous market turmoil (e.g. Great Financial Crisis)? How is it likely to affect your response to future market turmoil?~~

VII. OTHER (OPTIONAL)

There are two additional benefit plans that currently engage an investment consultant. The City of Spokane offers its employees a 457 defined contribution plan and SERS administers a closed defined benefit plan for Law Enforcement Officers and Firefighters (LEOFF). These plans are overseen by two separate and unique boards from that of SERS plan.

LEOFF Plan – A defined benefit plan that is closed to new entrants, and has \$33M in assets invested 100% in fixed income through a single separate account. The plan is only expected to require performance reporting services, but may conduct a manager search if performance requires.

457 Defined Contribution Plan – The plan has roughly 2,200 participants with investments totaling \$177M. The plan's investment options include 10 target date funds, 24 mutual funds, and a self-directed brokerage window. The plan record keeper is ICMA-RC. The services the plan requires are performance reporting, plan design review, and manager searches, as necessary. Committee presentations are held on the same day as the SERS plan.

Currently, this plan has engaged the same consultant as the SERS plan; however, there is no requirement for them to do so. If you are interested in providing these consulting services

in addition to the SERS plan, please provide the information requested below. The information below is supplementary and the inclusion or exclusion of this section will not adversely impact your response to the SERS portion of the RFP.

- 1) What are the differences in the consulting and support staff that will service these plans?
- 2) How does your performance measurement process differ for such a plan?
- 3) How does your due diligence process differ for such a plan?
- 4) What are the additional fees required to provide the required services for this plans?
- 5) Is there any additional information you would like us to consider regarding your ability to provide consulting services for this plan in addition to the SERS plan?

INQUIRES

Inquiries and other communications about this Request for Proposals shall be through the Retirement Director. Direct communications with other management or elected officials may be grounds for rejecting a proposal unless permission is granted by the Retirement Director.

All inquires must be in writing. Inquiries received by 5PM PDT on Monday, April 25, 2022 will be answered and posted on the SERS website (<http://www.spokanesers.org/>) on Monday, May 2, 2022. Inquiries should be addressed to:

_____~~Spokane Employees' Retirement System~~
_____~~Inquiries for SERS Investment Consulting Services~~
_____~~808 West Spokane Falls Boulevard~~
_____~~Suite 604, City Hall~~
_____~~Spokane, WA 99201~~

Electronic inquiries can be submitted to ptencick@spokanecity.org

ADDITIONAL INFORMATION

A. REJECTION OF PROPOSALS

The City reserves the right to reject any and all proposals and to waive informalities or irregularities in a proposal or in the proposal process. The City reserves the right to split or make the award in any manner deemed most advantageous to the City at its sole and exclusive discretion.

B. PREPARATION OF PROPOSAL

The City shall not be liable for any costs incurred by a Proposer in preparing or submitting a proposal. Proposals should be prepared simply and economically, providing a straight-forward, concise description of the Proposer's capabilities to satisfy the City's requirements. Submitted materials become the property of the City and will not be returned. Submitted proposals constitute public records which are subject to review and copying by a person making an appropriate request for public record.

C. PROPOSAL EVALUATION

The City does not intend to award a contract solely on the basis of price. Evaluation criteria will include but not be limited to:

1. Firm Resources
2. Skill of Assigned Personnel
3. Investment Consulting Processes
4. Potential Conflicts of Interest
5. Fees

D. ORAL PRESENTATIONS

The City, at its sole discretion, may ask individual proposers to make oral presentations without charge to the City. Such presentations provide an opportunity for the proposer to clarify its proposal to insure a mutual understanding of its contents.

E. GUARANTEE OF GOOD FAITH AND FIRM PRICE

Proposals shall remain in effect for a minimum of ninety (90) days from the submission deadline date unless extended by mutual consent.

CONTRACT REQUIREMENTS

A. INSURANCE

During the term of the contract, the firm shall maintain in force at its own expense, the following insurance coverages:

1. Worker's Compensation Insurance in compliance with RCW 51.12.020, which requires subject employers to provide workers' compensation coverage for all their subject workers.
2. General Liability Insurance on an occurrence basis, with a combined single limit, of not less than \$1,500,000 each occurrence for bodily injury and property damage. It shall include contractual liability coverage for the indemnity provided under the contract. It shall provide that the City, its officers, employees and agents are additional insureds but only with respect to the firm's services to be provided under the contract.
3. Automobile Liability Insurance with a combined single limit, or the equivalent, of not less than \$300,000 each accident for bodily injury and property damage, including coverage for owned, hired or non-owned vehicles.
4. Professional Liability Insurance with a combined single limit of not less than \$2,000,000 each claim, incident or occurrence. This is to cover damages caused by the error, omission, or negligent acts related to the professional services to be provided under the contract. The coverage must remain effect for at least three (3) year(s) after the contract is completed.

There shall be no cancellation, material change, reduction of limits or intent not to renew the insurance coverage(s) without 30 days written notice from the firm or its insurer(s) to the City;

As evidence of the insurance coverages required by the contract, the firm shall furnish acceptable insurance certificates to the City at the time the firm returns the signed contract. The certificate shall specify all of the parties who are additional insured, and will include applicable policy endorsements, the 30 day cancellation clause, and the deduction or retention level. Insuring companies or entities are subject to City acceptance. The firm shall be financially responsible for all pertinent deductibles, self-insured retentions, and/or self-insurance.

B. BUSINESS REGISTRATION REQUIREMENT

Section 8.01.070 of the Spokane Municipal Code states that no person may engage in business with the City without first having obtained a valid annual business registration. The firm shall be responsible for contacting the State of Washington Business License Services at <http://bls.dor.wa.gov> or (800) 451-7895 to obtain a business registration. If the firm does not believe it is required to obtain a business registration, it may contact the City's Taxes and Licenses Division at (509) 625-6070 to request an exemption status determination.

C. ANTI-KICKBACK

No officer or employee of the City of Spokane, having the power or duty to perform an official act or action related to this contract shall have or acquire any interest in the contract, or have solicited, accepted or granted a present or future gift, favor, service or other item of value from or to any person involved in the contract.