

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.

/s/

Phillip Tencick, Retirement Director