

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

AGENDA

- 1) Minutes of the June 1, 2022 Meeting
 - Motion

- 2) Director's Report
 - a) Retirements
 - Motion
 - b) Withdrawals
 - Motion
 - c) Vesting
 - Information
 - d) Deaths
 - Information
 - e) Expenditure Summary Report – May 2022
 - Motion
 - f) Schedule of Investments – May 2022
 - Information
 - g) Cash Reconciliation – June 2022
 - Information
 - h) Other Business

- 3) Contribution Interest Rates
 - Motion

- 4) Other Business

- 5) Next Meeting – **Wednesday, August 3rd at 1:00 p.m.**

****Please note:** The May Board meeting will be held in person and have electronic access via WebEx

<https://spokanecity.webex.com/spokanecity/j.php?MTID=mf18948298a29ef10af915e6b28280b8c>

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

Meeting number (access code): 2490 872 7029

Spokane Employees' Retirement System (SERS)
Board Meeting Minutes
June 1, 2022

The regular monthly meeting was called to order at 1:01 p.m.

Present: Jim Tieken, Joe Cavanaugh, Richard Czernik, Brian Brill, and J.D. Morscheck

Absent: Jonathan Bingle

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

Guests: Tammy Erickson, Ashlee Lent, Jayson Davidson, Tom Breaden, Natalie Hilderbrand

The regular monthly meeting of the Spokane Employees' Retirement System was called to order at 1:01 p.m. and immediately went into closed session with Board and staff to discuss a legal update.

The closed session adjourned at 1:08 p.m., and the Board immediately reconvened into Open Session.

Moss Adams, December 31, 2021 Audit Report

Moss Adams presented the 2021 SERS independent audit report. The auditors explained how they test critical areas such as the investment assets, investment income, contributions, benefit payments and participant data. Moss Adams issued an unqualified (clean) opinion. They had no negative comments or areas of concern in the management letter, which reflects the continuing diligence of staff.

Hyas Group, 2022 1st Quarter Investment Performance Report

Mr. Davidson presented the First Quarter 2022 Performance Report and discussed near term market expectations as well as broader economic and geopolitical topics. The inflation/growth dynamic appears to be the main driver of market activity in the U.S. Interest rates have continued their sharp upward trajectory as the Federal Reserve has taken action (and signaled further action) to tamp down inflation. Interest rate increases have weighed on bond prices and growth-oriented equity sectors in particular. For the remainder of this year, Hyas Group expects markets to continue to react to the Fed's actions and signal whether they are controlling inflation without damaging economic growth too severely. Outside the U.S., the inflation/growth dynamic is similar, but in other large economic markets the dynamic is exacerbated by the Russia/Ukraine conflict and the impact this conflict has had on commodity prices and on gas and oil in particular. The First Quarter brought a top quartile ranking versus peers as the Absolute Return and Long/Growth categories added value versus the Bloomberg US Aggregate and the S&P 500 respectively. The portfolio returned -4.5% and lagged the policy benchmark at -3.5%, however.

The Hotchkis & Wiley High Yield and the Rimrock Low Volatility were the two managers on watch at the end of the quarter and Hyas Group recommending maintaining that watch status, though Mr. Davidson noted continued performance improvements for both. Hyas Group again discussed the Sterling Mid Cap Value Fund's underperformance versus its benchmark and peers at quarter-end. The Fund did have a good relative quarter and Hyas Group remains comfortable holding off on any watch action. Hyas Group can revisit this status at next quarterly investment meeting.

Mr. Davidson informed the Board that American Funds has announced that Harold H. La will be a disclosed portfolio manager for the EuroPacific Growth Fund. Mr. La had previously worked as a portfolio manager on the Fund in an undisclosed capacity. Mr. La has been with the firm for 23 years and, in keeping with the American Fund's typical management structure, will manage less than approximately 5% of the assets alongside 10 other disclosed managers. Hyas Group does not believe this announced change requires any action.

Mr. Davidson informed the Board that the OrbiMed Partners position has been liquidated (absent a 5% holdback amount that will be released upon final audit), and proceeds will be used to fund pensioner distributions.

Minutes of the May 4, 2022 Meeting

Joe Cavanaugh moved and Richard Czernik seconded the motion to approve the minutes of the May 4, 2022 meeting as presented. 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>
Kathryn Lewis	66	04/30/2022	30.0	A
David E. Lund	50	05/01/2022	11.5	E
Rodney M. Glasser	66	05/14/2022	30.0	E
Stephen G. Mullerleile	66	06/03/2022	7.1	ST
Randy N. Barry	63	06/04/2022	30.5	ST

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

Withdrawals for June 2022

<i>Name</i>	<i>Years of Service</i>	<i>Termination Date</i>
Aaren R. Carnline	1.4	09/15/2021
Nicholas W. Anderson	4.0	09/24/2021
Pamela M. Bergin	5.8	01/21/2022
Wayne S. Desautel	2.4	02/26/2022
Casey L. LaPrath	0.7	03/24/2022

Richard Czernik moved and Joe Cavanaugh seconded the motion to approve the requests for withdrawal as presented on the June 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>
Stephen D. Weathermon	01/09/2016	71	04/01/2022	No Further Benefits
Ronald H. Gibford	02/15/1986	89	04/06/2022	No Further Benefits
Gary L. Lindsey	01/20/1996	82	04/16/2022	D Option Continues

Death information provided to the Board for review.

Expenditure Summary Report – April 2022

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

Richard Czernik moved and Joe Cavanaugh seconded the motion to approve the April 2022 Expenditure Summary Report. The motion passed unanimously.

Schedule of Investments – April 2022

The monthly investment report was presented to the Board for review. The estimated market value of the SERS portfolio on March 31, 2022 was \$354 million with an estimated rate of return of 1.0% 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 informed the Board that there will be an upcoming change to the Human Resources Department's leadership. Both the Director, Kris Smith, and Labor Relations Manager, Meghann Steinolfson, will be leaving the City.

Joe Cavanaugh moved and Richard Czernik seconded the motion to adjourn the meeting. The motion passed unanimously.

There being no other business, the meeting adjourned at 2:57 p.m.

Phillip Tencick, Retirement Director

SERS Retirement Transaction Report
July 2022

Retirements

	Name	Age	Retirement Date	Years of Service	Department	Option
1	Robyn J. Kokot	63	06/18/2022	16.3	Accounting	ST
2	Kay L. Donder	64	07/06/2022	13.7	Public Works & Utilities	C15
3	Lisa A. Hansard Busse	59	07/06/2022	25.3	Solid Waste Disposal	E
4	Kristen J. Becker	50	07/07/2022	19.9	Development Services Center	A
5	Lori K. Patrick	52	07/09/2022	29.0	Development Services Center	E
6	Michael E. Parks	66	07/16/2022	7.1	Parks & Recreation	ST
7	Donald V. Avenger	62	07/24/2022	7.7	Solid Waste Disposal	ST
8	Channing C. Elvidge	58	07/24/2022	30.8	Solid Waste Management	E
9	Pamela G. Clarke	63	07/30/2022	8.6	Parks & Recreation	ST
10	Jeffrey T. Towne	57	08/02/2022	28.2	Parks & Recreation	E
	Retirements YTD	53				
	2021 Total Retirements	66				

Withdrawals

	Name	Years of Service	Department	Termination Date
1	Joel P. Osborne	4.6	Solid Waste Disposal	11/15/2021
2	Seth D. Hackenberg	2.5	Municipal Court	11/17/2021
3	Jason E. Tschosik	0.4	Water	02/11/2022
4	Terry L. Strothman	3.8	Legal	04/08/2022
5	Seth A. Jackson	15.7	Engineering Services	04/24/2022
6	Eric A. Morman	2.9	Library	04/29/2022
7	Devin F. P. Biviano	0.5	CD/HS Operations	04/29/2022

Vesting

	Name	Department	Years of Service
1	Jacqueline K. West	Development Services Center	10.1

Deaths

	Name	Date Retired	Age	Date of Death	Information
1	John R. Bergstrom	04/29/2006	79	05/07/2022	No Further Benefits
2	Donald D. Salinas	06/02/2007	68	05/20/2022	E Option Continues
3	Ina LouAnn Liedkie	05/07/2016	84	06/15/2022	No Further Benefits
4	Rose C. Schmitz	08/02/2003	88	06/17/2022	No Further Benefits
5	Glennavon J. Medley	10/31/1992	95	06/22/2022	No Further Benefits

SPOKANE EMPLOYEES' RETIREMENT SYSTEM - 6100
 2022 EXPENDITURE SUMMARY REPORT
MAY 31, 2022

	2021 ACTUAL	2022 BUDGET	MAY ACTUAL EXPENDITURES	2022 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
OPERATING EXPENDITURES						
Departmental Salaries	311,200.63	311,479.00	22,992.00	110,138.83	201,340.17	35.4%
Departmental Benefits	88,085.00	96,560.00	7,533.03	36,819.65	59,740.35	38.1%
Reserve for Budget Adjustment	-	10,000.00	-	-	10,000.00	0.0%
Administrative Income	(15,225.22)	(10,000.00)		(3,348.92)		
Postage/Supplies/Other	3,133.07	4,950.00	33.96	1,322.59	3,627.41	26.7%
State Audit Charges	12,432.82	15,000.00	442.78	1,193.18	13,806.82	8.0%
Contractual Services	131,620.94	175,000.00	17,702.00	91,106.76	83,893.24	52.1%
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	-	1,260.00	1,240.00	50.4%
Other Miscellaneous Charges	3,212.30	3,200.00	61.38	400.97	2,799.03	12.5%
Amortization	17,649.00	-	-	-	-	
TOTAL OPERATING EXPENDITURES	554,507.09	639,689.00	48,765.15	238,893.06	407,447.02	37.3%
INTERFUND EXPENDITURES						
Interfund - Centralized Purchasing	313.32	9,733.00	-	4,866.50	4,866.50	50.0%
Interfund - Centralized Accounting	1,764.00	2,136.00	-	1,068.00	1,068.00	50.0%
Interfund - My Spokane	885.25	1,125.00	-	562.50	562.50	50.0%
Interfund - Risk Management	607.00	571.00	142.75	285.50	285.50	50.0%
Interfund - Worker's Compensation	134.00	123.00	30.75	61.50	61.50	50.0%
Interfund - Reprographics	3,898.68	5,262.00	729.80	729.80	4,532.20	13.9%
Interfund - IT	38,532.25	46,237.00	3,856.04	15,424.23	30,812.77	33.4%
Interfund - IT Replacement	3,003.00	3,305.00	275.42	1,101.68	2,203.32	33.3%
TOTAL INTERFUND EXPENDITURES	49,137.50	68,492.00	5,034.76	24,099.71	44,392.29	35.2%
TOTAL ADMINISTRATIVE EXPENDITURES	603,644.59	708,181.00	53,799.91	262,992.77	451,839.31	37.1%

SPOKANE EMPLOYEES' RETIREMENT SYSTEM - 6100
 2022 EXPENDITURE SUMMARY REPORT
MAY 31, 2022

	2021 ACTUAL	2022 BUDGET	MAY ACTUAL EXPENDITURES	2022 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
PENSIONS						
Pensions-Annuity Benefit Payments	30,993,999.10	33,500,000.00	2,716,986.19	13,410,722.33	20,089,277.67	40.0%
Pensions-Disability Payments	114,579.60	135,000.00	9,548.30	47,741.50	87,258.50	35.4%
Pensions-Survivor Annuity Benefits Payments	2,147,772.56	2,500,000.00	190,939.51	927,931.21	1,572,068.79	37.1%
TOTAL PENSIONS	<u>33,256,351.26</u>	<u>36,135,000.00</u>	<u>2,917,474.00</u>	<u>14,386,395.04</u>	<u>21,748,604.96</u>	39.8%
Refunds	741,018.82	1,000,000.00	209,669.82	463,009.35	536,990.65	46.3%
TOTAL EXPENSES	<u><u>34,601,014.67</u></u>	<u><u>37,843,181.00</u></u>	<u><u>3,180,943.73</u></u>	<u><u>15,112,397.16</u></u>	<u><u>22,737,434.92</u></u>	39.9%
INVESTMENT EXPENSE*						
Advisory Technical Service	557,485.34	565,000.00	67,292.00	184,872.47	380,127.53	32.7%

* 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
May 31, 2022

6/29/2022	Type		Allocation		
			Target	Current	Diff.
Cash Held by Treasurer US Bank	Cash Short-term Inv	\$ 38,747 (424,062)			
	Total Cash	(385,315)	0.0%	-0.1%	-0.1%
Sterling Capital	Total Return	25,043,403			
	Total Total Return	25,043,403	10.0%	7.5%	-2.5%
Hotchkis & Wiley	High Yield - Mutual Fund	15,262,602			
	Total High Yield	15,262,602	5.0%	4.6%	-0.4%
PIMCO Dynamic	Absolute Return	6,652,479			
Polar	LLC	8,627,391			
Post Limited Term High Yield	Ltd Partnership	6,706,751			
Rimrock Low Volatility	Ltd Partnership	10,434,808			
	Total Absolute Return	32,421,429	8.0%	9.7%	1.7%
Total Capital Preservation		72,342,119	23.0%	21.7%	-1.3%
Hotchkis & Wiley	LC Value - Mutual Fund	18,149,930			
MFS Growth	LC Growth - Mutual Fund	14,725,082			
Fidelity S&P 500 Index	LC Core - Mutual Fund	35,937,377			
	Total US Large Cap	68,812,389	21.0%	20.7%	-0.3%
Sterling	MC Value	6,478,473			
Westfield MC Growth	MC Growth	4,900,269			
Fidelity MC Index	MC Core - Mutual Fund	3,862,135			
Champlain	SC Core	7,660,690			
Bridge City	SC Growth	7,363,135			
Allspring (FKA: Wells Fargo)	SC Value - Mutual fund	5,348,846			
Fidelity SC Index	SC Core - Mutual Fund	487,614			
	Total US Small/Mid Cap	36,101,162	11.0%	10.9%	-0.1%
Total US Equities		104,913,551	32.0%	31.5%	-0.5%
Artisan	SMID Value - Mutual Fund	26,054,269			
Euro Pacific	LC Blend - Mutual Fund	20,953,792			
Fidelity International	LC Index - Mutual Fund	-			
	Total International Large Cap	47,008,061	15.0%	14.1%	-0.9%
Trivalent	SC Value - Mutual Fund	12,609,175			
	Total International Small/Mid	12,609,175	4.0%	3.8%	-0.2%
Vanguard EM Index	EM - Mutual Fund	484,056			
ABS Emerging Markets	Ltd Partnership	9,846,252			
	Total Emerging Markets	10,330,308	3.0%	3.1%	0.1%
Total International Equities		69,947,544	22.0%	21.0%	-1.0%
Weatherlow Offshore	Ltd Partnership	20,644,179			
Royalty Opportunities I	Ltd Partnership	679,897			
Royalty Opportunities II	Ltd Partnership	385,793			
	Total Long Biased	21,709,869	7.0%	6.5%	-0.5%
Metropolitan Real Estate Partners	Ltd Partnership	79,370			
Morrison Street Fund VI	LP	5,036,848			
Morrison Street Income Fund	LP	2,769,161			
Morgan Stanley Prime	LLC	9,025,576			
Principal (REITs)	REITs	16,910,934			
	Total Real Estate	33,821,889	9.0%	10.2%	1.2%
Contrarian Capital Fund I	Ltd Partnership	10,587,219			
Beach Point	Ltd Partnership	13,957,383			
	Total Opportunistic Credit	24,544,602	7.0%	7.4%	0.4%
Contrarian EM Credit	LLC	5,442,275			
OrbiMed II	Ltd Partnership	-			
	Total Special Opportunities	5,442,275	0.0%	1.6%	1.6%
Total Cash and Investments		\$ 332,721,849	100.0%	100.0%	0.0%
	Monthly Contributions	1,749,874			
	Monthly Pension	\$ (3,127,144)			
	As of April 30, 2022	\$ 334,687,264			
	Estimated Rate of Return	-0.2%			
Abs. Return and Total Return FI Equity and Special Situations	Thesis 2017.1	57,464,832	18.0%	17.3%	-0.7%
	Thesis 2017.3	180,303,370	54.0%	54.2%	0.2%

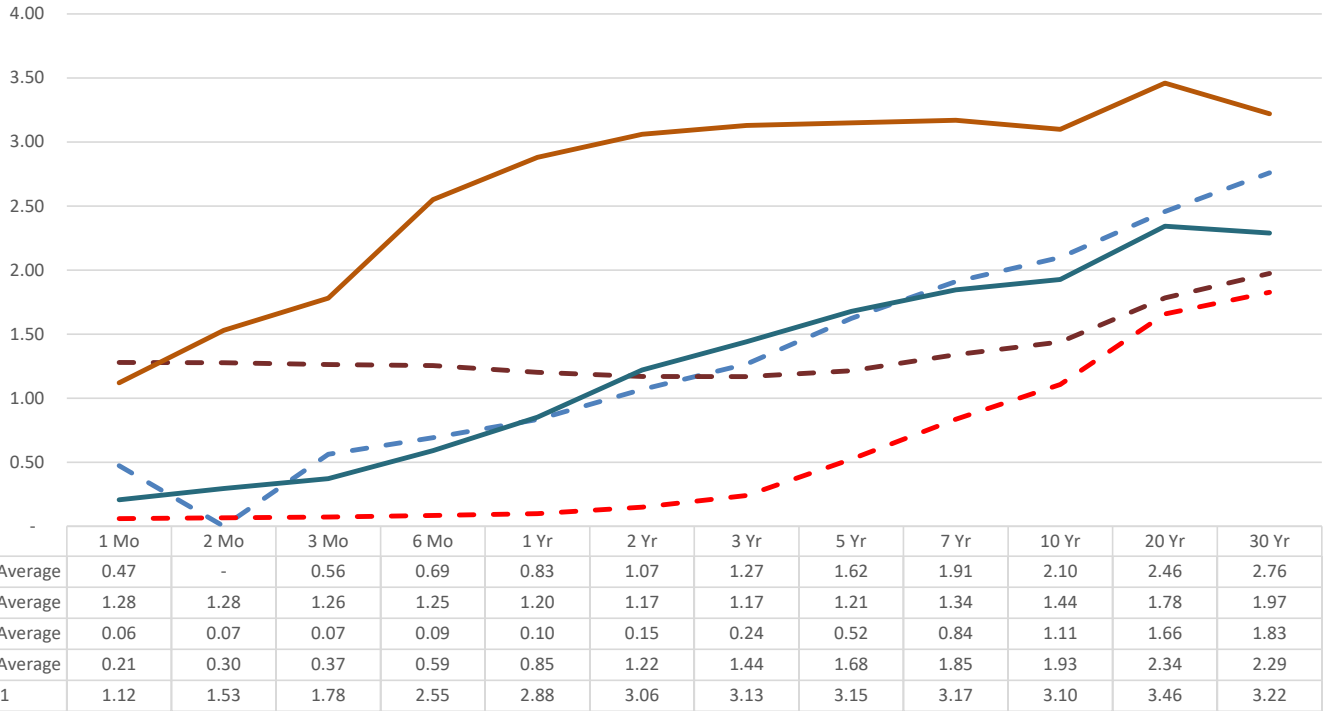
Cash Recon - Jun

Date	Transactions	Sources	Uses	Balance
5/26/2022	Beginning Balance			2,706,398.03
5/31/2022	May Pension Payments		(3,130,460.52)	(424,062.49)
6/1/2022	Sale - Hotchkis & Wiley Value	450,000.00		25,937.51
6/1/2022	Interest	821.37		26,758.88
6/2/2022	Redeposit Pension Payment	487.74		27,246.62
6/6/2022	Payroll Contributions	869,003.22		896,249.84
6/6/2022	Wire to City Operating Account		(250,000.00)	646,249.84
6/13/2022	Redeposit Pension Payment	179.25		646,429.09
6/14/2022	Return/Reissue Payment	2,178.06	(532.30)	648,074.85
6/21/2022	Payroll Contributions	884,344.14		1,532,418.99
6/21/2022	Capital Call - Morrison Street VI		(1,190,834.10)	341,584.89
6/24/2022	Return/Reissue Payment	2,144.72	(2,144.72)	341,584.89
6/29/2022	Distribution - Morgan Stanley PRIME	88,947.26		430,532.15
6/29/2022	Ending Balance	2,298,105.76	(4,573,971.64)	430,532.15
	<u>Upcoming</u>			
6/30/2022	Sale - Principal REIT	3,000,000.00		
6/30/2022	June Pension Payments		(3,276,521.08)	
7/5/2022	Payroll Contributions	875,000.00		

Contribution Interest Rate Analysis

	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	20/22
Plan Interest Rate	7.00%	5.00%	5.00%	5.00%	5.00%	4.00%	4.00%	3.25%	2.50%	2.50%	1.50%	1.50%	2.25%	2.50%	1.25%	0.50%	1.75%
Change		-2.00%	0.00%	0.00%	0.00%	-1.00%	0.00%	-0.75%	-0.75%	0.00%	-1.00%	0.00%	0.75%	0.25%	-1.25%	-0.75%	1.25%

Treasury Yield Curve



5-yr US Treasury Rates

