

Spokane Employees' Retirement System (SERS)
Board Meeting, 1:00 p.m. June 1, 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

2. Moss Adams – December 31, 2021 Audit Report
 - Information
3. Hyas Group – 2022 1st Quarter Investment Report
 - Information
4. Minutes of the May 4, 2022 Meeting
 - Motion
5. Director's Report
 - a. Retirements
 - Motion
 - b. Withdrawals
 - Motion
 - c. Vesting
 - Information
 - d. Deaths
 - Information
 - e. Expenditure Summary Report – April 2022
 - Motion
 - f. Schedule of Investments – April 2022
 - Information
 - g. Cash Reconciliation – May 2022
 - Information
 - h. Other Business
6. Other Business
7. Next Meeting - **Wednesday, July 6, 2022 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=m7b70dc8b3eb8ef14db6769bf5fa1cd41>

Meeting dial-in number: 1-408-418-9388
Meeting number (access code): 2480 391 1519

Spokane Employees' Retirement System (SERS)
Board Meeting Minutes
May 4, 2022

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

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

Absent: J.D. Morscheck

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

Guests: Bill Dowd, Bill Reid, Natalie Hilderbrand, Jon Barnhart, Nicolette Ocheltree Teri Stripes, Joe Ebisa (Journalist), and Lauren Albanese (Journalist)

The regular meeting of the Spokane Employees' Retirement System was called to order at 1:03 p.m. and immediately went into Closed Session with Board and staff to discuss a legal update.

Jonathon Bingle joined via WebEx at 1:21 p.m.

The Closed Session adjourned at approximately 1:22 p.m., and the Board immediately reconvened into Open Session

Bill Dowd, SageView Consulting – 2021 Actuarial Valuation

Mr. Dowd presented the December 31, 2021 Actuarial Valuation.

The actuarial funded status as of December 31, 2021 was 70.7%, up from 65.8% at the end of 2020. The total Actuarially Determined Contribution (ADC) rate, including employer and employee contributions, was 20.00% for 2021.

Contribution Rate

Joe Cavanaugh moved and Richard Czernik seconded the motion to leave the contribution rate at the current rate of 10.25% given the fluctuation in the markets and inflation. The motion passed unanimously.

Ad-Hoc Increase

In accordance with the SERS Board Policy, SageView Consulting recommended not granting an ad-hoc pension increase since the current funding ratio is below the minimum 90% threshold.

Richard Czernik moved and Joe Cavanaugh seconded the motion to follow SageView Consulting's recommendation to not grant an ad-hoc pension increase. The motion passed unanimously.

Minutes of the April 6, 2022 Meeting

Joe Cavanaugh moved and Richard Czernik seconded the motion to approve the minutes of the April 6, 2022 meeting as presented.

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 Joe Cavanaugh seconded the motion to approve the service retirements as amended on the May Retirement Transaction Report. The motion passed unanimously.

Withdrawals for May 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 Brian Brill seconded the motion to approve the request for withdrawal as presented on the May 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 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 – March 2022

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

Brian Brill moved and Richard Czernik seconded the motion to approve the March 2022 Expenditure Summary Reports. The motion passed unanimously.

Schedule of Investments – March 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 monthly rate of return of 1.0%.

Monthly Cash Reconciliation

The monthly cash reconciliation report for April 2022 was presented to provide the Board with additional insight into the ongoing liquidity and cash position of the plan.

SERS Board Member Search

Mr. Tencick shared with the Board that the search for the Board seat vacated by Dean Kiefer has been restarted. The job description will be posted to the City's website by the end of May, and interviews to be held in June in a special meeting.

Other Business

Mr. Tencick gave an update on Investment Thesis 2022/1. The markets have continued to change since this topic was deferred from the April Board meeting. Hyas and Mr. Tencick no longer recommend this action.

Mr. Tencick also updated the Board on the Investment Consultant RFP. The answers to questions have been posted on the SERS website.

Beach Point has expanded the lockout period for withdrawals, increasing the time to 8 quarters. Both Hyas Group and the plan's investment attorney do not see an issue with this change.

There being no other business, the meeting adjourned at 2:15 p.m.

Phillip Tencick, Retirement Director

SERS Retirement Transaction Report

June 2022

Retirements

	Name	Age	Retirement Date	Years of Service	Department	Option
1	Michael C. Lopez	67	05/26/2022	8.0	EMS Fund	ST
2	Robert J. Reiss	56	06/02/2022	25.0	Water	E
3	Randal E. Erret	50	06/04/2022	23.6	Engineering Services	E
4	Valarie J. Duffey	61	06/04/2022	15.6	Municipal Court	D
5	Clinton W. Pfennig	55	06/03/2022	20.6	Street	E
6	Robert R. Lawton	67	07/26/2022	13.7	Parks & Recreation	A

Retirements YTD 44

2021 Total Retirements 66

Withdrawals

	Name	Years of Service	Department	Termination Date
1	Timothy D. Simpson	2.6	Solid Waste Management	07/22/2020
2	Jacob D. Dial	1.8	Engineering Services	07/02/2021
3	Jennifer K. Saxon	4.0	Human Resources	10/11/2021
4	Mary T. Machtolf	0.5	Council	12/31/2021
5	Cory L. Horntvedt	0.5	Parking Meters	02/17/2022
6	Michael P. Slack	2.5	Street Fund	03/25/2022
7	Annica C. Eagle	2.7	Neighborhood Services	04/01/2022

Vesting

	Name	Department	Years of Service
1	Haley M. Day	Legal	7.5
2	Janet W. Hacker Brumley	Library	12.2

Deaths

	Name	Date Retired	Age	Date of Death	Information
1	Richard A. Thain	03/10/2007	78	03/29/2022	No Further Benefits
2	Andrea E. Rollins	09/04/2013	67	04/10/2022	No Further Benefits
3	Kathryn Lewis	04/30/2022	66	05/06/2022	No Further Benefits
4	David A. Stoltz	05/29/1999	80	05/16/2022	No Further Benefits

SPOKANE EMPLOYEES' RETIREMENT SYSTEM - 6100
 2022 EXPENDITURE SUMMARY REPORT
APRIL 30, 2022

	2021 ACTUAL	2022 BUDGET	APRIL ACTUAL EXPENDITURES	2022 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
OPERATING EXPENDITURES						
Departmental Salaries	311,200.63	311,479.00	22,992.01	87,146.83	224,332.17	28.0%
Departmental Benefits	88,085.00	96,560.00	7,533.49	29,286.62	67,273.38	30.3%
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	886.93	1,288.63	3,661.37	26.0%
State Audit Charges	12,432.82	15,000.00	191.10	750.40	14,249.60	5.0%
Contractual Services	131,620.94	175,000.00	37,380.76	73,404.76	101,595.24	41.9%
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	160.00	1,260.00	1,240.00	50.4%
Other Miscellaneous Charges	3,212.30	3,200.00	55.00	339.59	2,860.41	10.6%
Amortization	17,649.00	-	-	-	-	
TOTAL OPERATING EXPENDITURES	554,507.09	639,689.00	69,199.29	190,127.91	456,212.17	29.7%
INTERFUND EXPENDITURES						
Interfund - Centralized Purchasing	313.32	9,733.00	2,433.25	4,866.50	4,866.50	50.0%
Interfund - Centralized Accounting	1,764.00	2,136.00	534.00	1,068.00	1,068.00	50.0%
Interfund - My Spokane	885.25	1,125.00	281.25	562.50	562.50	50.0%
Interfund - Risk Management	607.00	571.00	-	142.75	428.25	25.0%
Interfund - Worker's Compensation	134.00	123.00	-	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	3,855.57	11,568.19	34,668.81	25.0%
Interfund - IT Replacement	3,003.00	3,305.00	275.42	826.26	2,478.74	25.0%
TOTAL INTERFUND EXPENDITURES	49,137.50	68,492.00	7,379.49	19,064.95	49,427.05	27.8%
TOTAL ADMINISTRATIVE EXPENDITURES	603,644.59	708,181.00	76,578.78	209,192.86	505,639.22	29.5%

SPOKANE EMPLOYEES' RETIREMENT SYSTEM - 6100
 2022 EXPENDITURE SUMMARY REPORT
APRIL 30, 2022

	2021 ACTUAL	2022 BUDGET	APRIL ACTUAL EXPENDITURES	2022 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
PENSIONS						
Pensions-Annuity Benefit Payments	30,993,999.10	33,500,000.00	2,694,857.78	10,693,736.14	22,806,263.86	31.9%
Pensions-Disability Payments	114,579.60	135,000.00	9,548.30	38,193.20	96,806.80	28.3%
Pensions-Survivor Annuity Benefits Payments	2,147,772.56	2,500,000.00	185,102.07	736,991.70	1,763,008.30	29.5%
TOTAL PENSIONS	<u>33,256,351.26</u>	<u>36,135,000.00</u>	<u>2,889,508.15</u>	<u>11,468,921.04</u>	<u>24,666,078.96</u>	31.7%
Refunds	741,018.82	1,000,000.00	90,668.15	253,339.53	746,660.47	25.3%
TOTAL EXPENSES	<u><u>34,601,014.67</u></u>	<u><u>37,843,181.00</u></u>	<u><u>3,056,755.08</u></u>	<u><u>11,931,453.43</u></u>	<u><u>25,918,378.65</u></u>	31.5%
INVESTMENT EXPENSE*						
Advisory Technical Service	557,485.34	565,000.00	63,240.56	117,580.47	447,419.53	20.8%

** 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
April 30, 2022

5/31/2022

	Type		Allocation		
			Target	Current	Diff.
Cash Held by Treasurer	Cash	\$ 105,248			
US Bank	Short-term Inv	1,979,788			
Total Cash		2,085,036	0.0%	0.6%	0.6%
Sterling Capital	Total Return	25,017,013			
Total Total Return		25,017,013	10.0%	7.5%	-2.5%
Hotchkis & Wiley	High Yield - Mutual Fund	15,256,000			
Total High Yield		15,256,000	5.0%	4.6%	-0.4%
PIMCO Dynamic	Absolute Return	6,634,669			
Polar	LLC	8,816,706			
Post Limited Term High Yield	Ltd Partnership	6,706,332			
Rimrock Low Volatility	Ltd Partnership	10,507,726			
Total Absolute Return		32,665,433	8.0%	9.8%	1.8%
Total Capital Preservation		75,023,482	23.0%	22.4%	-0.6%
Hotchkis & Wiley	LC Value - Mutual Fund	17,148,216			
MFS Growth	LC Growth - Mutual Fund	14,902,516			
Fidelity S&P 500 Index	LC Core - Mutual Fund	35,872,395			
Total US Large Cap		67,923,127	21.0%	20.3%	-0.7%
Sterling	MC Value	6,357,509			
Westfield MC Growth	MC Growth	5,151,565			
Fidelity MC Index	MC Core - Mutual Fund	3,859,363			
Champlain	SC Core	8,014,321			
Bridge City	SC Growth	7,285,310			
Allspring (FKA: Wells Fargo)	SC Value - Mutual fund	5,261,312			
Fidelity SC Index	SC Core - Mutual Fund	486,770			
Total US Small/Mid Cap		36,416,150	11.0%	10.9%	-0.1%
Total US Equities		104,339,277	32.0%	31.2%	-0.8%
Artisan	SMID Value - Mutual Fund	25,509,716			
Euro Pacific	LC Blend - Mutual Fund	20,697,730			
Fidelity International	LC Index - Mutual Fund	-			
Total International Large Cap		46,207,446	15.0%	13.8%	-1.2%
Trivalent	SC Value - Mutual Fund	12,582,461			
Total International Small/Mid		12,582,461	4.0%	3.8%	-0.2%
Vanguard EM Index	EM - Mutual Fund	481,265			
ABS Emerging Markets	Ltd Partnership	9,860,371			
Total Emerging Markets		10,341,636	3.0%	3.1%	0.1%
Total International Equities		69,131,543	22.0%	20.7%	-1.3%
Weatherlow Offshore	Ltd Partnership	20,895,327			
Royalty Opportunities I	Ltd Partnership	679,897			
Royalty Opportunities II	Ltd Partnership	385,793			
Total Long Biased		21,961,017	7.0%	6.6%	-0.4%
Metropolitan Real Estate Partners	Ltd Partnership	79,370			
Morrison Street Fund VI	LP	4,010,267			
Morrison Street Income Fund	LP	2,769,161			
Morgan Stanley Prime	LLC	9,025,576			
Principal (REITs)	REITs	17,933,046			
Total Real Estate		33,817,420	9.0%	10.1%	1.1%
Contrarian Capital Fund I	Ltd Partnership	10,890,696			
Beach Point	Ltd Partnership	14,005,778			
Total Opportunistic Credit		24,896,474	7.0%	7.4%	0.4%
Contrarian EM Credit	LLC	5,518,051			
OrbiMed II	Ltd Partnership	-			
Total Special Opportunities		5,518,051	0.0%	1.6%	1.6%
Total Cash and Investments		\$ 334,687,264	100.0%	100.0%	0.0%
	Monthly Contributions	1,741,133			
	Monthly Pension	\$ (2,980,176)			
	As of March 31, 2022	\$ 354,043,690			
	Estimated Rate of Return	-5.1%			
Abs. Return and Total Return FI	Thesis 2017.1	57,682,446	18.0%	17.2%	-0.8%
Equity and Special Situations	Thesis 2017.3	178,988,871	54.0%	53.5%	-0.5%

Cash Recon - May

Date	Transactions	Sources	Uses	Balance
4/28/2022	Beginning Balance			4,957,906.27
4/28/2022	Redeposit Pension Payment	3,074.85		4,960,981.12
4/29/2022	April Pension Payments		(2,981,406.24)	1,979,574.88
5/2/2022	Interest	213.19		1,979,788.07
5/23/2022	Capital Call - Morrison Street VI		(1,026,581.12)	953,206.95
5/5/2022	Redeposit/Reissue Pension Payment	50.00	(50.00)	953,206.95
5/6/2022	Redeposit/Reissue Pension Payment	1,049.90	(1,049.90)	953,206.95
5/6/2022	Redeposit Pension Payment	487.74		953,694.69
5/9/2022	Payroll Contributions	865,693.78		1,819,388.47
5/17/2022	Redeposit Pension Payments	4,243.44		1,823,631.91
5/19/2022	Reissue Pension Payment		(1,414.48)	1,822,217.43
5/23/2022	Payroll Contributions	884,180.60		2,706,398.03
5/25/2022	Ending Balance	1,758,993.50	(4,010,501.74)	2,706,398.03
	<u>Upcoming</u>			
5/31/2022	Sale - TBD	450,000.00		
5/31/2022	May Pension Payments		(3,130,460.52)	