

Spokane Employees' Retirement System (SERS)
Board Meeting, 1:00 p.m. September 7, 2022
Council Briefing Center

AGENDA

- 1) Hyas Group, 2022 2nd Quarter Investment Performance Report
 - a. Performance Report
 - Information
- 2) Minutes of the August 3, 2022 Meeting
 - Motion
- 3) Director's Report
 - a) Retirements
 - Motion
 - b) Withdrawals
 - Motion
 - c) Vesting
 - Information
 - d) Deaths
 - Information
 - e) Expenditure Summary Report – July 2022
 - Motion
 - f) Schedule of Investments – July 2022
 - Information
 - g) Cash Reconciliation – August 2022
 - Information
 - h) Other Business
- 4) 2023 Budget
 - Motion
- 5) SERS Board Member Search
 - Information
- 6) Next Meeting – **Wednesday, October 5th at 1:00 p.m.**

<https://spokanecity.webex.com/spokanecity/j.php?MTID=m8993c5cd913af0c3a86e04b2b246fef7>

Meeting dial-in number: 1-408-418-9388
Meeting number (access code): 2493 267 8262

**Spokane Employees' Retirement System (SERS)
Board Meeting Minutes
August 3, 2022**

The regular monthly meeting was called to order at 1:04 p.m.

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

Absent: J.D. Morscheck

Staff: Phill Tencick, Christine Shisler, Donald Brown

Guests: Natalie Hilderbrand, Jon Barnhart, Teddy Haines

Minutes of the July 6, 2022 Meeting

Joe Cavanaugh moved and Brian Brill seconded the motion to approve the minutes of the July 6, 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>
Thomas L. Frazier	56	08/03/2022	15.6	ST
Valla D. Melvin	61	08/06/2022	16.7	ST
Raymond M. Clarry	56	09/02/2022	16.3	E
Rollin S. Murphy	58	09/07/2022	30.0	E

Richard Czernik moved and Jonathan Bingle seconded the motion to approve the service retirements as presented on the August Retirement Transaction Report. The motion passed unanimously.

Withdrawals for August 2022

<i>Name</i>	<i>Years of Service</i>	<i>Termination Date</i>
Robert L. Main	0.04	08/18/2021
Darryl W. Gerlach	0.03	10/29/2021
Mark L. Hohnhorst	0.05	11/12/2021
Jacqueline N. Walker	0.11	11/24/2021
Laurie A. Treffry	0.06	12/26/2021
Donald H. Coimbra	3.85	05/27/2022

Chris A. Cornwell	0.53	05/27/2022
Roger L. Henry	0.49	06/03/2022
Daniel R. Hall	1.08	06/08/2022

Jonathan Bingle moved and Richard Czernik seconded the motion to approve the requests for withdrawal as presented on the August Retirement Transaction Report. The motion passed unanimously.

Vesting

<i>Name</i>	<i>Department</i>	<i>Years of Service</i>
Kara M. Frashefski	Planning Services	2.3
Eric K. Lester	Integrated Capital Management	4.4

Deaths

<i>Name</i>	<i>Date Retired</i>	<i>Age</i>	<i>Date of Death</i>	<i>Information</i>
James S. Kreshel	05/13/1995	79	07/05/2022	E Option Continues
Kenneth G. Burkart	11/01/1996	79	07/05/2022	No Further Benefits
Elaine E. Provost	11/29/2006	97	07/05/2022	No Further Benefits

Vesting and Death information provided to the Board for review.

Expenditure Summary Report – June 2022

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

Joe Cavanaugh moved and Jonathan Bingle seconded the motion to approve the June 2022 Expenditure Summary Report. The motion passed unanimously.

Schedule of Investments – June 2022

The monthly investment report was presented to the Board for review. The estimated market value of the SERS portfolio on June 30, 2022 was \$310.5 million with an estimated rate of return of -6.2% 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.

Mr. Tencick highlighted the sale of Pimco Dynamic Bond fund at the end of July was beneficial to SERS since it reduced exposure to interest rates just before they began rising again.

Other Business

Mr. Tencick informed the Board that he had received a resume from a citizen who is interested in the open Board member position. Mr. Tencick inquired if any Board members would be interested in interviewing the candidate and making a recommendation to the Spokane City Council.

Richard Czernik moved and Joe Cavanaugh seconded the motion to form an interview panel. The motion passed unanimously.

Richard Czernik, Jonathan Bingle, and Jim Tieken expressed interest in being on the panel, and a date was set for September 7, 2022 at noon, so the candidate has the opportunity to attend the September Board meeting at 1:00 p.m.

Investment Consultant RFP Scoring

Mr. Tencick presented a slide show that discussed the Investment Consultant Benchmarking and RFP Scoring. Discussion ensued and Joe Cavanaugh moved and Richard Czernik seconded the motion to maintain Hyas Group as the Investment Consultant. Joe Cavanaugh and Richard Czernik voted aye and Brian Brill and Jonathan Bingle abstaining. The motion passed with Board Chair Jim Tieken voting aye, breaking the tie.

Other Business

Ms. Shisler updated the Board on the Local 270 contract settlement and the effect it has on the Retirement Department. All Local 270 retirement from July 2021 through August 2022 will be recalculated once the Payroll Department has processed the retroactive COLA payments. The Retirement Department is targeting all pension recalculations will be complete no later than for the November 2022 pension run. We will do all the catch-up payments in the same month. Again, targeting November 2022 pension run.

There being no other business, the meeting adjourned at 2:14 p.m.

Phillip Tencick, Retirement Director

SERS Retirement Transaction Report

September 2022

Retirements

	Name	Age	Retirement Date	Years of Service	Department	Option
1	David L. Beardslee	65	10/28/2022	41.0	Street	E
2	Ronald J. Dowers	66	10/07/2022	29.6	Solid Waste Disposal	E
3	Kenneth R. Jenness	52	09/10/2022	19.8	Development Services	E
4	John D. Larribeau	70	10/01/2022	14.5	Fleet Services	ST
5	Jeffrey J. Weinfurtner	65	12/02/2022	25.0	Police Records	E
	Retirements YTD	65				
	2021 Total Retirements	66				

Withdrawals

	Name	Years of Service	Department	Termination Date
1	Melanie S. Mick	0.8	Finance	04/02/2019
2	Michael G. Probst	7.9	Information Technology	05/14/2022
3	Allen L. Jones	0.6	Accounting	07/16/2022

Vesting

	Name	Department	Years of Service
1	Cassandra N. Berg	CD/HS Operations	10.9
2	Joseph P. Conley	Solid Waste Disposal	13.6
3	Brandy A. Cote	Mayor	7.7
4	Michael D. Elston	Public Defender	3.2 Portability
5	Brittany A. Garwood	Public Facilities District	25.5
6	Jacob A. Hensley	Finance	9.9
7	Kenneth L. Knutson	Street	7.1
8	Meghann R. Steinolfson	Human Resources	7.5

Deaths

	Name	Date Retired	Age	Date of Death	Information
1	Loran A. Thompson	02/16/2008	76	07/16/2022	No Further Benefits
2	Velda M. Berry	05/11/2001	95	08/08/2022	No Further Benefits
3	Myron E. Guffey	02/06/2010	68	08/10/2022	D Option Continues
4	Lisa G. Porter	05/02/2017	63	08/16/2022	No Further Benefits
5	Bertram I. Nelson	12/31/2004	72	08/20/2022	No Further Benefits
6	Edward G. Ellefsen	01/12/1994	78	08/22/2022	No Further Benefits

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

	2021 ACTUAL	2022 BUDGET	JULY ACTUAL EXPENDITURES	2022 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
OPERATING EXPENDITURES						
Departmental Salaries	311,200.63	311,479.00	34,228.03	167,358.86	144,120.14	53.7%
Departmental Benefits	88,085.00	96,560.00	9,553.89	53,906.89	42,653.11	55.8%
Reserve for Budget Adjustment	-	10,000.00	-	-	10,000.00	0.0%
Administrative Income	(15,225.22)	(10,000.00)		(8,511.14)		
Postage/Supplies/Other	3,133.07	4,950.00	140.19	1,498.68	3,451.32	30.3%
State Audit Charges	12,432.82	15,000.00	1,970.62	3,639.21	11,360.79	24.3%
Contractual Services	131,620.94	175,000.00	11,483.92	110,822.68	64,177.32	63.3%
Travel	-	15,000.00	766.46	766.46	14,233.54	5.1%
Registration/Schooling	500.00	16,000.00	575.00	575.00	15,425.00	3.6%
Other Dues/Subscriptions/Membership	1,898.55	2,500.00	-	1,418.73	1,081.27	56.7%
Other Miscellaneous Charges	3,212.30	3,200.00	-	455.97	2,744.03	14.2%
Amortization	17,649.00	-	-	-	-	
TOTAL OPERATING EXPENDITURES	554,507.09	639,689.00	58,718.11	331,931.34	309,246.52	51.9%
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	281.25	843.75	281.25	75.0%
Interfund - Risk Management	607.00	571.00	-	285.50	285.50	50.0%
Interfund - Worker's Compensation	134.00	123.00	-	61.50	61.50	50.0%
Interfund - Reprographics	3,898.68	5,262.00	470.20	2,051.86	3,210.14	39.0%
Interfund - IT	38,532.25	46,237.00	3,854.62	23,133.97	23,103.03	50.0%
Interfund - IT Replacement	3,003.00	3,305.00	275.42	1,652.52	1,652.48	50.0%
TOTAL INTERFUND EXPENDITURES	49,137.50	68,492.00	4,881.49	33,963.60	34,528.40	49.6%
TOTAL ADMINISTRATIVE EXPENDITURES	603,644.59	708,181.00	63,599.60	365,894.94	343,774.92	51.7%

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

	2021 ACTUAL	2022 BUDGET	JULY ACTUAL EXPENDITURES	2022 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
PENSIONS						
Pensions-Annuity Benefit Payments	30,993,999.10	33,500,000.00	2,741,006.45	18,875,146.96	14,624,853.04	56.3%
Pensions-Disability Payments	114,579.60	135,000.00	9,548.30	66,838.10	68,161.90	49.5%
Pensions-Survivor Annuity Benefits Payments	2,147,772.56	2,500,000.00	187,517.47	1,304,184.77	1,195,815.23	52.2%
TOTAL PENSIONS	<u>33,256,351.26</u>	<u>36,135,000.00</u>	<u>2,938,072.22</u>	<u>20,246,169.83</u>	<u>15,888,830.17</u>	56.0%
Refunds	741,018.82	1,000,000.00	30,885.98	845,687.75	154,312.25	84.6%
TOTAL EXPENSES	<u><u>34,601,014.67</u></u>	<u><u>37,843,181.00</u></u>	<u><u>3,032,557.80</u></u>	<u><u>21,457,752.52</u></u>	<u><u>16,386,917.34</u></u>	56.7%
INVESTMENT EXPENSE*						
Advisory Technical Service	557,485.34	565,000.00	54,351.02	245,683.29	319,316.71	43.5%

* 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
July 31, 2022

8/26/2022

	Type		Allocation		
			Target	Current	Diff.
Cash Held by Treasurer	Cash	\$ 248,113			
US Bank	Short-term Inv	267,276			
Total Cash		515,389	0.0%	0.2%	0.2%
Sterling Capital	Total Return	25,174,978			
Total Total Return		25,174,978	10.0%	7.8%	-2.2%
Hotchkis & Wiley	High Yield - Mutual Fund	14,937,267			
Total High Yield		14,937,267	5.0%	4.6%	-0.4%
PIMCO Dynamic	Absolute Return	5,674,256			
Polar	LLC	8,840,971			
Post Limited Term High Yield	Ltd Partnership	6,700,411			
Rimrock Low Volatility	Ltd Partnership	10,367,604			
Total Absolute Return		31,583,242	8.0%	9.7%	1.7%
Total Capital Preservation		72,210,876	23.0%	22.3%	-0.7%
Hotchkis & Wiley	LC Value - Mutual Fund	16,832,353			
MFS Growth	LC Growth - Mutual Fund	15,097,694			
Fidelity S&P 500 Index	LC Core - Mutual Fund	36,010,756			
Total US Large Cap		67,940,803	21.0%	21.0%	0.0%
Sterling	MC Value	6,220,895			
Westfield MC Growth	MC Growth	4,904,458			
Fidelity MC Index	MC Core - Mutual Fund	3,819,942			
Champlain	SC Core	7,759,117			
Bridge City	SC Growth	7,618,007			
Allspring (FKA: Wells Fargo)	SC Value - Mutual fund	5,256,007			
Fidelity SC Index	SC Core - Mutual Fund	494,396			
Total US Small/Mid Cap		36,072,822	11.0%	11.1%	0.1%
Total US Equities		104,013,625	32.0%	32.1%	0.1%
Artisan	SMID Value - Mutual Fund	24,744,749			
Euro Pacific	LC Blend - Mutual Fund	20,058,966			
Fidelity International	LC Index - Mutual Fund	-			
Total International Large Cap		44,803,715	15.0%	13.8%	-1.2%
Trivalent	SC Value - Mutual Fund	11,843,363			
Total International Small/Mid		11,843,363	4.0%	3.7%	-0.3%
Vanguard EM Index	EM - Mutual Fund	458,658			
ABS Emerging Markets	Ltd Partnership	9,313,372			
Total Emerging Markets		9,772,030	3.0%	3.0%	0.0%
Total International Equities		66,419,108	22.0%	20.5%	-1.5%
Weatherlow Offshore	Ltd Partnership	20,140,907			
Royalty Opportunities I	Ltd Partnership	576,277			
Royalty Opportunities II	Ltd Partnership	296,357			
Total Long Biased		21,013,541	7.0%	6.5%	-0.5%
Metropolitan Real Estate Partners	Ltd Partnership	70,317			
Morrison Street Fund VI	LP	6,285,714			
Morrison Street Income Fund	LP	2,784,487			
Morgan Stanley Prime	LLC	9,211,270			
Principal (REITs)	REITs	13,882,323			
Total Real Estate		32,234,111	9.0%	9.9%	0.9%
Contrarian Capital Fund I	Ltd Partnership	9,932,493			
Beach Point	Ltd Partnership	13,709,283			
Total Opportunistic Credit		23,641,776	7.0%	7.3%	0.3%
Contrarian EM Credit	LLC	4,530,654			
OrbiMed II	Ltd Partnership	-			
Total Special Opportunities		4,530,654	0.0%	1.4%	1.4%
Total Cash and Investments		\$ 324,063,691	100.0%	100.0%	0.0%
	Monthly Contributions	1,751,658			
	Monthly Pension	\$ (2,968,958)			
	As of June 30, 2022	\$ 310,516,811			
	Estimated Rate of Return	4.8%			
Abs. Return and Total Return FI	Thesis 2017.1	56,758,220	18.0%	17.5%	-0.5%
Equity and Special Situations	Thesis 2017.3	174,963,387	54.0%	54.0%	0.0%

SPOKANE EMPLOYEES' RETIREMENT SYSTEM - 6100
2023 PRELIMINARY BUDGET

	2021 ACTUAL	7/2022 YTD ACTUALS	2022 BUDGET	2023 BUDGET	2023 BUDGET CHANGE
REVENUES					
IF Personnel Services	15,225.22	8,511.14	20,000.00	20,000.00	\$ -
Investment Interest/Dividends	4,726,318.53	1,786,721.93	4,250,000.00	5,000,000.00	750,000.00
Realized Gains/Losses	16,050,606.94	2,103,068.56	7,000,000.00	-	(7,000,000.00)
Unrealized Gains/Losses	25,947,395.09	(46,159,629.24)	-	-	-
City Contributions	11,395,105.37	6,108,198.24	11,000,000.00	11,500,000.00	500,000.00
Mandatory Contributions Employees	11,395,105.37	6,108,198.24	11,000,000.00	11,500,000.00	500,000.00
Voluntary Contributions Employees	-	-	-	-	-
PFD Employer Contributions	10,617.29	6,273.55	13,000.00	11,000.00	(2,000.00)
PFD Employee Contributions	10,617.29	7,175.67	13,000.00	11,000.00	(2,000.00)
SREC Employer Contributions	113,985.09	65,940.68	140,000.00	130,000.00	(10,000.00)
SREC Employee Contributions	113,985.09	65,940.68	140,000.00	130,000.00	(10,000.00)
TOTAL REVENUES	69,778,961.28	(29,899,600.55)	33,576,000.00	28,302,000.00	(5,274,000.00)
OPERATING EXPENDITURES					
Departmental Salaries	311,200.63	167,358.86	311,479.00	347,246.00	35,767.00
Departmental Benefits	88,085.00	53,906.89	96,560.00	90,374.00	(6,186.00)
Postage/Supplies/Other	3,133.07	1,498.68	4,950.00	7,250.00	2,300.00
State Audit Charges	12,432.82	3,639.21	15,000.00	-	(15,000.00)
Contractual Services	131,620.94	110,822.68	175,000.00	175,000.00	-
Travel	-	766.46	15,000.00	15,000.00	-
Registration/Schooling	500.00	575.00	16,000.00	16,000.00	-
Other Dues/Subscriptions/Membership	1,898.55	1,418.73	2,500.00	2,500.00	-
Printing/Binding OS Vendor	2,545.73	119.59	1,000.00	3,000.00	-
Other Miscellaneous Charges	666.57	336.38	2,200.00	2,200.00	-
Depreciation/Amortization	17,649.00	-	-	-	-
TOTAL OPERATING EXPENDITURES	569,732.31	340,442.48	639,689.00	658,570.00	16,881.00

SPOKANE EMPLOYEES' RETIREMENT SYSTEM - 6100
2023 PRELIMINARY BUDGET

	2021 ACTUAL	7/2022 YTD ACTUALS	2022 BUDGET	2023 BUDGET	2023 BUDGET CHANGE
INTERFUND EXPENDITURES					
Interfund - Centralized Purchasing	313.32	4,866.50	9,733.00	1,875.00	(7,858.00)
Interfund - Centralized Accounting	1,764.00	1,068.00	2,136.00	66,920.00	64,784.00
Interfund - My Spokane	885.25	843.75	1,125.00	1,192.00	67.00
Interfund - Risk Management	607.00	285.50	571.00	537.00	(34.00)
Interfund - Worker's Compensation	134.00	61.50	123.00	118.00	(5.00)
Interfund - Reprographics	3,898.68	2,051.86	5,262.00	6,196.00	934.00
Interfund - IT	38,532.25	23,133.97	46,237.00	20,099.00	(26,138.00)
Interfund - IT Replacement	3,003.00	1,652.52	3,305.00	2,717.00	(588.00)
TOTAL INTERFUND EXPENDITURES	49,137.50	33,963.60	68,492.00	99,654.00	31,162.00
TOTAL ADMINISTRATIVE EXPENDITURES	618,869.81	374,406.08	708,181.00	758,224.00	48,043.00
PENSIONS					
Pensions-Annuity Benefit Payments	30,993,999.10	18,875,146.96	33,500,000.00	35,500,000.00	2,000,000.00
Pensions-Disability Payments	114,579.60	66,838.10	135,000.00	135,000.00	-
Pensions-Survivor Annuity Benefits Payments	2,147,772.56	1,304,184.77	2,500,000.00	2,500,000.00	-
TOTAL PENSIONS	33,256,351.26	20,246,169.83	36,135,000.00	38,135,000.00	2,000,000.00
Refunds	741,018.82	845,687.75	1,000,000.00	1,000,000.00	-
Reserve for Budget Adjustment	-	-	10,000.00	10,000.00	-
INVESTMENT EXPENDITURES					
Advisory Technical Service	557,485.34	245,683.29	565,000.00	600,000.00	35,000.00
Total Department Expenditures	\$ 35,173,725.23	\$ 21,711,946.95	\$ 38,418,181.00	\$ 40,503,224.00	\$ 2,083,043.00

Cash Recon - Aug

<u>Date</u>	<u>Transactions</u>	<u>Sources</u>	<u>Uses</u>	<u>Balance</u>
7/28/2022	Beginning Balance			2,063,403.04
7/29/2022	Sale - PIMCO Dynamic Bond	950,000.00		3,013,403.04
7/29/2022	July Pension Payments		(2,969,284.96)	44,118.08
7/29/2022	Distribution - Morrison Street VI	65,167.85		109,285.93
8/1/2022	Payroll Contributions	873,650.74		982,936.67
8/1/2022	Interest	1,421.03		984,357.70
8/5/2022	Distribution - Morrison Street VI	141,659.73		1,126,017.43
8/15/2022	Payroll Contributions	917,474.74		2,043,492.17
8/23/2022	Distribution - Royalty Opps II	34,632.03		2,078,124.20
8/29/2022	Sale - Fidelity Mid Cap Index	950,000.00		3,028,124.20
8/29/2022	Payroll Contributions	916,153.20		3,944,277.40
8/29/2022	Ending Balance	4,850,159.32	(2,969,284.96)	3,944,277.40
	<u>Upcoming</u>			
8/31/2022	August Pension Payments		(3,016,102.28)	