

Spokane Employees' Retirement System (SERS)
Board Meeting, 1:00 p.m. July 5, 2023
City Hall, Council Briefing Center

AGENDA

Open Session

- 1) Minutes of the June 7, 2023 Meeting
 - Motion

- 2) Director's Report
 - a) Retirements
 - Motion
 - b) Withdrawals
 - Motion
 - c) Vesting
 - Information
 - d) Deaths
 - Information
 - e) Expenditure Summary Report – May 2023
 - Motion
 - f) Schedule of Investments – May 2023
 - Information
 - g) Cash Reconciliation – June 2023
 - Information
 - h) Other Business

- 3) Contribution Interest Rates
 - Motion

- 4) Other Business
 - a) 2024 Preliminary Budget
 - b) 2024 Contribution Rate
 - Motion

Executive Session

- 1) Director Position
 - Motion

Next Meeting – **Wednesday, August 2nd at 1:00 p.m.**

Spokane Employees' Retirement System (SERS)
Board Meeting Minutes
June 7, 2023

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

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

Staff: Christine Shisler, Donald Brown, and Tim Szambelan

Guests: Tammy Erickson, Laurie Tish & Ashlee Lent (Moss Adams); Jayson Davidson & Tom Breden (Hyas Group); Matthew Thompson (SAO), Natalie Hilderbrand, Dave Hanshaw, and Jon Barnhart

Moss Adams, December 31, 2022 Audit Report

Moss Adams presented the 2022 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, 2023 1st Quarter Investment Performance Report

Hyas Group reviewed the First Quarter 2023 Performance Report with the Board and discussed current market conditions as well as near term market expectations. The quarter provided for strong fixed income and equity market returns in a continuation of the rally that began with the Fourth Quarter of last year. Markets remain focused on what has been cooling, but still high, inflation numbers and the Federal Reserve's tightening actions related to these numbers. Additionally, economic activity has shown signs of cooling and lending activity has slowed in the wake of the pressure put on regional banks from rapidly rising interest rates. In this environment, the SERS Portfolio largely performed in-line with expectations and posted a 4.2% performance number for the quarter beating the policy benchmark performance of 3.6%. The primary contributors to the out performance came from the international and real estate categories. At quarter-end, there were three managers on watch for performance in violation of underlying policy benchmarks. The Hotchkis & Wiley High Yield Fund, Rimrock Low Volatility Fund and Sterling Mid Cap Value Fund remain in violation of policy and will remain on watch. Mr. Davidson did note that the Rimrock option will be removed from the portfolio as we continue to progress towards the Board approved new allocation.

Hyas Group discussed an announced personnel matter affecting one of the portfolio's investment options and Mr. Davidson referenced a Hyas Group issued memorandum on the subject. MFS had recently announced a leave of absence for one of the primary investment managers on the MFS Growth Fund, Paul Gordon. We have since been informed that Mr. Gordon will not be returning to MFS. While the remaining portfolio management team is long tenured, and remains intact, Hyas Group believes Mr. Gordon's contributions prior to his departure to be significant enough to warrant a watch action. Hyas Group will continue to monitor performance and developments at MFS and will provide additional information as warranted.

Joe Cavanaugh moved and Jonathan Bingle seconded the motion to place MFS Growth Fund on watch status per Hyas Group's recommendation. The motion passed unanimously.

Hyas Group briefed the Board on the progress, to date, in implementing the new portfolio allocation resulting from the asset allocation study presented at the end of last year. The Board engaged in further discussion regarding the equity to fixed income allocations approved as a result of the study. More specifically, further consideration was given to the prospect of moving to the more aggressive 80/20 allocation presented in the study. After discussion the Board did not take any new action and we were instructed to proceed with the approved 70/30 allocation.

Investment Policy Statement

The Board reviewed Hyas Group's presented changes to the SERS Investment Policy Statement to comport with the aforementioned 70/30 approved allocation.

Joe Cavanaugh moved and Brian Myers seconded the motion to approved the Investment Policy statement as presented with Hyas Group changes. The motion passed unanimously.

Total Return Fixed Income Manager Search

Hyas Group presented the Total Return Fixed Income Manager Search. The amount of funding will be the entirety of the Fidelity US Bond Index funding which was being used as a placeholder pending this search. SERS's other Total Return manager, Sterling Total Return, will remain in the portfolio.

Joe Cavanaugh moved and Richard Czernik seconded motion to approve funding of Loomis Sayles Core-Plus Fund, per Hyas Group's recommendation. The motion passed unanimously.

High Yield Bond Fund Search

Hyas Group presented the High Yield Bond Fund Manager Search and the Board evaluated alternatives to be added to the High Yield category. The amount of funding is approximately \$6 million to be transferred from the Portfolio's existing High Yield manager, Hotchkis & Wiley. Hotchkis & Wiley will remain in the portfolio.

Joe Cavanaugh moved and Richard Czernik seconded the motion of selecting Hyas Group's recommendation of Black Rock High Yield Fund. The motion passed 5 to 1 with Jonathan Bingle voting nay.

Minutes of the May 3, 2023 Meeting

Joe Cavanaugh moved and Brian Myers seconded the motion to approve the minutes of the May 3, 2023 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>
Emmett K. Mohror	63	06/10/2023	15.3	Fleet Services
Candace M. Mumm	62	07/01/2023	8.0	City Council
Margaret A. Redd	60	07/06/2023	29.6	Finance

Richard Czernik moved and Jonathan Bingle 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>
Joshua J. Kautzman	2.3	10/06/2021
Stephanie A. Crawford	2.8	08/27/2022
Timothy M. Musa	0.7	12/03/2022
Robert K. Mockchew	3.4	03/02/2023
John P. McCoy	6.1	04/01/2023

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

Vesting

<i>Name</i>	<i>Department</i>	<i>Years of Service</i>
Brandon A. Childs	EMS Fund	14.4

Deaths

<i>Name</i>	<i>Date Retired</i>	<i>Age</i>	<i>Date of Death</i>	<i>Information</i>
Jeanette J. Blair	12/03/2021	83	05/16/2023	No Further Benefits
Terry M. Headley	12/03/2017	73	05/25/2023	No Further Benefits

Vesting and death information provided to the Board for review.

Expenditure Summary Report – April 2023

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

Joe Cavanaugh moved and Jonathan Bingle seconded the motion to approve the April 2023 Expenditure Summary Report. The motion passed unanimously.

Schedule of Investments – April 2023

The monthly investment report was presented to the Board for review. The estimated market value of the SERS portfolio on March 31, 2023 was \$321 million with an estimated rate of return of 0.7% 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

Mrs. Shisler informed the Board that the preliminary 2024 Budget will be presented at the July 2023 meeting with a final 2024 Budget presented at a subsequent meeting.

There being no other business to conduct in open session, the Board asked the remaining guests to leave, and went into Executive Session at 1:57 p.m.

There being no other business, the Board meeting adjourned at 2:16 p.m.

Christine Shisler, Interim Retirement Director

SERS Retirement Transaction Report

July 2023

Retirements

	Name	Age	Retirement Date	Years of Service	Department	Option
1	Karen T. Cash	50	08/01/2023	5.1	Water	D
2	Penny C. Brown	62	09/07/2023	9.4	Library	ST
3	David VanGelder	66	09/30/2023	30.0	Advanced Wastewater Treatment	ST
	Retirements YTD	16				
	2022 Total Retirements	81				

Withdrawals

	Name	Years of Service	Department	Termination Date
1	Lance S. Mueller	2.8	Development Service Center	11/02/2022
2	Brandi J. Burke	0.7	Parks & Recreation	01/04/2023
3	Jason P. Herron	0.2	Fleet Services	02/18/2023
4	Joshua J. Kelly	5.6	Streets	03/04/2023
5	Erik J. Bowman	0.7	Asset Management	05/05/2023
6	Oliver R. Reishus	5.3	Water	05/03/2023
7	Amanda D. Beck	1.2	Development Service Center	05/06/2023
8	Chelsey Faggiano	-	Beneficiary Payout	-
9	Charles Faggiano	-	Beneficiary Payout	-

Vesting

	Name	Department	Years of Service
1	Bradley R. Dilg	EMS Fund	11.0
2	Forrest J. McKinney	Solid Waste Disposal	8.5

Deaths

	Name	Date Retired	Age	Date of Death	Information
1	Debbie R. Wagner	02/15/2014	68	06/09/2023	No Further Benefits
2	Barbara J. Black	04/08/2000	85	06/03/2023	No Further Benefits
3	Ellen M. Dimond	04/13/1997	94	06/25/2023	No Further Benefits

SPOKANE EMPLOYEES' RETIREMENT SYSTEM - 6100
2023 EXPENDITURE SUMMARY REPORT
May 31, 2023

	2022 ACTUAL	2023 BUDGET	MAY ACTUAL EXPENDITURES	2023 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
OPERATING EXPENDITURES						
Departmental Salaries	327,889.58	342,544.48	15,153.60	105,756.71	236,787.77	30.9%
Departmental Benefits	97,465.19	95,076.14	4,816.34	26,807.45	68,268.69	28.2%
Reserve for Budget Adjustment	-	10,000.00	-	-	10,000.00	0.0%
Administrative Income	(15,225.22)	(10,000.00)	-	(3,799.30)		
Postage/Supplies/Other	2,332.92	7,250.00	211.84	865.27	6,384.73	11.9%
State Audit Charges	14,099.28	-	-	-	-	
Contractual Services	153,666.56	175,000.00	-	50,400.00	124,600.00	28.8%
Travel	2,256.29	15,000.00	1,731.40	4,150.44	10,849.56	27.7%
Registration/Schooling	575.00	16,000.00	-	6,295.00	9,705.00	39.3%
Other Dues/Subscriptions/Membership	1,610.73	2,500.00	-	1,966.00	534.00	78.6%
Other Miscellaneous Charges	3,845.29	5,200.00	-	325.49	4,874.51	6.3%
Amortization	17,649.00	-	-	-		
TOTAL OPERATING EXPENDITURES	606,164.62	658,570.62	21,913.18	192,767.06	472,004.26	29.3%
INTERFUND EXPENDITURES						
Interfund - Centralized Purchasing	7,027.44	2,001.00	-	2,001.00	-	100.0%
Interfund - Centralized Accounting	2,737.00	4,912.00	-	2,456.00	2,456.00	50.0%
Interfund - My Spokane	965.83	1,291.00	318.00	640.75	650.25	49.6%
Interfund - Risk Management	571.00	537.00	-	537.00	-	100.0%
Interfund - Worker's Compensation	123.00	118.00	-	118.00	-	100.0%
Interfund - Reprographics	11,049.94	6,781.00	700.92	3,428.40	3,352.60	50.6%
Interfund - IT	46,111.71	21,884.00	1,824.96	7,307.91	14,576.09	33.4%
Interfund - IT Replacement	3,305.04	2,961.00	246.75	987.00	1,974.00	33.3%
TOTAL INTERFUND EXPENDITURES	71,890.96	40,485.00	3,090.63	17,476.06	23,008.94	43.2%
TOTAL ADMINISTRATIVE EXPENDITURES	678,055.58	699,055.62	25,003.81	210,243.12	495,013.20	30.1%

SPOKANE EMPLOYEES' RETIREMENT SYSTEM - 6100
 2023 EXPENDITURE SUMMARY REPORT
May 31, 2023

	2022 ACTUAL	2023 BUDGET	MAY ACTUAL EXPENDITURES	2023 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
PENSIONS						
Pensions-Annuity Benefit Payments	32,696,265.95	35,500,000.00	2,801,694.17	13,951,781.50	21,548,218.50	39.3%
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	2,246,951.76	2,500,000.00	205,377.18	963,934.59	1,536,065.41	38.6%
TOTAL PENSIONS	<u>35,057,797.31</u>	<u>38,135,000.00</u>	<u>3,016,619.65</u>	<u>14,963,457.59</u>	<u>23,171,542.41</u>	39.2%
Refunds	1,210,280.26	1,000,000.00	133,501.94	410,925.63	589,074.37	41.1%
TOTAL EXPENSES	<u><u>36,946,133.15</u></u>	<u><u>39,834,055.62</u></u>	<u><u>3,175,125.40</u></u>	<u><u>15,584,626.34</u></u>	<u><u>24,255,629.98</u></u>	39.1%
INVESTMENT EXPENSE*						
Advisory Technical Service	499,603.98	600,000.00	63,208.84	167,980.31	432,019.69	28.0%

* 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, 2023

6/27/2023

				Allocation		
		Type		Target	Current	Diff.
Cash Held by Treasurer	Cash		\$ 122,928			
US Bank	Short-term Inv		6,837,954			
Total Cash			6,960,882	0.0%	2.2%	2.2%
Sterling Capital	Total Return		24,677,954			
Fidelity Core	FI - Mutual Fund		15,965,813			
Total Total Return			40,643,767	17.0%	12.7%	-4.3%
Hotchkis & Wiley	High Yield - Mutual Fund		21,415,929			
Total High Yield			21,415,929	8.0%	6.7%	-1.3%
PIMCO Dynamic	Absolute Return		5,660,775			
Polar	LLC		9,220,960			
Post Limited Term High Yield	Ltd Partnership		333,550			
Rimrock Low Volatility	Ltd Partnership		10,499,682			
Total Absolute Return			25,714,967	5.0%	8.1%	3.1%
Total Capital Preservation			94,735,545	30.0%	29.7%	-0.3%
Hotchkis & Wiley	LC Value - Mutual Fund		9,191,285			
MFS Growth	LC Growth - Mutual Fund		10,923,756			
Fidelity S&P 500 Index	LC Core - Mutual Fund		35,953,752			
Total US Large Cap			56,068,793	16.0%	17.6%	1.6%
Sterling	MC Value		4,711,623			
Westfield MC Growth	MC Growth		4,929,587			
Fidelity MC Index	MC Core - Mutual Fund		2,765,535			
Champlain	SC Core		7,897,496			
Bridge City	SC Growth		7,054,157			
Allspring (FKA: Wells Fargo)	SC Value - Mutual fund		-			
Fidelity SC Index	SC Core - Mutual Fund		465,868			
Total US Small/Mid Cap			27,824,266	8.0%	8.7%	0.7%
Total US Equities			83,893,059	24.0%	26.3%	2.3%
Artisan	SMID Value - Mutual Fund		19,105,018			
Euro Pacific	LC Blend - Mutual Fund		13,870,040			
Fidelity International	LC Index - Mutual Fund		-			
Total International Large Cap			32,975,058	10.0%	10.3%	0.3%
Trivalent	SC Value - Mutual Fund		15,120,336			
Total International Small/Mid			15,120,336	5.0%	4.7%	-0.3%
Vanguard EM Index	EM - Mutual Fund		6,112,612			
ABS Emerging Markets	Ltd Partnership		9,309,119			
Total Emerging Markets			15,421,731	5.0%	4.8%	-0.2%
Total International Equities			63,517,125	20.0%	19.9%	-0.1%
Weatherlow Offshore	Ltd Partnership		20,710,029			
Royalty Opportunities I	Ltd Partnership		536,437			
Royalty Opportunities II	Ltd Partnership		259,765			
Total Long Biased			21,506,231	9.0%	6.7%	-2.3%
Metropolitan Real Estate Partners	Ltd Partnership		-			
Morrison Street Fund VI	LP		6,766,136			
Morrison Street Fund VII	LP		1,628,519			
Morrison Street Income Fund	LP		2,592,472			
Morgan Stanley Prime	LLC		8,495,004			
Principal (REITs)	REITs		7,049,899			
Total Real Estate			26,532,030	7.0%	8.3%	1.3%
Contrarian Capital Fund I	Ltd Partnership		9,937,542			
Beach Point	Ltd Partnership		13,700,328			
Total Private Credit			23,637,870	8.0%	7.4%	-0.6%
Contrarian EM Credit	LLC		5,044,964			
OrbiMed II	Ltd Partnership		-			
Total Master Ltd Partnerships			5,044,964	2.0%	1.6%	-0.4%
Total Cash and Investments			\$ 318,866,824	100.0%	100.0%	0.0%
			Monthly Contributions	1,996,705		
			Monthly Pension	\$ (3,150,254)		
			As of April 30, 2023	\$ 322,212,685		
			Estimated Rate of Return	-0.7%		

SERS Cash Reconciliation-June 2023

Date	Transactions	Sources	Uses	Balance
5/30/2023	Ending Balance			\$ 9,950,608.66
6/1/2023	May Pension Payments		(3,150,254.06)	6,800,354.60
6/1/2023	Interest	37,598.93		6,837,953.53
6/5/2023	Payroll Contributions	1,010,480.40		7,848,433.93
6/8/2023	Redeposit of Withdrawal Check	17,041.20		7,865,475.13
6/8/2023	Reissue of Withdrawal Check		(17,041.20)	7,848,433.93
6/12/2023	Redeposit of Pension Check	50.00		7,848,483.93
6/12/2023	Reissue of Pension Check		(50.00)	7,848,433.93
6/13/2023	Redeposit of Pension Check	1,138.88		7,849,572.81
6/13/2023	Reissue of Pension Check		(1,138.88)	7,848,433.93
6/14/2023	Redeposit of Pension Check	667.89		7,849,101.82
6/14/2023	Reissue of Pension Check		(344.72)	7,848,757.10
6/16/2023	Redeposit of Pension Checks	3,113.29		7,851,870.39
6/20/2023	Payroll Contributions	1,019,696.28		8,871,566.67
6/20/2023	Reissue of Pension Check		(2,510.72)	8,869,055.95
6/20/2023		13,030.31		8,882,086.26
6/27/2023	Ending Balance			8,882,086.26
<u>Upcoming</u>				
6/30/2023	June Pension Payments		(3,237,836.36)	

SPOKANE EMPLOYEES' RETIREMENT SYSTEM - 6100
2024 PRELIMINARY BUDGET
 Round #1

	2022 ACTUAL	5/2023 YTD ACTUALS	2023 BUDGET	2024 BUDGET	2024 BUDGET CHANGE
REVENUES					
IF Personnel Services	15,225.92	3,799.36	20,000.00	30,000.00	\$ 10,000.00
Investment Interest/Dividends	4,326,389.55	1,631,140.39	5,000,000.00	5,000,000.00	-
Realized Gains/Losses	4,230,759.63	12,146,909.74	-	-	-
Unrealized Gains/Losses	(58,298,879.35)	(1,607,999.87)	-	-	-
City Contributions	11,738,046.68	5,462,486.56	11,500,000.00	12,000,000.00	500,000.00
Mandatory Contributions Employees	11,738,046.68	5,462,486.56	11,500,000.00	12,000,000.00	500,000.00
Voluntary Contributions Employees	66,474.00	-	-	-	-
PFD Employer Contributions	6,996.06	-	11,000.00	-	(11,000.00)
PFD Employee Contributions	7,898.18	-	11,000.00	-	(11,000.00)
SREC Employer Contributions	118,683.29	47,486.52	130,000.00	150,000.00	20,000.00
SREC Employee Contributions	118,683.29	47,486.52	130,000.00	150,000.00	20,000.00
TOTAL REVENUES	(25,931,676.07)	23,193,795.78	28,302,000.00	29,330,000.00	1,028,000.00
OPERATING EXPENDITURES					
Departmental Salaries	327,889.58	105,756.71	342,544.48	323,056.00	(19,488.48)
Departmental Benefits	97,465.19	26,807.45	95,076.14	98,884.00	3,807.86
Postage/Supplies/Other	2,332.92	865.27	7,250.00	7,250.00	-
State Audit Charges	14,099.28	-	-	-	-
Contractual Services	153,666.56	50,400.00	175,000.00	175,000.00	-
Travel	2,256.29	4,150.44	15,000.00	15,000.00	-
Registration/Schooling	575.00	6,295.00	16,000.00	16,000.00	-
Other Dues/Subscriptions/Membership	1,610.73	1,966.00	2,500.00	3,000.00	500.00
Printing/Binding OS Vendor	1,734.34	320.94	3,000.00	3,000.00	-
Other Miscellaneous Charges	2,110.95	4.55	2,200.00	2,200.00	-
Depreciation/Amortization	17,649.00	1,470.75	-	-	-
TOTAL OPERATING EXPENDITURES	621,389.84	198,037.11	658,570.62	643,390.00	(15,180.62)

SPOKANE EMPLOYEES' RETIREMENT SYSTEM - 6100
2024 PRELIMINARY BUDGET
 Round #1

	2022 ACTUAL	5/2023 YTD ACTUALS	2023 BUDGET	2024 BUDGET	2024 BUDGET CHANGE
INTERFUND EXPENDITURES					
Interfund - Centralized Purchasing	7,027.44	2,001.00	2,001.00	2,101.00	100.00
Interfund - Centralized Accounting	2,737.00	2,456.00	4,912.00	5,158.00	246.00
Interfund - My Spokane	965.83	640.75	1,291.00	1,356.00	65.00
Interfund - Risk Management	571.00	537.00	537.00	564.00	27.00
Interfund - Worker's Compensation	123.00	118.00	118.00	124.00	6.00
Interfund - Reprographics	11,049.94	3,428.40	6,781.00	7,120.00	339.00
Interfund - IT	46,111.71	7,307.91	21,884.00	22,978.00	1,094.00
Interfund - IT Replacement	3,305.04	987.00	2,961.00	3,109.00	148.00
TOTAL INTERFUND EXPENDITURES	71,890.96	17,476.06	40,485.00	42,510.00	2,025.00
TOTAL ADMINISTRATIVE EXPENDITURES	693,280.80	215,513.17	699,055.62	685,900.00	(13,155.62)
PENSIONS					
Pensions-Annuity Benefit Payments	32,696,265.95	13,951,781.50	35,500,000.00	36,000,000.00	500,000.00
Pensions-Disability Payments	114,579.60	47,741.50	135,000.00	135,000.00	-
Pensions-Survivor Annuity Benefits Payments	2,246,951.76	963,934.59	2,500,000.00	2,500,000.00	-
TOTAL PENSIONS	35,057,797.31	14,963,457.59	38,135,000.00	38,635,000.00	500,000.00
Refunds	1,210,280.26	410,925.63	1,000,000.00	1,250,000.00	250,000.00
Reserve for Budget Adjustment	-	-	10,000.00	10,000.00	-
INVESTMENT EXPENDITURES					
Advisory Technical Service	499,603.98	167,980.31	600,000.00	600,000.00	-
Total Department Expenditures	\$ 37,460,962.35	\$ 15,757,876.70	\$ 40,444,055.62	\$ 41,180,900.00	\$ 736,844.38