

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.

/s/

Christine Shisler, Interim Retirement Director