

**Spokane Employees' Retirement System (SERS)**  
**Board Meeting, 1:00 p.m. June 26, 2024**  
**City Hall, Council Briefing Center**

**AGENDA**

- 1) Minutes of the June 5, 2024 Meeting
  - Motion
  
- 2) Director's Report
  - a) Retirements
    - Motion
  - b) Withdrawals
    - Motion
  - c) Vesting
    - Information
  - d) Deaths
    - Information
  - e) Expenditure Summary Report – May 2024
    - Motion
  - f) Schedule of Investments – May 2024
    - Information
  - g) Cash Reconciliation – June 2024
    - Information
  - h) Other Business
  
- 3) Draft SERS Board Membership Ordinance
  - Motion
  
- 4) Other Business

Next Meeting – **Wednesday, August 7th at 1:00 p.m.**

**Spokane Employees' Retirement System (SERS)  
Board Meeting Minutes  
June 5, 2024**

The regular monthly meeting was called to order at 12:02 p.m.

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

**Staff:** Christine Shisler, Donald Brown, Lisa Dyson, and Tim Szambelan

**Guests:** Laurie Tish & Ashlee Lent (Moss Adams); Jayson Davidson & Tom Breden (Hyas Group); Matthew Thompson & Dylan Wharton (SAO), Dave Hanshaw, and Jon Barnhart

**Closed Session**

The meeting was called to order and the Board immediately went into closed session.

Richard Czernik and Jonathan Bingle seconded the motion to move into open session at 12:18pm. The motion passed unanimously.

**Moss Adams, December 31, 2023 Audit Report**

Moss Adams presented the 2023 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, 2024 1<sup>st</sup> Quarter Investment Performance Report**

Hyas Group reviewed the First Quarter 2024 Performance Report with the Board and provided updated numbers for quarter-to-date performance during the Second Quarter.

Hyas Group discussed general market conditions as well as expectations for the remainder of the year. The U.S. economy continues to post respectable economic growth numbers and the most recent employment report, which showed some slowing from previous months, still indicates a robust job market. Employers added 175,000 jobs in April and the unemployment rate remains below 4%. Expectations for several Federal Reserve rate cuts this year propelled markets during the First Quarter. These expectations have softened slightly as Federal Reserve leadership has expressed caution and inflation numbers appear to be somewhat stuck above targets. Markets have reacted in kind, with both fixed income and equity markets trading in a fairly narrow range. Additionally, Hyas Group noted that conflict in the Middle East and the continued war between Russia and Ukraine could further disrupt energy markets and global supply chains. This could put upward pressure on prices and strain global economic growth,

which would further impact markets. In this backdrop, the portfolio posted a good relative return quarter at 4.4%, which was .70% ahead of the portfolio benchmark. All broad categories added value relative to their respective benchmarks, with the exception of the Master Limited Partnership category. At quarter-end, there were four managers on watch for performance in violation of underlying policy benchmarks, Hotchkis & Wiley High Yield, Sterling Mid Cap Value, Champlain Small Cap and Contrarian Emerging Markets. As the OCIO group has now taken over responsibility for portfolio management, it will be incumbent upon them to address individual fund performance concerns and prior watch status policy language is no longer applicable. There were also two funds, Sterling Total Return Bond and Sterling Mid Cap Value (also on watch for quantitative reasons), on watch for qualitative reasons related to the previously announced ownership change for Sterling. The same responsibility change under OCIO applies here as well. We are expecting OCIO to address all watch status funds in the coming months, with most being removed from the portfolio allocation.

Hyas Group informed the Board that Morrison Street recently issued a \$468,750 capital call for Fund 7. The call was completed and capital provided in the month of May as requested. Hyas Group also shared that Morrison Street announced a change in ownership. Morrison Street is being acquired by NorthMarq, a larger real estate firm that hitherto did not have an asset management arm. They shared that the Hyas Group did not have any large concerns regarding the transaction and have advised affected clients to consent to the acquisition.

### **Portfolio Rebalancing Update**

Tom Breaden, the head of Hyas Group's analytics team provided a further update on the transition to OCIO management and the expected portfolio changes ahead. He noted that portfolio changes comport with the newly approved Investment Policy and discretionary OCIO management structure are underway. Most adjustments have taken place during the Second Quarter and expect completion early within the Third Quarter. Hyas Group will look to have a representative from OCIO attend the next quarterly meeting to discuss changes and ongoing processes.

### **Portfolio Comparison Analysis**

The Board revisited the discussion regarding the appropriate target return and overall allocation to achieve the return. Specifically, discussing the prospect of increasing the equity and/or alternatives allocation in order to achieve a higher targeted return. Hyas Group shared a couple of allocation scenarios looking at different equity/alternatives to fixed income percentage splits.

Joe Cavanaugh moved and Richard Czernik seconded the motion to table further discussion until the next meeting. The motion passed unanimously.

### **Minutes of the May 1, 2024 Meeting**

Joe Cavanaugh moved and Richard Czernik seconded the motion to approve the minutes of the May 1, 2024 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>
Mychael K. Isayev	51	06/01/2024	20.5	E
Michael A. Cannon	63	06/04/2024	32.9	E
Seth A. McIntosh	50	06/21/2024	25.9	ST

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**

<i>Name</i>	<i>Years of Service</i>	<i>Termination Date</i>
Michael D. Brown	0.97	03/09/2024
Keith R. Lentz	0.44	04/02/2024

Richard Czernik moved and Jonathan Bingle 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>
Paul R. Peterson	11/06/2017	73	04/27/2024	No Further Benefits

Death information provided to the Board for review.

**Expenditure Summary Report – April 2024**

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

Richard Czernik moved and Jonathan Bingle seconded the motion to approve the April 2024 Expenditure Summary Report. The motion passed unanimously.

**Schedule of Investments – April 2024**

The monthly investment report was presented to the Board for review. The estimated market value of the SERS portfolio on April 30, 2024, was \$347.9 million with an estimated rate of return of -2.0% for the month.

**Monthly Cash Reconciliation – May 2024**

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

Ms. Shisler and Mr. Bingle shared commentary regarding their visit to the Hyas Conference.

Ms. Shisler also shared her experience with the Wharton Executive Education on Portfolio Concepts and Management. She thanked the Board for giving her the opportunity and is looking forward the education in July at the Wharton's Advanced Investment Management.

Ms. Shisler also updated the Board that the budget process/season has begun. She informed the Board that administration is requesting a biennial budget process. She will begin working on the 2025 and 2026 budgets.

Richard Czernik moved and Jonathan Bingle seconded the motion to adjourn the meeting. The motion passed unanimously.

There being no other business, the Board meeting adjourned at 2:03 p.m.

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**Christine Shisler, Interim Retirement Director**

# SERS Retirement Transaction Report

July 2024

## *Retirements*

	<b>Name</b>	<b>Age</b>	<b>Retirement Date</b>	<b>Years of Service</b>	<b>Department</b>	<b>Option</b>
1	Murray "Dean" Giles	63	07/06/2024	10.7	Development Services Center	ST
2	Rebecca L. Prah	60	07/01/2024	8.7	Public Defender Sewer	E
3	Lawrence E. McIntyre	65	07/06/2024	21.6	Maintenance Fund	E
4	Karen J. Stratton	65	07/01/2024	18.4	Council	ST
5	Robert G. Potter, Jr.	70	08/02/2024	23.8	Information Technology	ST
	Retirements YTD	34				
	2023 Total Retirements	81				

## *Withdrawals*

	<b>Name</b>	<b>Years of Service</b>	<b>Department</b>	<b>Termination Date</b>
1	Julie D. Happy	5.9	Economic Development	06/03/2019
2	Barbara D. Rice	7.6	Parks & Recreation	04/27/2024

## *Vesting*

	<b>Name</b>	<b>Department</b>	<b>Years of Service</b>
1	Brian T. McGinn	Hearing Examiner	10.8

## *Deaths*

	<b>Name</b>	<b>Age</b>	<b>Retirement Date</b>	<b>Date of Death</b>	<b>Department</b>	<b>Information</b>
1	Debra D. Robole	69	01/01/2020	05/17/2024	Council	E Option Continues
2	Linda O. Hansford	83	04/02/2006	05/23/2024	Library	No Further Benefits
3	Deborah D. Wolcott	71	06/05/2004	05/31/2024	Benefits	E Option Continues
4	Allen L. Pope	69	03/03/2020	06/09/2024	Parks	E Option Continues

SPOKANE EMPLOYEES' RETIREMENT SYSTEM - 6100  
2024 EXPENDITURE SUMMARY REPORT  
**May 31, 2024**

	2023 ACTUAL	2024 BUDGET	MAY ACTUAL EXPENDITURES	2024 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
<b>OPERATING EXPENDITURES</b>						
Departmental Salaries	307,703.65	387,148.00	30,701.60	107,302.59	279,845.41	27.7%
Departmental Benefits	67,758.43	132,492.64	8,807.16	37,418.35	95,074.29	28.2%
Reserve for Budget Adjustment	-	10,000.00	-	-	10,000.00	
Administrative Income	(24,435.76)	(30,000.00)	-	(9,336.46)		
Postage/Supplies/Other	2,197.21	7,250.00	1,362.19	2,384.04	4,865.96	32.9%
State Audit Charges					-	
Contractual Services	136,457.84	175,000.00	40,682.00	83,189.84	91,810.16	47.5%
Travel	9,218.13	15,000.00	1,369.40	1,933.36	13,066.64	12.9%
Registration/Schooling	7,220.00	16,000.00	6,150.00	12,300.00	3,700.00	76.9%
Other Dues/Subscriptions/Membership	2,393.80	3,000.00	-	1,619.00	1,381.00	54.0%
Other Miscellaneous Charges	3,252.72	5,200.00	-	154.55	5,045.45	3.0%
Amortization	17,649.00	-	-	2,941.50	(2,941.50)	
<b>TOTAL OPERATING EXPENDITURES</b>	<b>529,415.02</b>	<b>721,090.64</b>	<b>89,072.35</b>	<b>239,906.77</b>	<b>501,847.41</b>	<b>33.3%</b>
<b>INTERFUND EXPENDITURES</b>						
Interfund - Centralized Purchasing	1,745.00	-	-	-	-	
Interfund - Centralized Accounting	3,624.66	-	-	-	-	
Interfund - My Spokane	958.00	-	-	-	-	
Interfund - Risk Management	537.00	-	-	-	-	
Interfund - Worker's Compensation	118.00	-	-	-	-	
Interfund - Reprographics	11,855.52	-	811.38	3,670.52	(3,670.52)	
Interfund - IT	21,287.52	-	-	-	-	
Interfund - IT Replacement	2,961.00	-	-	-	-	
<b>TOTAL INTERFUND EXPENDITURES</b>	<b>43,086.70</b>	<b>-</b>	<b>811.38</b>	<b>3,670.52</b>	<b>(3,670.52)</b>	
<b>TOTAL ADMINISTRATIVE EXPENDITURES</b>	<b>572,501.72</b>	<b>721,090.64</b>	<b>89,883.73</b>	<b>243,577.29</b>	<b>498,176.89</b>	<b>33.8%</b>

SPOKANE EMPLOYEES' RETIREMENT SYSTEM - 6100  
 2024 EXPENDITURE SUMMARY REPORT  
**May 31, 2024**

	2023 ACTUAL	2024 BUDGET	MAY ACTUAL EXPENDITURES	2024 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
<b>PENSIONS</b>						
Pensions-Annuity Benefit Payments	33,622,179.79	36,000,000.00	2,917,310.85	14,379,583.11	21,620,416.89	39.9%
Pensions-Disability Payments	109,613.46	135,000.00	8,115.76	40,578.80	94,421.20	30.1%
Pensions-Survivor Annuity Benefits Payments	2,356,445.04	2,500,000.00	205,425.79	1,019,057.78	1,480,942.22	40.8%
<b>TOTAL PENSIONS</b>	<u>36,088,238.29</u>	<u>38,635,000.00</u>	<u>3,130,852.40</u>	<u>15,439,219.69</u>	<u>23,195,780.31</u>	40.0%
Refunds	1,378,165.86	1,250,000.00	10,046.18	370,680.47	879,319.53	29.7%
<b>TOTAL EXPENSES</b>	<u><u>38,038,905.87</u></u>	<u><u>40,606,090.64</u></u>	<u><u>3,230,782.31</u></u>	<u><u>16,053,477.45</u></u>	<u><u>24,573,276.73</u></u>	39.5%
<b>INVESTMENT EXPENSE*</b>						
Advisory Technical Service	465,177.91	600,000.00	7,185.67	117,002.12	482,997.88	19.5%

\* 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  
May 31, 2024

			Allocation		
			Target	Current	Diff.
6/21/2024	Type				
Cash Held by Treasurer	Cash	\$ 122,205			
US Bank	Short-term Inv	1,137,596			
	<b>Total Cash</b>	<b>1,259,801</b>	<b>0.0%</b>	<b>0.3%</b>	<b>0.3%</b>
Sterling Capital	Total Return	35,189,141			
Loomis Sayles Core-Plus	Total Return-Mutual Fund	26,061,616			
Tortoise Energy Infrastructure	Total Return-Mutual Fund	7,133,540			
PIMCO Dynamic	Absolute Return	26,781			
	<b>Total Total Return</b>	<b>68,411,078</b>	<b>17.0%</b>	<b>18.9%</b>	<b>1.9%</b>
BlackRock	High Yield - Mutual Fund	6,654,386			
Hotchkis & Wiley	High Yield - Mutual Fund	16,073,254			
	<b>Total High Yield</b>	<b>22,727,640</b>	<b>8.0%</b>	<b>6.3%</b>	<b>-1.7%</b>
<b>Total Fixed Income</b>		<b>92,398,519</b>	<b>25.0%</b>	<b>25.5%</b>	<b>0.5%</b>
Hotchkis & Wiley	LC Value - Mutual Fund	9,790,466			
Fidelity S&P 500 Index	LC Core - Mutual Fund	38,646,182			
MFS Growth	LC Growth - Mutual Fund	12,966,994			
	<b>Total US Large Cap</b>	<b>61,403,642</b>	<b>16.0%</b>	<b>16.9%</b>	<b>0.9%</b>
Sterling	MC Value	5,669,189			
Fidelity MC Index	MC Core - Mutual Fund	3,404,580			
Westfield MC Growth	MC Growth	5,989,218			
Fidelity SC Index	SC Core - Mutual Fund	559,934			
Champlain	SC Core	8,903,818			
Bridge City	SC Growth	8,335,337			
	<b>Total US Small/Mid Cap</b>	<b>32,862,076</b>	<b>9.0%</b>	<b>9.1%</b>	<b>0.1%</b>
<b>Total US Equities</b>		<b>94,265,718</b>	<b>25.0%</b>	<b>26.0%</b>	<b>1.0%</b>
Artisan	SMID Value - Mutual Fund	21,591,025			
Euro Pacific	LC Blend - Mutual Fund	16,190,960			
Trivalent	SC Value - Mutual Fund	18,083,937			
	<b>Total International Developed</b>	<b>55,865,922</b>	<b>15.0%</b>	<b>15.4%</b>	<b>0.4%</b>
Vanguard EM Index	EM - Mutual Fund	14,439,588			
ABS Emerging Markets	Ltd Partnership	10,470,323			
	<b>Total Emerging Markets</b>	<b>24,909,911</b>	<b>5.0%</b>	<b>6.9%</b>	<b>1.9%</b>
<b>Total International Equities</b>		<b>80,775,833</b>	<b>20.0%</b>	<b>22.3%</b>	<b>2.3%</b>
<b>Total Equities</b>		<b>175,041,551</b>	<b>45.0%</b>	<b>48%</b>	<b>3%</b>
Polar	LLC	9,957,177			
Weatherlow Offshore	Ltd Partnership	23,184,111			
Beach Point	Ltd Partnership	15,206,041			
Rimrock Low Volatility	Ltd Partnership	-			
Contrarian Capital Fund I	Ltd Partnership	12,093,871			
Contrarian EM Credit	LLC	7,201,309			
	<b>Total Hedge Funds</b>	<b>67,642,509</b>	<b>14.0%</b>	<b>18.6%</b>	<b>4.6%</b>
Morrison Street Fund VI	LP	6,727,301			
Morrison Street Fund VII	LP	2,698,334			
Morrison Street Income Fund	LP	2,482,925			
Morgan Stanley Prime	LLC	7,127,143			
Principal (REITs)	REITs	7,710,480			
	<b>Total Real Estate</b>	<b>26,746,183</b>	<b>8.0%</b>	<b>7.4%</b>	<b>-0.6%</b>
Royalty Opportunities I	Ltd Partnership	728,023			
Royalty Opportunities II	Ltd Partnership	220,703			
	<b>Total Private Credit</b>	<b>948,726</b>	<b>3.0%</b>	<b>0.3%</b>	<b>-2.7%</b>
<b>Total MLP</b>			<b>2.0%</b>	<b>0.0%</b>	<b>-2.0%</b>
<b>Total Private Equity</b>			<b>3.0%</b>	<b>0.0%</b>	<b>-3.0%</b>
<b>Total Alternatives</b>			<b>30.0%</b>		
<b>Total Cash and Investments</b>		<b>\$ 362,777,488</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>
	Monthly Contributions	2,348,002			
	Monthly Pension	\$ (3,140,899)			
	As of April 30, 2024	<b>\$ 347,988,897</b>			
	Estimated Rate of Return	4.5%			

## SERS Cash Reconciliation-June 2024

Date	Transactions	Sources	Uses	Balance
<b>5/29/2024</b>	<b>Ending Balance</b>			<b>\$ 4,267,704.29</b>
5/31/2024	Redeposit of Pension Check	959.89		4,268,664.18
5/31/2024	May Pension Payments		(3,143,171.42)	1,125,492.76
5/31/2024	Retiree Medical Premiums	28,853.37		1,154,346.13
5/31/2024	Retiree Medical Premiums Wired to City		(28,853.37)	1,125,492.76
6/3/2024	Payroll Contributions	1,162,681.18		2,288,173.94
6/3/2024	Interest	12,103.43		2,300,277.37
6/7/2024	Redeposit of Pension Check	2,626.02		2,302,903.39
6/7/2024	Transferred from Royalty Opps II	25,974.03		2,328,877.42
6/10/2024	Redeposit of Pension Check	556.78		2,329,434.20
6/10/2024	Reissue Pension Checks		(1,744.49)	2,327,689.71
6/14/2024	Redeposit of Pension Check	225.40		2,327,915.11
6/14/2024	Reissue Pension Checks		(225.40)	2,327,689.71
6/17/2024	Payroll Contributions	1,178,688.10		3,506,377.81
<b>6/20/2024</b>	<b>Ending Balance</b>			<b>3,506,377.81</b>
<u>Upcoming</u>				
6/28/2024	June Pension Payments		(3,237,836.36)	

ORDINANCE NO. C - \_\_\_\_\_

An ordinance relating to the membership of the Spokane Employees' Retirement System Board; amending SMC section 4.14.040.

**WHEREAS**, Spokane Employees' Retirement System (SERS) Board administers the retirement system and retirement fund for City of Spokane employees and elected officials except police and fire department employees; and

**WHEREAS**, SERS Board has the power to direct investments of the retirement fund, change the rates of contribution, and adopt mortality and service tables to determine retirement benefit calculations; and

**WHEREAS**, SERS Board membership is governed by SMC 04.14.040 and currently consists of seven members with equal employee and Council appointees and one member selected by the other six members; and

**WHEREAS**, as part of the comprehensive budget review process, the Mayor seeks to add additional financial expertise to the administration of the retirement system and Employees' Retirement Fund with the goal of improving overall retirement system health and performance.

**NOW, THEREFORE**, the City of Spokane does ordain:

Section 1. That SMC section 4.14.040 is amended to read as follows:

**4.14.040 Membership – Selection**

A. The board consists of ~~((seven (7)))~~ nine (9) members.

1. Three (3) board members are appointed by the city council.

2. ~~((Three (3)))~~ four (4) board members are elected from employees eligible for the retirement system by such eligible employees; ~~((and))~~

3. The Mayor or the Mayor's designee.

~~((3))~~ 4. One (1) board member, who may not be an elected official or employee of the City, is appointed by the other ~~((six (6)))~~ eight (8) board members.

B. Terms.

1. The board members appointed by the city council serve at the pleasure of the city council.

2. The elected employee board members serve staggered three-year terms commencing on the first Monday in July.

3. The Mayor or designee serves during the Mayor's term of office.

~~((3))~~ 4. The ~~((seventh))~~ ninth board member serves a four-year term.

4. A vacancy is filled and a replacement is made in the same manner as original selections, except that a vacancy in one of the elected employee positions is filled by appointment by the other two elected employee board members, which appointment is until the next annual election.

PASSED by the City Council on \_\_\_\_\_

\_\_\_\_\_  
Council President

Attest:

Approved as to form:

\_\_\_\_\_  
City Clerk

\_\_\_\_\_  
City Attorney

\_\_\_\_\_  
Mayor

\_\_\_\_\_  
Date

\_\_\_\_\_  
Effective Date