

Spokane Employees' Retirement System (SERS)
Board Meeting, 1:00 p.m. October 2, 2024
Council Briefing Center

AGENDA

1. Minutes of the September 4, 2024 Meeting
 - Motion

2. Director's Report
 - a) Retirements
 - Motion
 - b) Withdrawals
 - Motion
 - c) Vesting
 - Motion
 - d) Deaths
 - Information
 - e) Expenditure Summary Report – August 2024
 - Motion
 - f) Schedule of Investments – August 2024
 - Information
 - g) Cash Reconciliation – September 2024
 - Information
 - h) VRIP Update
 - Information
 - i) Other Business

- 5) Other Business

- 6) Next Meeting – **Wednesday, November 6, 2024 at 1:00 p.m.**

**Spokane Employees' Retirement System (SERS)
Board Meeting Minutes
September 4, 2024**

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

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

Staff: Christine Shisler, Donald Brown, and Tim Szambelan

Guests: Jayson Davidson, Tom Breaden, Robyn Moss, Matt Boston, Jon Barnhart, and Natalie Hilderbrand

Hyas Group, 2024 2nd Quarter Investment Performance Report

Mr. Davidson presented the Second Quarter 2024 Performance Report and discussed general market conditions as well as expectations for the remainder of the year. As with recent prior quarters, the U.S. economy continues to post respectable economic growth numbers and the much-discussed inflation appears to be softening. With recent price and employment data, the Federal Reserve appears to be poised to begin cutting rates this year. Hyas Group expects them to be wary of coming monthly data and likely will engage these cuts in a gradual, measured fashion. Markets appear to be reacting to the rate cut prospect and Hyas Group has seen a slight rotation from the large cap technology sector led gains to more mainline sectors such as energy, real estate, and finance. Additionally, small capitalization stocks also seem to be benefiting from the anticipated lowering of interest rates. The portfolio again posted respectable numbers in what has been a pretty consistent economic and market back drop. SERS recorded a 1.0% return for the quarter, outpacing the policy portfolio's return of 0.7%. SERS remains well ahead of the policy benchmark for the year-to-date and trailing one-year periods. Most of the performance premium this year came from the portfolio's largest allocation categories. Most fixed income and large cap managers outperformed their respective benchmarks. Mr. Davidson noted that the prior quarter's quantitative watch status managers were still held in the Fund at the end of the Second Quarter. The Sterling Mid Cap Value, Champlain Small Cap and Contrarian Emerging Markets remained in violation of the prior approved policy at quarter-end. The Hotchkis & Wiley High Yield Fund actually posted policy compliant numbers. 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. Many of the watch status options were transferred out of the portfolio with the OCIO initiated changes that took place after quarter-end. 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.

Mr. Davidson informed the Board that we are expecting the final capital call for Morrison Street Fund VII in the coming months.

Robyn Moss, the newly introduced Portfolio Manager under the approved OCIO mandate, provided an update on portfolio adjustments and manager transitions. Since OCIO has taken over responsibility for management of the SERS portfolio they have made several adjustments to the holdings within the portfolio in accordance with the new approved policy. The next report will reflect these changes and we will continue to keep you apprised of OCIO actions related to the portfolio.

Minutes of the August 7, 2024 Meeting

Joe Cavanaugh moved, and Richard Czernik seconded the motion to approve the minutes of the August 7, 2024 meeting as presented. The motion passed unanimously.

Director's Report

Service Retirements

Name	Age	Retirement Date	Years of Service	Department
Amy K. Jones	52	09/01/2024	5.9	Human Services
Dennis C. Doidge	54	09/08/2024	9.8	Water
Theresa A. Christiansen	61	10/12/2024	33.5	Utilities Billing
Dawn M. Biehl	62	10/03/2024	23.4	Police Records

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

Withdrawals for September 2024

Name	Years of Service	Termination Date
Timothy J. Horn	0.6	11/16/2023
Michelle L. Coker	0.5	01/25/2024
Tamar E. Powers	2.2	06/05/2024
Nicole Miller	0.4	06/10/2024
Joshua A. Williams	8.4	07/06/2024
Patrick A. P. Striker	1.5	07/09/2024

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

Vesting

<i>Name</i>	<i>Department</i>	<i>Years of Service</i>
Tonya D. Wallace	Finance	4.2
Erik D. Johnson	Development Services Center	10.8
Brian J. Coddington	Public Affairs/Communications	9.3

Deaths

<i>Name</i>	<i>Date Retired</i>	<i>Age</i>	<i>Date of Death</i>	<i>Information</i>
Lili M. Hirata	12/09/2005	92	07/27/2024	No Further Benefits
Greta M. Rizzuti	02/24/2007	88	08/06/2024	No Further Benefits
Karen M. Nielsen	10/06/2005	68	08/06/2024	No Further Benefits
Walter L. Wagner	03/04/2003	87	04/03/2024	E Option Continues

Vesting and death information provided to the Board for review.

Expenditure Summary Report – July 2024

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

Joe Cavanaugh moved, and Jonathan Bingle seconded the motion to approve the July 2024 Expenditure Summary Report. The motion passed unanimously.

Schedule of Investments – July 2024

The monthly investment report was presented to the Board for review. The estimated market value of the SERS portfolio on July 31, 2024 was \$363 million with an estimated rate of return of 1.4% 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

Ms. Shisler shared with the Board information from the IRS pertaining to the hiring of retirees as temp/seasonal employees and included examples from other Plans and their policies on the issue. By allowing an employee to begin receiving their pension before a legitimate retirement could cause SERS to lose our qualified tax status, and contributions would become taxable immediately to all employees. The Board changed the wait period from 2 weeks to 6 months based on the information provided. Mr. Szambelan will work with Ms. Shisler to draft a change to the code and notify Department Heads of the change to the process of rehiring retirees.

Jim Tieken discussed the voluntary retirement incentive plan that was being offered and discussion ensued about the impacts to the Plan.

Joe Cavanaugh moved and Richard Czernik seconded the motion to engage SageView to conduct an experience study for a cost to not exceed \$10,000.00. The motion passed unanimously with Board chair Jim Tieken voting.

2025 and 2026 Budgets

The 2025 and 2026 Budgets was presented to the Board and discussed. Ms. Shisler expressed to the Board that she would like to add an accountant position to the department and will work with Civil Service to bring on the appropriate level of accountant.

Joe Cavanaugh moved and Richard Czernik seconded the motion to approve the 2025 and 2026 budgets as presented. The motion passed unanimously.

There being no other business, the meeting adjourned at 2:38 p.m.

Christine Shisler, Retirement Director

SERS Retirement Transaction Report

October 2024

Retirements

	Name	Age	Retirement Date	Years of Service	Department	Option
1	Craig M. Gilbert	53	10/01/2024	12.4	Advanced Wastewater Treatment	E
2	Judith M. Knaack	67	01/04/2025	45.2	Library	E
3	Anthony C. Bentley	56	01/09/2025	26.7	Sewer Maintenance	ST
	Retirements YTD	59				
	2023 Total Retirements	36				

Withdrawals

	Name	Department	Years of Service	Termination Date
1	Shane M. Gronholz	Library	1.6	03/31/2024
2	Jeni L. Rostie	Sewer Maintenance	0.7	05/25/2024
3	Rebecca S. Jenkins	Solid Waste Disposal	8.8	08/17/2024

Vesting

	Name	Department	Years of Service
1	Craig M. Gilbert	Wastewater	12.4

Deaths

	Name	Age	Retirement Date	Date of Death	Department	Information
1	Carol J. Swanson	88	02/03/2007	08/31/2024	Survivor	No Futher Benefits
2	Kathy L. Meredith	71	06/07/2003	09/19/2024	Mangement & Budget	No Futher Benefits

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

	2023 ACTUAL	2024 BUDGET	AUGUST ACTUAL EXPENDITURES	2024 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
OPERATING EXPENDITURES						
Departmental Salaries	307,703.65	387,148.00	20,614.40	169,145.79	218,002.21	43.7%
Departmental Benefits	67,758.43	132,492.64	6,893.96	55,572.22	76,920.42	41.9%
Reserve for Budget Adjustment	-	10,000.00	-	-	10,000.00	
Administrative Income	(24,435.76)	(30,000.00)	-	(17,927.65)		
Postage/Supplies/Other	2,197.21	7,250.00	136.44	2,650.04	4,599.96	36.6%
State Audit Charges					-	
Contractual Services	136,457.84	175,000.00	-	116,661.01	58,338.99	66.7%
Travel	9,218.13	15,000.00	597.08	3,971.18	11,028.82	26.5%
Registration/Schooling	7,220.00	16,000.00	925.00	13,225.00	2,775.00	82.7%
Other Dues/Subscriptions/Membership	2,393.80	3,000.00	-	1,785.54	1,214.46	59.5%
Other Miscellaneous Charges	3,252.72	5,200.00	-	2,378.50	2,821.50	45.7%
Amortization	17,649.00	-	-	8,824.50	(8,824.50)	
TOTAL OPERATING EXPENDITURES	529,415.02	721,090.64	29,166.88	356,286.13	376,876.86	49.4%
INTERFUND EXPENDITURES						
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	-	873.20	6,193.66	(6,193.66)	
Interfund - IT	21,287.52	-	-	-	-	
Interfund - IT Replacement	2,961.00	-	-	-	-	
TOTAL INTERFUND EXPENDITURES	43,086.70	-	873.20	6,193.66	(6,193.66)	
TOTAL ADMINISTRATIVE EXPENDITURES	572,501.72	721,090.64	30,040.08	362,479.79	370,683.20	50.3%

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

	2023 ACTUAL	2024 BUDGET	AUGUST ACTUAL EXPENDITURES	2024 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
PENSIONS						
Pensions-Annuity Benefit Payments	33,622,179.79	36,000,000.00	2,953,464.86	23,206,635.33	12,793,364.67	64.5%
Pensions-Disability Payments	109,613.46	135,000.00	8,115.76	64,926.08	70,073.92	48.1%
Pensions-Survivor Annuity Benefits Payments	2,356,445.04	2,500,000.00	217,910.53	1,661,694.29	838,305.71	66.5%
TOTAL PENSIONS	<u>36,088,238.29</u>	<u>38,635,000.00</u>	<u>3,179,491.15</u>	<u>24,933,255.70</u>	<u>13,701,744.30</u>	64.5%
Refunds	1,378,165.86	1,250,000.00	112,187.59	604,293.76	645,706.24	48.3%
TOTAL EXPENSES	<u><u>38,038,905.87</u></u>	<u><u>40,606,090.64</u></u>	<u><u>3,321,718.82</u></u>	<u><u>25,900,029.25</u></u>	<u><u>14,718,133.74</u></u>	63.8%
INVESTMENT EXPENSE*						
Advisory Technical Service	465,177.91	600,000.00	37,516.00	235,553.37	364,446.63	39.3%

* 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
August 31, 2024

9/26/2024	Type		Allocation		
			Target	Current	Diff.
Cash Held by Treasurer	Cash	\$ 179,478			
US Bank	Short-term Inv	3,141,638			
Total Cash		3,321,116	0.0%	0.9%	0.9%
Loomis Sayles Core-Plus	Core Fixed Income - CIT	26,097,063			
Segall Bryant Core	Core Fixed Income - SMA	38,676,325			
Sterling Core Fixed Income	Core Fixed Income - SMA	-			
PIMCO Dynamic Bond	Core Fixed Income - Mutual Fund	-			
Total Total Return		64,773,388	17.0%	17.6%	0.6%
BlackRock	High Yield - Mutual Fund	2,668			
BlackRock	High Yield - CIT	6,500,000			
Hotchkis & Wiley	High Yield - Mutual Fund	16,696,402			
Total High Yield		23,199,070	8.0%	6.3%	-1.7%
Total Fixed Income		91,293,574	25.0%	24.8%	-0.2%
Hotchkis & Wiley	LC Value - Mutual Fund	-			
Fidelity S&P 500 Index	LC Core - Mutual Fund	34,429,817			
MFS Growth	LC Growth - Mutual Fund	13,559,045			
Boston Partners Large Cap Value	LC Value - SMA	5,120,690			
SSGA S&P 500 Index	LC Core - CIT	7,000,000			
Columbia Dividend Income	LC Value - SMA	5,126,906			
SSGA Russell 1000 Growth Index	LC Growth - CIT	-			
Total US Large Cap		65,236,458	16.0%	17.7%	1.7%
Fidelity MC Index	MC Core - Mutual Fund	-			
Earnest Partners S/M Core Equity	MC Core - SMA	6,077,429			
Allspring Special SCV CIT	SC Value - CIT	6,987,277			
SSGA Russell 2500 Index Strat	SC Core - CIT	17,000,403			
Bridge City	SC Growth - SMA	-			
Champlain	SC Core - CIT	-			
Sterling Mid Cap Value	MC Value - SMA	329			
Total US Small/Mid Cap		30,065,438	9.0%	8.2%	-0.8%
Total US Equities		95,301,896	25.0%	25.9%	0.9%
Artisan Intl	SMID Value - Mutual Fund	17,758,087			
American Funds Euro Pacific	LC Blend - Mutual Fund	16,741,474			
Trivalent	SC Value - Mutual Fund	-			
Victory Trivalent Intl Sml	SC Value - CIT	10,000,000			
SSGA MSCI EAFE Index	LC Blend - CIT	11,000,000			
Total International Developed		55,499,561	15.0%	15.1%	0.1%
Vanguard EM Index	EM - Mutual Fund	-			
ABS Emerging Markets	Ltd Partnership	10,982,749			
GQG Partners Emerging Markets	EM - CIT	-			
SSGA MSCI Emerging Markets	EM - CIT	7,000,000			
Total Emerging Markets		17,982,749	5.0%	4.9%	-0.1%
Total International Equities		73,482,310	20.0%	20.0%	0.0%
Total Equities		168,784,206	45.0%	46%	1%
Polar	LLC	10,215,237			
Weatherlow Offshore	Ltd Partnership	23,850,951			
Beach Point	Ltd Partnership	15,572,573			
Contrarian Capital Fund I	Ltd Partnership	12,759,835			
Contrarian EM Credit	LLC	7,430,876			
Total Hedge Funds		69,829,472	14.0%	19.0%	5.0%
Morrison Street Fund VI	LP	6,818,223			
Morrison Street Fund VII	LP	3,123,774			
Morrison Street Income Fund	LP	2,448,266			
Morgan Stanley Prime	LLC	6,933,993			
Principal (REITs)	REITs	8,863,085			
Total Real Estate		28,187,341	8.0%	7.7%	-0.3%
Royalty Opportunities I	Ltd Partnership	475,746			
Royalty Opportunities II	Ltd Partnership	147,929			
Atalaya Special Opp Fund	Ltd Partnership	904,258			
Apollo Debt Solutions BDC	Ltd Partnership	-			
Total Private Credit		1,527,933	3.0%	0.4%	-2.6%
Tortoise Energy Infrastructure	Total Return - Mutual Fund	7,925,456			
Total MLP		7,925,456	2.0%	2.2%	0.2%
Total Private Equity		-	3.0%	0.0%	-3.0%
Total Alternatives		107,470,202	30.0%		
Total Cash and Investments		\$ 367,547,982	100.0%	100.0%	0.0%
	Monthly Contributions	2,348,002			
	Monthly Pension	\$ (3,140,899)			
	As of July 31, 2024	\$ 363,096,636			
	Estimated Rate of Return	1.4%			

SERS Cash Reconciliation-September 2024

Date	Transactions	Sources	Uses	Balance
8/28/2024	Ending Balance			\$ 6,415,675.33
8/29/2024	transfer from Fidelity S&P 500 Index	7,000,000.00		13,415,675.33
8/29/2024	transfer to SSGA S&P 500 Strategy Index		(7,000,000.00)	6,415,675.33
8/30/2024	August Pension Payments		(3,295,039.67)	3,120,635.66
8/30/2024	Retiree Medical Premiums	25,668.71		3,146,304.37
8/30/2024	Retiree Medical Premiums Wired to City		(25,668.71)	3,120,635.66
8/30/2024	Redeposit of Pension Check	2,220.76		3,122,856.42
8/30/2024	Reissue of Pension Check		(2,220.76)	3,120,635.66
9/3/2024	Interest	21,001.90		3,141,637.56
9/4/2024	transfer from Westfield MC Growth	1.13		3,141,638.69
9/5/2024	Redeposit of Pension Check	751.94		3,142,390.63
9/6/2024	transfer from Fidelity S&P 500 Index	10,000,000.00		13,142,390.63
9/6/2024	transfer to SSGA S&P 500 Strategy Index		(10,000,000.00)	3,142,390.63
9/9/2024	Payroll Contributions	1,152,505.76		4,294,896.39
9/9/2024	transfer to Sterling Capital FI		(1,561.81)	4,293,334.58
9/11/2024	transfer to Morrison Street Fund VII (capital call)		(800,882.25)	3,492,452.33
9/11/2024	transfer to Atalaya Special Opportunities TE IX (capital call)		(1,058,486.00)	2,433,966.33
9/11/2024	transfer to Segal Bryan Core		(164,646.47)	2,269,319.86
9/12/2024	Redeposit of Pension Check	774.84		2,270,094.70
9/12/2024	Reissue of Pension Check		(774.84)	2,269,319.86
9/13/2024	transferred from Fidelity S&P 500 Index	10,000,000.00		12,269,319.86
9/13/2024	transfer to SSGA S&P 500 Strategy Index		(10,000,000.00)	2,269,319.86
9/17/2024	transfer from MFS Growth	6,000,000.00		8,269,319.86
9/17/2024	transfer to SSGA Russell 1000 Growth Index		(6,000,000.00)	2,269,319.86
9/20/2024	transfer from Fidelity S&P 500 Index	7,000,000.00		9,269,319.86
9/20/2024	transfer to SSGA S&P 500 Strategy Index		(7,000,000.00)	2,269,319.86
9/23/2024	Payroll Contributions	1,170,744.88		3,440,064.74
9/24/2024	transfer to Segal Bryan Core		(144,705.78)	3,295,358.96
9/24/2024	transfer from Allspring Special CIT	2,006.55		3,297,365.51
9/24/2024	transfer from Sterling MC	329.21		3,297,694.72
9/24/2024	transfer from SSGA Russell 2500 Index	402.69		3,298,097.41
9/24/2024	manager fee wire		(1,185.79)	3,296,911.62
9/24/2024	manager fee wire		(1,174.62)	3,295,737.00
9/24/2024	manager fee wire		(1,514.49)	3,294,222.51
9/24/2024	manager fee wire		(1,172.76)	3,293,049.75
9/24/2024	manager fee wire		(1,492.82)	3,291,556.93
9/24/2024	transfer from Loomis Sayles Core Plus Fixed	97,063.26		3,388,620.19
9/25/2024	transfer from Blackrock FI	2,683.11		3,391,303.30
9/25/2024	transfer from ABS Emerging Markets	280.27		3,391,583.57
9/25/2024	transfer from ABS Emerging Markets	10,433,611.60		13,825,195.17
9/25/2024	transfer from MFS Growth	7,694,359.49		21,519,554.66
9/25/2024	transfer to SSGA Russell 1000 Growth Index		(7,500,000.00)	14,019,554.66
9/26/2024	transfer from Fidelity S&P 500 Index	7,265,721.86		21,285,276.52
9/26/2024	Ending Balance			\$ 21,285,276.52
Upcoming				
9/30/2024	September Pension Payments		(3,250,019.23)	