

**Spokane Employees' Retirement System (SERS)**  
**Board Meeting Minutes**  
**February 26, 2014**

Bill Todd called the regular monthly meeting to order at 12:30 p.m. in the 5<sup>th</sup> Floor Conference Room at City Hall.

**Present:** Bill Todd, Steve Sather, Mike Coster, Jerry McFarlane, Dean Kiefer and Brian Brill

**Absent:** Jon Snyder

**Staff:** Tim Dunivant, Christine Shisler, Donald Brown and Tim Szambelan

**Guests:** Jayson Davidson, Joan Hamilton, Joe Cavanaugh, Dave Hanshaw, Jim Tieken, Bob Olsen, Mike Cavanaugh, Heather Lowe, Blaine Stum, and John Bjork

**Jayson Davidson, Hyas Group, 2013 4<sup>th</sup> Quarter Investment Performance Report**

Mr. Davidson presented the Fourth Quarter 2013 Performance Report and briefed the Board on what turned out to be a strong quarter and an excellent year for the Fund. Mr. Davidson noted that the Fund was at an all time high of approximately \$280 million at 12/31/2013. Hyas Group will maintain the watch status for the Champlain Small Cap Fund the Rainier Mid Cap Fund and the Epoch International Small Cap Fund. Each of these funds were placed on watch due to performance in violation of policy. Recent performance improvements were again noted for the Epoch Fund and as of the end of the fourth quarter, the Fund was technically not in violation of policy. The Rainier Fund was discussed at length and Hyas Group will plan to present a manager search report and evaluate alternative mid-cap growth candidates at the next quarterly report meeting. Additionally, the Principal Global Investors REIT Fund and the Metropolitan Reality Fund will remain on watch for non-performance, qualitative reasons.

Mr. Davidson briefed the Board on the status of the move for the current Altairis Offshore funding vehicle to a different vehicle. The transition will take place automatically and is scheduled to happen in May of this year.

Mr. Davidson also briefed the Board on a recently announced ownership change at Delaware Investments that specifically impacts the Delaware Large Cap Growth option, which is funded in the SERS portfolio. The investment management team is effectively spinning off from the larger Delaware organization. The team will own 51% of the Large Cap Growth Fund operations and it is expected that they will eventually leave Delaware altogether. At this point, there is a two-year joint servicing agreement

in place and the Hyas Group feels comfortable with the restructuring. No action was recommended or taken regarding this product.

Mr. Davidson communicated to the Board that Hyas Group is expecting new fundings for the Morrison Street and OrbiMed Royalty Opportunities to be coming later this year. Hyas Group will present detailed information on the products once they are available.

### **PIMCO**

Mr. Davidson distributed a Hyas Group communication related to the recent departure of Mohamed El-Erian from PIMCO. Mr. El-Erian was serving as the firm's CEO and co-CIO and because of the implied, broader implication for succession planning at PIMCO, it was recommended that all PIMCO products available in the Plan be placed on watch (PIMCO Low Duration Bond Fund, PIMCO Global Advantage Bond Fund, and PIMCO Commodities Plus Fund).

Steve Sather moved and Dean Kiefer seconded the motion to put the PIMCO Low Duration Bond Fund, the PIMCO Global Advantage Bond Fund, and the PIMCO Commodities Plus Fund on watch as per the recommendation from Hyas Group. The motion passed unanimously.

### **Rebalancing**

Hyas Group recommended a rebalancing of the portfolio. Specifically, Hyas Group recommended draws of \$5 million from the Vanguard Institutional Index allocation and \$3 million from the Vanguard Total International Index allocation. The proceeds will be split equally (\$4 million/\$4 million) and invested in the PIMCO Low Duration Bond Fund and the Vanguard Short-term Bond Index Fund. Hyas Group will work with staff to process the rebalance.

Mr. Brill asked how often the target allocation percentages are reviewed to ensure they are the best for the Plan. Mr. Davidson explained that the targets have not changed in a couple years. The current targets were originally put in place to minimize the amount of risk to the Plan but still able to achieve the expected rate of return that is desired.

Mike Coster moved and Brian Brill seconded the motion to take \$8M from global equities and invest \$4 million into PIMCO Low Duration and \$4 million into Vanguard Short Term per the recommendation from Hyas Group. The motion passed unanimously.

### **Retirement Director Update**

Ms. Lowe from the Human Resources (HR) Department updated the Board on the status of the Retirement Director search. She indicated that there were currently three to four candidates and that the HR Department hoped to begin interviews within the next two weeks. Ms. Lowe indicated that if there was not a suitable candidate within this current pool, that a recruitment firm would more than likely be hired to help fill this

position. Mr. Todd inquired if there would be more than one panel to interview the candidates and Ms. Lowe stated that two interview panels would be more appropriate. The make-up of the two panels would be one-half of the SERS Board with Staff and Administration Staff on the first panel, and the balance of the SERS Board and different Administration Staff sitting on the second panel. She indicated that the labor groups would be represented on both panels.

Mr. Todd also inquired about a possible agreement being reached regarding Plan changes. Ms. Lowe indicated that there are some agreeable terms and conversations happening between the labor groups and HR; however, nothing has been finalized at this time.

**Minutes of the January 29, 2014 Meeting**

Steve Sather moved and Dean Kiefer seconded the motion to approve the minutes of the January 29, 2014 meeting as distributed. The motion passed unanimously.

**Service Retirements**

<b>Name</b>	<b>Age</b>	<b>Retirement Date</b>	<b>Years of Service</b>	<b>Option</b>	<b>30-day Notice</b>
Gary J. Gentle	62	2/8/2014	8.6	ST	N
Anne C. Lockwood	55	2/20/2014	17.1	ST	N
Steve F. Shagina	51	2/22/2014	33.5	ST	N
Danny A. Winterroth	60	3/4/2014	35.0	ST	N
Robert B. Everman	50	3/30/2014	15.8	E	Y
Dawn E. Evans	50	4/2/2014	25.2	E	Y
Barbara A. Burns	62	4/5/2014	26.9	B	Y
Gary R. Brusseau	64	4/5/2014	30.1	D	Y
Karen A. Holmes	50	4/29/2014	19.0	ST	Y

Jerry McFarlane moved and Dean Kiefer seconded the motion to approve the service retirements as presented on the February Retirement Transaction Report. The motion passed unanimously.

**Withdrawals for February 2014**

<b>Name</b>	<b>Termination Date</b>
John R. Spracklen	08/16/2013
Margaret C. Paullin	12/31/2013
Matthew C. McCully	01/17/2014
Rebekah A. Johnson beneficiary of Leland B. Johnson	01/28/2014

Dean Kiefer moved and Steve Sather seconded the motion to approve the requests for withdrawal as presented on the February Retirement Transaction Report. The motion passed unanimously.

**Deaths**

<b>Name</b>	<b>Date of Death</b>	<b>Age</b>	<b>Information</b>
Steven A. Weed	64	02/05/2014	Option E Continues
Kenneth L. Humphreys	90	02/13/2014	Option E Continues

Death information was provided to the Board for review.

**Director’s Report**

**Schedule of Administrative Expenses – 2013**

The 2013 Schedule of Administrative Expenses was presented to the Board and discussed.

Mike Coster moved and Steve Sather seconded the motion to approve the 2013 Schedule of Administrative Expenses. The motion passed unanimously.

**Expenditure Summary Report – January 2014**

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

Steve Sather moved and Jerry McFarlane seconded the motion to approve the January 2014 Expenditure Summary Report. The motion passed unanimously.

**Schedule of Investments – January 2014**

The monthly investment report was presented to the Board for review. The market value of the SERS portfolio on January 31, 2013 was approximately \$277.1 million.

**Upcoming Board Election**

Steve Sather’s term on the Board runs through July 8, 2014. Ms. Shisler reminded the Board that the City Clerks’ office handles the election.

**Other Business**

There being no other business, the meeting adjourned at 1:12 p.m.

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**Timothy Dunivant, Interim Retirement Director**