

Spokane Employees' Retirement System (SERS)
Board Meeting Minutes
May 28, 2014

Bill Todd called the regular monthly meeting to order at 12:35 p.m. in the 5th Floor Conference Room at City Hall.

Present: Bill Todd, Jon Snyder, Jerry McFarlane, Mike Coster, Dean Kiefer and Brian Brill

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

Guests: Jayson Davidson, Joan Hamilton, Bob Olsen, Joe Cavanaugh, Mike Cavanaugh, Jim Tieken, Natalie Hilderbrand, Heather Lowe, and John Bjork

Jayson Davidson, Hyas Group, 2014 1st Qtr Investment Performance Report

Mr. Davidson presented the First Quarter 2014 Performance Report and the Board was briefed on what turned out to be a relatively strong quarter for the Fund.

Hyas Group will maintain the watch status for the Champlain Small Cap Fund and the Epoch International Small Cap Fund for performance in violation of policy criteria. The Principal Global Investors REIT Fund, the PIMCO Low Duration Bond Fund, the PIMCO Global Advantage Bond Fund, and the PIMCO Commodities Plus Fund will also remain on watch for non-performance, qualitative reasons related to recent personnel changes.

Mr. Davidson briefed the Board on the status of the move for the current Altairis Offshore funding vehicle to a different vehicle. The transition was completed on May 1st of this year.

Mr. Davidson communicated to the Board that Convergenx, a company hired to assist with a 2007 portfolio transition, has notified clients of certain actions taken by one of Convergenx's offshore subsidiary that may have adversely impacted certain clients. Hyas Group understands that SERS is one of the clients impacted by the actions and that Convergenx is currently in the process of determining restitution amounts. At this time, it is estimated that SERS will receive approximately \$200,000 in restitution. The process is currently being reviewed by the SEC and is in a 90-day comment period. We would expect restitution funds to be available shortly after the comment period is complete.

Manager Search

Mr. Davidson presented a mid-cap growth manager search report to replace the Rainier Mid Cap Growth Fund and transition all assets. The four funds presented to

the Board were Harford Mid Cap Stock, MFS Mid Cap Growth, Munder Mid Cap Core Growth and Vanguard Mid Cap Growth.

Mike Coster moved and Jerry McFarlane seconded the motion to move out of Rainier Mid Cap and into the Vanguard Mid Cap Growth. The motion passed by majority with Jon Snyder voting no. Hyas Group will work with the SERS staff and custodian to implement this change as soon as possible.

Morrison Street Fund V

Mr. Davidson presented the Hyas Group due diligence write-up for Morrison Street Capital and their Fund V. The strategy for Fund V will be similar to Fund IV. SERS currently has a \$6 million commitment in Morrison Street's Fund IV and they expected to start returning capital quickly. Hyas Group is recommending a \$7 million commitment to Morrison Street Fund V.

Jerry McFarlane moved and Brian Brill seconded the motion to commit \$7 million to Morrison Street Fund V. The motion passed unanimously. Hyas Group will work with SERS staff, outside counsel and the custodian to affect this commitment.

Metropolitan West High Yield Fund

Mr. Davidson communicated that Hyas Group no longer consider the recent private equity fund purchase of Metropolitan Real Estate Partners to be a concern for the Fund.

Mike Coster moved and Dean Kiefer seconded the motion to place Metropolitan West High Yield on the watch list. The motion passed unanimously.

Sterling

Hyas Group recommended placing Sterling on watch as they are in below median in their peer group, which puts them in violation of the Investment Policy.

Dean Kiefer moved and Jon Snyder seconded the motion to place Sterling on the watch list. The motion passed unanimously.

Post Limited-term High Yield

Hyas Group recommended Post Limited-term High Yield on watch due to senior-level personnel changes.

Jerry McFarlane moved and Jon Snyder seconded the motion to place Post Limited-term High Yield on watch. The motion passed unanimously.

Metropolitan Realty Fund

Mr. Davidson communicated that Hyas Group no longer consider the recent private equity fund purchase of Metropolitan Real Estate Partners to be a concern for the Fund.

Jon Snyder moved and Brian Brill seconded the motion to remove Metropolitan Realty Fund from the watch list. The motion passed unanimously.

Retirement Director Search Update

Heather Lowe updated the Board on the search for a Retirement Director. Ms. Lowe had the Request for Proposal (RFP) completed and told the Board she would email copies to the Members after the meeting. Brian Brill asked what the typical charge was for a search like this. Ms. Lowe indicated that the RFP did not list a specific amount but generally, the fee is thirty percent (30%) of the salary offered to the individual. Mr. Szambelan provided Ms. Lowe contact information for a firm that specializes in fulfilling this type of position. Ms. Lowe informed the Board that the position has also been re-listed on the City of Spokane's website and will be open until filled.

Minutes of the April 30, 2014 Meeting

Jon Snyder moved and Mike Coster seconded the motion to approve the minutes of the April 30, 2014 meeting as distributed. The motion passed unanimously.

Service Retirements

Name	Age	Retirement Date	Years of Service	Option	30-day Notice
Gary G. Zickler	64	05/12/2014	25.7	E	N
Joseph T. Papenleur	66	06/03/2014	35.0	ST	Y
Rebecca Y. Madany	60	06/07/2014	10.8	ST	Y
James V. Gilmore	65	06/21/2014	29.4	D	Y
Ruby L. Dykes	64	07/02/2014	35.0	ST	Y
Thomas E. Lenocker	59	07/08/2014	35.0	E	Y
Peter C. Fisch	50	08/08/2014	11.5	E	Y

Jon Snyder moved and Dean Kiefer seconded the motion to approve the service retirements as presented on the May Retirement Transaction Report. The motion passed unanimously.

Withdrawals for May 2013

Name	Termination Date
Tait W. Burns	11/23/2013
Todd D. Milne	12/21/2013
Benjamin S. Martin	02/14/2014
Sarel V. Destito	02/14/2014
Landen R. Grant	04/25/2014

Dean Kiefer moved and Jon Snyder seconded the motion to approve the requests for withdrawal as presented on the May Retirement Transaction Report. The motion passed unanimously.

Vesting

Name	Department	Years of Service
Rebecca L. Stewart	Legal	13.4

Vesting information provided to the Board for review.

Director's Report

Expenditure Summary Report – April 2014

The Expenditure Summary Report was presented to the Board. Jon Snyder inquired about the demographic of the active employees, how many were eligible to retire, and how many were of Medicare age. Staff will prepare those numbers for the Board.

Jon Snyder moved and Jerry McFarlane seconded the motion to approve the April 2014 Expenditure Summary Report. The motion passed unanimously.

Schedule of Investments – April 2014

The monthly investment report was presented to the Board for review. The estimated market value (MV) of the SERS portfolio on April 30, 2014 was \$282.6 million.

Other Business

Heather Lowe informed the Board she expects to have signed Memorandums of Understanding (MOU) with each labor group, agreeing to increase the contributions from 7.75% of salary to 8.25%. The effective date for the increase is expected to be July 1, 2014.

There being no other business, the meeting adjourned at 2:06 p.m.

/s/

Timothy Dunivant, Interim Retirement Director