

Spokane Employees' Retirement System (SERS)
Board Meeting Minutes
December 4, 2014

Bill Todd called the regular monthly meeting to order at 12:38 p.m. in the 5th Floor Conference Room at City Hall.

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

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

Guests: Jayson Davidson, Joe Cavanaugh, Jim Tieken, Bob Olsen, Natalie Hilderbrand, Dave Hanshaw and John Bjork,

Jayson Davidson, Hyas Group – 2014 3rd Qtr Investment Performance Report

After presentation of the Third Quarter 2014 Performance Report it was determined that the watch status for performance in violation of policy criteria on the Champlain Small Cap Fund, Epoch International Small Cap Fund, Metropolitan West High Yield Fund, and Sterling Mid Cap Value Fund should be maintained. The Post Limited-Term High Yield Fund, Principal Global Investors REIT Fund, PIMCO Low Duration Bond Fund, PIMCO Global Advantage Bond Fund, and PIMCO Commodities Plus Fund will also remain on watch for non-performance, qualitative reasons related to recent personnel changes.

Mr. Davidson discussed with the Board the SERS asset allocation study that was conducted in 2007 by Arnerich Massena, Inc. and how that allocation has performed since implementation. Mr. Davidson also covered several risk and return profiles and the performance of SERS relative to its Policy and the pension universe. It was recommended that a new asset allocation study be completed once the new Retirement Director is in place.

Bridge City Investment Guidelines

Mr. Davidson presented a recommended change to the Bridge City Small Cap Growth Fund's Investment Advisory Agreement investment parameters. The changes will allow the manager more flexibility when investing in smaller sectors within the fund's prescribed benchmark, the Russell 200 Growth Index.

Dean Kiefer moved and Brian Brill seconded the motion to approve the changes to the Bridge City Investment Guidelines as presented. The motion passed unanimously.

OrbiMed Royal Opportunities II

Mr. Davidson presented Hyas Group's due diligence write-up on the OrbiMed Advisors Royalty Opportunities Fund II limited partnership offering. SERS is currently invested in Fund I and the recommended funding for Fund II is \$6 million. The funding will be completed as capital is called and Hyas Group will use the opportunity from the funding calls to rebalance amongst the Global Equity and Global Fixed Income categories. Additionally, Hyas Group recommended that this particular funding be considered a component of the Absolute Return category, given the return stream patterns and income specifics of the Fund.

Jerry McFarlane moved and Mike Cavanaugh seconded the motion to invest \$6 million in the OrbiMed Royal Opportunities II pending legal review. The motion passed unanimously.

PIMCO Low Duration

Mr. Davidson distributed a Hyas Group letter regarding the departure of the PIMCO Low Duration Bond Fund's lead portfolio manager, Bill Gross. This departure, coupled with other senior personnel changes and overall leadership changes has lead Hyas Group to recommend the termination of this particular fund within the SERS portfolio.

Jon Snyder moved and Mike Coster seconded the motion to move from the PIMCO Low Duration fund to the Vanguard fund. The motion passed unanimously.

Investment Policy Statement

In conjunction with the SERS annual Investment Policy Statement (IPS) review, Mr. Davidson distributed a revised version of the IPS. This version provides for minor changes to the language surrounding fund definitions.

Dean Kiefer moved and Jerry McFarlane seconded the motion to approve the Investment Policy Statement changes as presented. The motion passed unanimously.

Minutes of the October 29, 2014 Meeting

Mike Coster moved and Mike Cavanaugh seconded the motion to approve the minutes of the October 29, 2014 meeting as distributed. The motion passed unanimously.

Service Retirements

Name	Age	Retirement Date	Years of Service	Option
Harry Stickney	61	11/03/2014	8.2	C-5
Mathew P. Smolinski	50	11/13/2014	7.1	E
Catherine Piche-Schafer	62	11/14/2014	14.4	D
Ruben Hernandez	69	11/16/2014	21.3	E

Darren J. Stageberg	50	11/17/2014	6.2	E
Monica L. Fox	66	12/19/2014	22.9	E
Edward B. Gallup	67	01/01/2015	11.6	E
Ross J. Davenport	62	01/03/2015	24.3	E
Richard D. Poetter	62	01/09/2015	5.8	A
Jerrie L. Allard	57	01/15/2015	8.5	B
Kristine G. Williams	52	01/16/2015	18.4	ST

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

Withdrawals for November 2013

Name	Termination Date
Melissa S. Beck	06/28/2013
Melinda J. More	09/13/2013
Lilli M. O'Hara – beneficiary	03/15/2014
Richard H. Goldstein	10/30/2014

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

Vesting

Name	Department	Years of Service
Donna E. Mann	Combined Communications Center	12.2
Kathleen M. Weinand	Planning Services	6.4
Anne M. Rorholm	Economic Development	6.2

Deaths

Name	Age	Date of Death	Information
Raymond E. Davis	88	10/25/2014	No Further Benefits
Palmer J. Clemetson	78	10/27/2014	E Option Continues
Patrick L. White	64	10/31/2014	E Option Continues
Grace M. Nissen	94	11/10/2014	No Further Benefits
Ronald E. Sacco	65	11/14/2014	No Further Benefits
Patricia A. Snell	79	11/23/2014	No Further Benefits

Vesting and death information was provided to the Board for review.

Director's Report
Expenditure Summary Report – October 2014

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

Mike Cavanaugh moved and Jon Snyder seconded the motion to approve the October 2014 Expenditure Summary Report. The motion passed unanimously.

Schedule of Cash and Investments – October 2014

The monthly investment report was presented to the Board for review. The market value of the SERS portfolio on October 31, 2014 was approximately \$286.9 million.

Part Time Memorandum of Understanding with Local 270

A copy of the Memorandum of Understanding (MOU) between Local 270 and the City was included in the Board packet. The motion to acknowledge the (MOU) was stayed at the October 29, 2014 meeting.

Mike Coster moved and Dean Kiefer seconded the motion to acknowledge the Memorandum of Understanding with Local 270. The motion passed unanimously.

Board Rules

The Board reviewed the proposed changes to the Board rules. Most of the changes were housekeeping changes but also included changes to bring the rules into compliance with Rule of 80 and the part-time MOU with Local 270. The Board suggested some changes and Staff will amend the rules to include the proposed changes.

Mike Cavanaugh moved and Jon Snyder seconded the motion to approve the Board rules as amended. The motion passed unanimously.

Other Business

The Board discussed the weekly Report that was sent via e-mail from EFL Associates. EFL is looking to present their assessment of the qualified candidates to SERS for consideration the week of December 22nd. Discussion ensued regarding the next steps once EFL makes their recommendations. Jon Snyder volunteered to assist and ensure there is no break-down in the steps following EFL's recommendation of candidates.

There being no other business, the meeting adjourned at 2:17 p.m.

/s/

Timothy Dunivant, Interim Retirement Director