

Spokane Employees' Retirement System (SERS)
Board Meeting, 12:30 p.m. December 2, 2015
City Hall – Conference Room 5A

AGENDA

1. Jayson Davidson, Hvas Group – 2015 3rd Quarter Investment Performance Report
 - Information
2. Principal REIT
 - Motion
3. Investment Advisory Committee
 - Discussion
4. Investment Policy Statement
 - Motion
5. Asset Allocation Study Project
 - Motion
6. Minutes of the October 28, 2015 Meeting
 - Motion
7. Director's Report
 - a. Retirements
 - Motion
 - b. Withdrawals
 - Motion
 - c. Vesting
 - Information
 - d. Deaths
 - Information
 - e. Expenditure Summary Report – October 2015
 - Motion
 - f. Schedule of Investments – October 2015
 - Information
 - g. Other Business
8. Other Business
9. Next Meeting – **Wednesday, January 27, 2016 at 1:30 p.m.**

Subject: Investment Advisory Committee Responsibilities

Summary: Discuss roles and responsibilities of the Investment Advisory Committee that would make them a more valuable resource to the Board.

Discussion:

Per RCWs, the Board is required to appoint an Investment Advisory Committee with specified powers:

RCW 35.39.080

City retirement system — Investment advisory committee.

The retirement board of any city which is responsible for the management of an employees' retirement system established to provide retirement benefits for nonpublic safety employees shall appoint an investment advisory committee consisting of at least three members who are considered experienced and qualified in the field of investments.

RCW 35.39.090

City retirement system — Investment advisory committee — Powers and duties.

In addition to its other powers and duties, the investment advisory committee shall:

- (1) Make recommendations as to general investment policies, practices, and procedures to the retirement board;
- (2) Review the investment transactions of the retirement board annually;
- (3) Prepare a written report of its activities during each fiscal year. Each report shall be submitted not more than thirty days after the end of each fiscal year to the retirement board and to any other person who has submitted a request therefor.

The Committee has met every January, with varied membership in each of the past four years. The January 2015 meeting was attended by Brian Brill, Dennis Clinton, and Christine Shisler. The annual meeting consists of Hvas presenting the prior year performance and transactions, which is then repeated at the full Board meeting. The Committee also provides minutes to the Board to show that they have met as required. The Committee has the power to make investment recommendations to the Board; however, historically, they have not done so.

While required by RCWs, neither the Board Rules nor the Investment Policy Statement define the membership of the committee, nor the role that the Board wishes the Committee to play in the investment process.

Other plans use similar committees to more thoroughly vet investment decisions, monitor risk, or monitor manager performance more thoroughly, especially managers on watch status.

Proposal: Discuss the role of the Investment Advisory Committee to develop a framework for their role and how they should be included in plan documentation.

STATEMENT OF INVESTMENT POLICY

Spokane Employees' Retirement System

Date Approved: ~~December 3, 2014~~ December 2, 2015

POLICY OVERVIEW

The Board ("Board") of the Spokane Employees' Retirement System ("SERS") hereby establishes this Statement of Investment Policy ("IPS") for the investment, in accordance with applicable federal, state and municipal laws and regulations, of SERS assets ("Fund"). This IPS defines the investment policies for the management and oversight of the Fund for SERS.

The guiding principles with respect to the investment of the Fund are to preserve the ability for the Fund to meet its long-term liabilities within prudent risk parameters. Toward that end, the Fund has established the following goals:

- 1) Accumulate sufficient assets through a diversified portfolio of investments to pay all current and future retirement benefits and expense obligations of the Fund.
- 2) Obtain investment returns that allow for ad hoc increases in retirees' annuities so as to maintain the purchasing power of their benefit.
- 3) Establish an asset allocation policy that is expected to meet the required rate of return over long periods of time while minimizing volatility.
- 4) Minimize the costs associated with implementation of the asset allocation through the efficient use of resources.
- 5) Operate solely in the interest of the participants and beneficiaries and for the exclusive purpose of providing benefits to the participants and their beneficiaries and defraying reasonable expenses of administration.

ROLES AND RESPONSIBILITIES

The Board, as fiduciary, is responsible for establishing the IPS, reviewing the IPS as required, and making changes as necessary. The Board is also responsible for selecting and monitoring the investment consultant, investment managers, custodian and any other service providers necessary in the fulfillment of this policy and the Fund objectives. Responsibility for day-to-day administration and implementation related to the IPS may be delegated to the Chief Investment Officer (CIO), Investment Advisory Committee and/or other SERS staff. Responsibilities of the CIO (and/or SERS staff at the direction of the CIO) include:

- 1) Implementation of the Fund's investment goals, objectives and policies.
- 2) Selection, hiring and firing of the Fund's investment managers.
- 3) Selection, hiring, and firing of the Fund's service providers.
- 4) Monitoring and evaluating performance results to assure that the policy guidelines are being met.

The Board and staff may also delegate certain responsibilities to professional service providers in various fields. These experts include:

- 1) **Investment Consultant**. The investment consultant will assist in: 1) establishing investment policy; 2) designing objectives and guidelines; 3) selecting investment managers; 4) reviewing such managers over time; 5) measuring and evaluating investment performance; and, 6) other tasks as

deemed appropriate. It is expected that the investment consultant will be selected by the Board and will serve as a co-fiduciary on all investment related decisions and will have the proper insurance to cover exposure.

- 2) **Investment Manager.** The investment manager has discretion to purchase, sell and/or hold the specific securities that will be used to meet the Fund's investment objectives while observing and operating within all policies, guidelines, constraints, and philosophies as outlined in this statement and in their specific manager guidelines.
- 3) **Custodian.** The custodian will maintain possession of securities owned by the Fund, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian will also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the Fund accounts. The custodian will provide at a minimum monthly reporting of assets and transactions and provide any additional data requests.
- 4) **Other.** Additional specialists may be employed to assist in meeting its responsibilities and obligations to administer Fund assets prudently.

Board and staff do not maintain any control over the individual investment decisions made by the investment managers. The investment managers will be held responsible and accountable to achieve the objectives outlined in their specific investment guidelines as provided in the agreement, prospectus or other such documentation.

All expenses for such experts must be customary and reasonable, and will be borne by the Fund as deemed appropriate and necessary.

INVESTMENT OBJECTIVE

The investment strategy of the Fund has been established to emphasize total return; that is, the aggregate return from capital appreciation, dividend and interest income. The Fund currently has a long term actuarial expected rate of return of 7.50%. In consideration of this expected return, the primary investment management objectives for the Fund assets shall be to maximize total return over time at an acceptable level of risk and to provide relatively smooth and predictable distributions to the beneficiaries. Additionally, the Fund will be invested according to the following general principles:

- Investments shall be made solely in the interest of and for the beneficiaries of the Fund;
- Investment of the Fund shall be diversified as to minimize the risk of large losses, unless under the circumstances it is prudent not to do so;
- Risk shall be evaluated in the context of the portfolio in its entirety with particular focus on how the various asset classes and investment strategies correlate to one another;
- Care will be taken to provide adequate liquidity to meet all current spending obligations of the Fund;
- Cash is to be employed productively at all times, to provide safety, liquidity, and return; and,
- The investment manager(s) should, at all times, be guided by the principles of "best price and execution" and that the Fund's best interests are the primary consideration.

ASSET ALLOCATION GUIDELINES

To achieve its investment objectives, the Fund will be allocated among a number of asset classes. These asset classes may be broadly defined to include global fixed income, absolute return, global equity,

long/short equity and fixed, special opportunities, commodities and real estate. The purpose of allocating across these asset classes is to ensure the proper level of diversification within the Fund and improve the risk-adjusted efficiency of the investment portfolio. The following table outlines the Fund's target asset allocation along with minimum and maximum allocation rebalancing guidelines.

<u>Asset Class</u>	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Cash	0%	1%	10%
Global Fixed Income	10%	15%	20%
Absolute Return	5%	10%	15%
Global Equity	40%	50%	60%
L/S & Special Opportunities	10%	14%	20%
Commodities	0%	4%	8%
Real Estate	0%	6%	10%

REBALANCING OF FUND ASSETS

The asset allocation exposures will be closely monitored with the understanding that the various asset classes may perform differently and that the relative attractiveness of asset classes may vary over time. The Fund's allocation will be reviewed quarterly, as well as during periods of severe market change to assure that allocations remain within their respective guidelines and consistent with the long-term objective of the Fund. If an asset class is outside the allowable range, the Board, or its designee, may take appropriate action to redeploy assets. In any investment rebalancing situation the Board will consider market conditions, costs and other investment related factors. In certain circumstances, when appropriate and at the Board's discretion, the Fund may be allocated outside the ranges provided in the Guidelines.

INVESTMENT PERFORMANCE REVIEW AND EVALUATION

Performance reports shall be compiled at least quarterly and presented to the Board for review. The investment performance of the total Fund, as well as the asset class components, will be measured against commonly accepted performance benchmarks. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this statement. The Board recognizes the long term nature of the Fund's objectives and the variability of market returns. Periodic underperformance relative to any criteria outlined in this IPS will not necessitate the termination of an investment option.

As referenced above, the Fund's total account performance objective is to achieve the long-term actuarial rate of return and to minimize the risk of failing to meet this expected return. To that end, managers have been selected based on their perceived ability to meet and or exceed predetermined benchmarks. The total return of the Fund will be measured against a passive policy index of comparable risk comprised as follows:

Policy Index: 1% US 90 Day T-Bill, 15% Barclays US Aggregate Bond Index, 5% Barclays Corporate HighYield Index, 5% Barclays Global Aggregate Bond Index, 34% S&P 500 Index, 8% Russell Mid Cap Index, 5% Russell Small Cap Index, 17% MSCI ACWI ex-US Index, 4% S&P GSCI Index, 3% NAREIT Composite Index and 3% NCREIF Property Index.

Additionally, the Board shall compare the performance of each individual investment alternative against the performance of relevant index benchmarks and peer groups. The Board shall track the investment vehicle's performance relative to the benchmark, and the degree to which variance in the vehicle's performance can be explained by variance in the performance of the benchmark. Initially, indices used for comparison purposes shall include the following:

<u>Investment Category</u>	<u>Relevant Benchmark</u>
US Large Capitalization Stocks—Blended Style	S&P 500 Index
US Large Capitalization Stocks—Growth Style	Russell 1000 Growth Index
US Large Capitalization Stocks—Value Style	Russell 1000 Value Index
US Small Capitalization Stocks—Blended Style	Russell 2000 Index
US Small Capitalization Stocks—Growth Style	Russell 2000 Growth Index
US Small Capitalization Stocks—Value Style	Russell 2000 Value Index
US Mid Capitalization Stocks—Blended Style	Russell Mid Cap Index
US Mid Capitalization Stocks—Growth Style	Russell Mid Cap Growth Index
US Mid Capitalization Stocks—Value Style	Russell Mid Cap Value Index
Foreign Large Capitalization Stocks - Blended Style	MSCI ACWI ex-US Index
Foreign Large Capitalization Stocks - Value Style	MSCI ACWI ex-US Value Index
Foreign Large Capitalization Stocks - Growth Style	MSCI ACWI ex-US Growth Index
Emerging Market Large Capitalization Stocks	MSCI Emerging Markets Free Index
Real Estate Investment Trusts (REITS)	FTSE NAREIT Index
Global Commodities	S&P GSCI Index
Long/Short Growth, Special Opportunities	S&P 500 Index
US High Yield Bonds	Barclays US Corporate High Yield Index
Absolute Return	Barclays Aggregate Bond Index
Intermediate Term Bonds	Barclays Aggregate Bond Index
Global Bonds	Barclays Global Aggregate Bond Index
Short Duration Bonds	Barclays US Aggregate 1-3Yr Bond Index
Treasury Inflation Protected Securities	Barclays U.S. TIPS Index
Money Market	90-Day U.S. Treasury Bills

Notwithstanding this initial designation, the Board may change indices used for comparison if it is determined that a different index provides a more useful or appropriate benchmark for any designated investment vehicle.

If the net of fee performance of an actively managed investment option lags significantly behind that of the representative benchmark index over a trailing five year period and the option's performance places it significantly below category averages, the Board may designate the option as "on watch" and, in so doing, shall endeavor to investigate why the option's relative performance has lagged; and determine whether the option continues to be an appropriate investment for the Fund.

If a statistical analysis of an indexed/passively managed investment option indicates that the option is not performing similarly to its benchmark, the Board may designate the option as "on watch" and, in so doing, shall endeavor to investigate why the invest performance has varied from the benchmark; and determine whether the option continues to be an appropriate investment for the Fund.

In addition to net investment performance, the Board will also review the investment products' risk characteristics in relation to that performance. Risk will be measured in various ways including, but not limited to:

- Standard deviation
- Risk/return ratios such as Sharp or Treynor Ratios
- Up market and down market performance
- Other statistical measures such as Beta and Alpha
- Style drift

The investment options will also be monitored on an ongoing basis for material changes such as personnel departures, research capability adjustments, organizational changes, or alterations in investment style, philosophy, or strategy, as well as adherence to stated guidelines.

INVESTMENT POLICY REVIEW

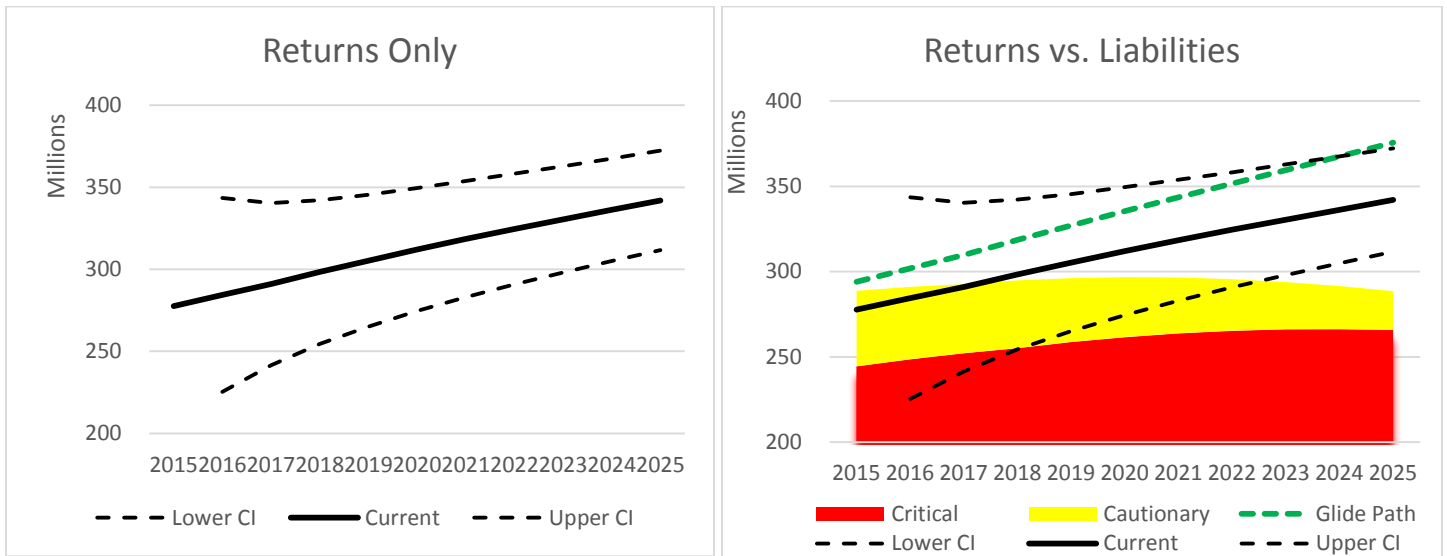
To assure continued relevance of the guidelines, objectives, financial status and capital market expectations as established in this statement of investment policy, the Board will review the IPS annually, or more frequently if conditions warrant.

Subject: Asset Allocation Study Project

Summary: Proposal to conduct a standalone asset allocation that incorporates the Plan’s liabilities

Discussion:

Hyas’ asset allocation model has a limited ability to incorporate the Plan’s liabilities and risk factors beyond price volatility. Adding these additional risk factors allows the Board to add additional constraints, such as a minimum funding ratio, or forecast asymmetric returns that reduce downside risk. A comparison of the models is shown below:



Including the Plan’s liabilities in the asset allocation model allows for identifying outcomes where the current strategy to grow the plan to full funding are no longer feasible. The more comprehensive approach provides additional insights to the decision making process and better aligns the assets’ returns to the benefit payments.

Performing a parallel allocation study provides the Board with diversified views on markets. This allows a reconciliation of any differences before picking a path that best aligns with our outlook and objectives. With 80-90% of the returns attributed to the allocation, it is important to be confident in its outcome.

The concept of parallel asset allocation studies is not commonly used, but it is something other plans have done. CalSTRS is currently undertaking a dual study with Meketa and PCA.

Wilshire’s asset-liability model (ALM) meets our needs and they can do it for \$50,000. The budget for next year can afford this study since Hyas’ fees were \$35,000/yr. less than other finalists. Over the life of the contract, we would still realize a savings even if a separate allocation study was performed.

Proposal: Retain Wilshire to conduct an ALM study in parallel to the Hyas’ Asset Allocation Study

**Spokane Employees' Retirement System (SERS)
Board Meeting Minutes
October 28, 2015**

Mike Coster called the regular monthly meeting to order at 11:04 a.m. in the 5th Floor Conference Room at City Hall.

Present: Mike Coster, Mike Cavanaugh, Jim Tieken, Jerry McFarlane, Dean Kiefer, and Brian Brill

Absent: Jon Snyder

Staff: Phill Tencick, Donald Brown, and Tim Szambelan

Guests: Richard Czernik, Joan Hamilton, Natalie Hilderbrand, Dave Henshaw, Blaine Stum, and John Bjork

Open Session

Minutes of the September 30, 2015 Meeting

Jerry McFarlane moved and Mike Cavanaugh seconded the motion to approve the minutes of the September 20, 2015 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>
Michael R. Jobe	53	10/02/2015	18.3	ST
Steven G. Anderson	66	10/24/2015	11.2	D
Susan R. Arneson	66	12/05/2015	20.7	E
George M. Hoagland	66	01/05/2016	42.0	E
Stephen D. Weathermon	65	01/09/2016	35.2	C-5

Jim Tieken moved and Dean Kiefer seconded the motion to approve the service retirements as amended on the October Retirement Transaction Report. The motion passed unanimously.

Withdrawals for October 2015

<i>Name</i>	<i>Years of Service</i>	<i>Department</i>	<i>Termination Date</i>
Heather A. Greene-Beloit	3.4	Library	08/11/2015

Mike Cavanaugh moved and Dean Kiefer seconded the motion to approve the requests for withdrawal as presented on the October Retirement Transaction Report. The motion passed unanimously.

Vesting

<i>Name</i>	<i>Department</i>	<i>Years of Service</i>
Jeffrey A. Beegle	Solid Waste Management	13.3

Deaths

<i>Name</i>	<i>Date Retired</i>	<i>Age</i>	<i>Date of Death</i>	<i>Information</i>
Marjorie S. Atwood	04/02/1988	92	10/13/2015	No Further Benefits
Winnie G. Kreitz	05/04/1993	84	10/13/2015	No Further Benefits

Vesting and death information provided to the Board for review.

Expenditure Summary Report – September 2015

The Expenditure Summary Report was presented to the Board and discussed. Mr. Tencick anticipates going to City Council to request an EBO for \$460,000 for pensions. He explained the methodology used when the budget was prepared in July 2014, and due to the increase in retirements for the second half of 2014, the pension payments for 2015 have been higher than budgeted.

Mike Cavanaugh moved and Jim Tieken seconded the motion to approve the September 2015 Expenditure Summary Report. The motion passed unanimously.

Schedule of Investments – September 2015

The monthly investment report was presented to the Board for review. The estimated market value of the SERS portfolio on September 30, 2015 was \$277.5 million with an estimated rate of return for September of -2.60%.

Auditor Contract

An RFP process was used to determine the recommended auditor. Eide Bailly, Clifton Larson Allen, and Moss Adams responded to the RFP. The three firms made in-person presentations to the Audit RFP Committee. Mr. Tencick informed the Board that the Committee recommended that SERS retain the services of Moss Adams.

Mike Cavanaugh moved and Dean Kiefer seconded the motion to enter into contract with Moss Adams for the SERS audit. The motion passed unanimously.

Other Business

Mr. Tencick briefed the Board on the debut of the PeopleSoft Estimator at the Benefits Fair. Staff was onsite to assist members with logging into and using the Estimator. The feedback from the members was positive.

Investment Consulting Presentations

The four finalists (Hyas Group, Callan Associates, Pension Consulting Alliance, and Wilshire Associates) made in-person presentations to the Board. The presentations focused on four primary questions: whether the current 7.5% rate of return was reasonable, what risk factors may prevent the plan from meeting its target rate of return, what the proposed working relationship would look like, and what are the qualities of a plan sponsor that make the consulting relationship the most fruitful.

Closed Session

The Board entered into executive session at 4:00 p.m. for approximately 45 minutes to discuss the Investment Consultant Scoring.

Open Session

Mike Cavanaugh moved and Jerry McFarlane seconded the motion to retain Hyas Group as the Investment Consultant for the Spokane Employees' Retirement System. The motion passed unanimously.

Other Business

There being no other business, the meeting adjourned at 4:50 p.m.

Phillip Tencick, Retirement Director

SERS Retirement Transaction Report

December 2015

Retirements

	Name	Age	Retirement Date	Years of Service	Department	Option
1	Lester R. Lea	56	11/21/2015	14.2	Water	ST
2	Nancy L. Goodspeed	66	12/03/2015	8.8	Parks & Recreation	ST
3	Marie C. Wyatt	61	12/05/2015	11.0	Library	ST
4	Johnna M. Boxley	67	01/21/2016	17.5	Public Facilities District	E
5	Catherine A. Caron	65	01/21/2016	8.2	Police	ST
Retirements YTD		77				

Withdrawals

	Name	Years of Service	Department	Termination Date
1	Helen B. Gebeke	1.0	Library	01/03/2015

Vesting

	Name	Department	Years of Service
1	Roberta G. Moxley	IT	18.7

Deaths

	Name	Date Retired	Age	Date of Death	Information
1	Anthony I. Montgomery	11/02/1996	80	10/29/2015	E Option Continues
2	Mary F. Stabin	10/06/1990	90	11/13/2015	No Further Benefits

SPOKANE EMPLOYEES' RETIREMENT SYSTEM - 6100
 2015 EXPENDITURE SUMMARY REPORT
 OCTOBER 31, 2015

	2014 ACTUAL	2015 BUDGET	OCTOBER ACTUAL EXPENDITURES	2015 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
OPERATING EXPENDITURES						
Departmental Salaries	126,543.74	241,313.00	28,825.82	167,694.37	73,618.63	69.5%
Departmental Benefits	45,556.51	79,608.00	7,487.76	52,683.23	26,924.77	66.2%
Reserve for Budget Adjustment	-	20,000.00	-	-	20,000.00	0.0%
Administrative Income	(6,696.46)	(15,000.00)	-	(16,336.89)	1,336.89	
					-	
Postage/Supplies/Other	11,773.73	18,700.00	3,393.98	13,024.78	5,675.22	69.7%
State Audit Charges	10,375.50	10,000.00	3,673.67	8,018.24	1,981.76	80.2%
Contractual Services	142,938.52	200,000.00	-	89,478.08	110,521.92	44.7%
Travel	2,559.37	15,000.00	302.79	560.29	14,439.71	3.7%
Registration/Schooling	400.00	10,000.00	-	700.00	9,300.00	7.0%
Other Dues/Subscriptions/Membership	1,013.20	2,500.00	-	538.20	1,961.80	21.5%
Other Miscellaneous Charges	2,837.20	4,370.00	57.00	4,343.84	26.16	99.4%
Depreciation & Amortization	18,525.92	-	-	-	-	
TOTAL OPERATING EXPENDITURES	355,827.23	586,491.00	43,741.02	320,704.14	265,786.86	54.7%
INTERFUND EXPENDITURES						
Interfund - Accounting Central Services	3,150.20	3,052.00	695.45	2,781.80	270.20	91.1%
Interfund - IT Phones	1,935.21	1,512.00	142.45	1,171.17	340.83	77.5%
Interfund - IT Communications Replacement	288.96	241.00	20.08	180.72	60.28	75.0%
Interfund - Motor Pool	-	500.00	-	-	500.00	0.0%
Interfund - Risk Management	962.00	1,121.00	-	840.75	280.25	75.0%
Interfund - Unemployment	500.00	500.00	-	375.00	125.00	75.0%
Interfund - Worker's Compensation	86.00	78.00	-	58.50	19.50	75.0%
Interfund - IT	16,422.69	13,892.00	1,157.67	10,419.03	3,472.97	75.0%
Interfund - IT Replacement	4,209.00	3,584.00	298.67	2,688.03	895.97	75.0%
Interfund - Reprographics	2,346.95	2,000.00	205.82	2,224.65	(224.65)	111.2%
Interfund - Warrant Costs	986.00	1,500.00	-	-	1,500.00	0.0%
TOTAL INTERFUND EXPENDITURES	30,887.01	27,980.00	2,520.14	20,739.65	7,240.35	74.1%
TOTAL ADMINISTRATIVE EXPENDITURES	386,714.24	614,471.00	46,261.16	341,443.79	273,027.21	55.6%

SPOKANE EMPLOYEES' RETIREMENT SYSTEM - 6100
 2015 EXPENDITURE SUMMARY REPORT
 OCTOBER 31, 2015

	2014 ACTUAL	2015 BUDGET	OCTOBER ACTUAL EXPENDITURES	2015 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
PENSIONS						
Pensions-Annuity Benefit Payments	20,659,575.08	21,800,000.00	1,891,320.57	18,389,550.00	3,410,450.00	84.4%
Pensions-Disability Payments	125,328.48	160,000.00	10,444.04	104,440.40	55,559.60	65.3%
Pensions-Survivor Annuity Benefits Payments	1,473,938.36	1,500,000.00	139,305.73	1,359,760.61	140,239.39	90.7%
TOTAL PENSIONS	<u>22,258,841.92</u>	<u>23,460,000.00</u>	<u>2,041,070.34</u>	<u>19,853,751.01</u>	<u>3,606,248.99</u>	
Refunds	625,184.41	1,200,000.00	5,175.41	634,631.92	565,368.08	52.9%
TOTAL EXPENSES	<u><u>23,270,740.57</u></u>	<u><u>25,274,471.00</u></u>	<u><u>2,092,506.91</u></u>	<u><u>20,829,826.72</u></u>	<u><u>4,444,644.28</u></u>	82.4%
INVESTMENT EXPENSE*						
Advisory Technical Service	373,109.86	500,000.00	44,524.68	313,574.33	186,425.67	62.7%

* 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
October 31, 2015

11/24/2015	Type	Market	Actual Allocation	Approved Allocation
Cash and Short-term Investments:				
Cash Held by Treasurer	Cash	\$ 173,125		
US Bank	Short-term Inv	<u>2,055,338</u>		
Total Cash and Short-term Investments		2,228,463	0.8%	1.0%
Fixed Income:				
Vanguard Short-Term	Total Return - Mutual Fund	9,771,716		
Hotchkis & Wiley	High Yield - Mutual Fund	10,550,962		
PIMCO Global	International- Mutual Fund	<u>11,505,558</u>		
Total Fixed Income		31,828,236	11.4%	15.0%
U.S. Equities:				
Hotchkis & Wiley	LC Value - Mutual Fund	15,320,681		
Delaware	LC Growth - Mutual Fund	15,563,922		
MFS Heritage	LC Core	16,624,486		
Vanguard S&P 500 Index	LC Core - Mutual Fund	8,092,678		
Sterling	MC Value	8,329,127		
Vanguard MC Growth	MC Growth - Mutual Fund	7,859,447		
Vanguard MC Index	MC Core - Mutual Fund	5,212,763		
Champlain	SC Core	4,868,980		
Phocas	SC Value - Mutual Fund	4,132,326		
Bridgecity	SC Growth	4,516,849		
Vanguard SC Index	SC Core - Mutual Fund	<u>2,346,094</u>		
Total U.S. Equities		92,867,353	33.3%	
International:				
Berens	Ltd Partnership	9,268,927		
Vanguard International	LC Index - Mutual Fund	913,699		
Euro Pacific	LC Blend - Mutual Fund	12,232,682		
Artisan	SMID Value - Mutual Fund	14,920,627		
Trivalent	SC Value - Mutual Fund	<u>8,606,987</u>		
Total International		45,942,922	16.5%	
Total Global Equities			49.8%	50.0%
Alt Absolute Return Hedge:				
Polar Long/Short (Altairis)	LLC	5,895,585		
American Beacon	Mutual Fund	9,729,840		
Castine Capital I	Ltd Partnership	5,979,526		
Post Limited Term High Yield	Ltd Partnership	5,602,457		
Rimrock Low Volatility	Ltd Partnership	<u>8,952,549</u>		
Total Alt Absolute Return Hedge		36,159,957	13.0%	10.0%
Alt Long-Short Growth & Special Opps:				
Weatherlow Offshore	Ltd Partnership	14,301,201		
Caduceus (OrbiMed)	Ltd Partnership	10,104,732		
Royalty Opportunities I	Ltd Partnership	4,450,151		
Royalty Opportunities II	Ltd Partnership	298,411		
Troob	Ltd Partnership	3,782,756		
Beach Point	Ltd Partnership	<u>7,899,350</u>		
Total Alt Long-Short Growth & Special Opps		40,836,601	14.7%	14.0%
Real Estate:				
Legacy Partners Realty Fund III	Ltd Partnership	1,330,712		
Metropolitan Real Estate Partners	Ltd Partnership	917,193		
Morrison Street Fund IV	LLC	2,846,242		
Morrison Street Fund V	LLC	4,795,082		
Principal (REITs)	REITs	<u>9,163,028</u>		
Total Real Estate		19,052,257	6.8%	6.0%
PIMCO Commodites PLUS	Commodities - Mutual Fund	9,783,133	3.5%	4.0%
Total Cash and Investments		<u>\$ 278,698,922</u>	<u>100.0%</u>	<u>100.0%</u>
	withdrawals	(450,000)		
as of September 30, 2015		\$ 269,472,944		
	estimated rate of return	3.59%		