

Spokane Employees' Retirement System (SERS)
Board Meeting, 12:30 p.m. February 24, 2016
City Hall – Conference Room 5A

AGENDA

1. Jayson Davidson, Hyas Group, 2015 4th Quarter Investment Performance Report
 - Information
2. Minutes of the January 27, 2016 Meeting
 - Motion
3. Minutes of the February 8, 2016 Special Meeting
 - Motion
4. Director's Report
 - a. Retirements
 - Motion
 - b. Withdrawals
 - Motion
 - c. Vesting
 - Information
 - d. Deaths
 - Information
 - e. Schedule of Administrative Expenses – 2015
 - Motion
 - f. Expenditure Summary Report – January 2016
 - Motion
 - g. Schedule of Investments – January 2016
 - Information
 - h. Other Business
5. Upcoming Board Election
 - Information
6. Other Business
7. Next Meeting - **Wednesday, March 30, 2016 at 1:30 p.m.**

**Spokane Employees' Retirement System (SERS)
Board Meeting Minutes
January 27, 2016**

The regular monthly meeting was called to order at 1:31 p.m. in the 5th Floor Conference Room at City Hall.

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

Absent: Dean Kiefer

Staff: Phill Tencick, Christine Shisler, Donald Brown, and Tim Szambelan

Guests: Joe Cavanaugh, Joan Hamilton, Natalie Hilderbrand, Richard Czernik, and John Bjork

Election of Chairperson

Jim Tieken moved and Brian Brill seconded the motion to elect Mike Coster as Board Chairperson for the year 2016. The motion passed unanimously.

Minutes of the December 2, 2015 Meeting

Mike Cavanaugh moved and Jerry McFarlane seconded the motion to approve the minutes of the December 2, 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 F. Busby	50	12/29/2015	16.2	E
Steffon P. Sobosky	52	01/05/2016	8.1	E
Pamela J. Brenden	55	01/06/2016	24.0	ST
Ole J. Lokken	65	01/08/2016	27.5	E
Della P. Gaylord	61	01/11/2016	24.2	E
Jerry A. Coulter	61	01/15/2016	31.0	ST
Richard L. Deibel	66	01/15/2016	22.8	ST
Donna R. McBride	50	02/02/2016	19.9	C-15
Roy Cheney	62	02/13/2016	25.3	D
Geoffrey D. Glenn	52	02/13/2016	23.7	ST
Linda L. Hattenburg	67	02/13/2016	32.5	ST
Robert J. Morgan	62	02/13/2016	23.2	E

Mike Cavanaugh moved and Jim Tieken seconded the motion to approve the service retirements as presented on the January Retirement Transaction Report. The motion passed unanimously.

Withdrawals for January 2016

<i>Name</i>	<i>Years of Service</i>	<i>Termination Date</i>
William J. Tucker	2.2	09/25/2015
Cynthia A. Sager	0.6	10/23/2015
Jaime N. Rowland (beneficiary of Glenn E. Martin)	14.1	12/05/2015

Mike Cavanaugh moved and Jim Tieken seconded the motion to approve the requests for withdrawal as presented on the January Retirement Transaction Report. The motion passed unanimously.

Deaths

<i>Name</i>	<i>Date Retired</i>	<i>Age</i>	<i>Date of Death</i>	<i>Information</i>
Natella I. Stickels	06/06/2007	69	11/24/2015	No Further Benefits
Caryl J. Anstadt	11/04/1995	83	12/04/2015	No Further Benefits

Death information provided to the Board for review.

Expenditure Summary Report – November 2015

The Expenditure Summary Reports for November 2015 and December 2015 were presented to the Board and discussed. The Expenditure Summary Report for December 2015 was estimated as investment manager fees for December and fourth quarter 2015 have not all been received.

Jim Tieken moved and Mike Cavanaugh seconded the motion to approve the November 2015 and December 2015 Expenditure Summary Reports as presented. The motion passed unanimously.

Schedule of Investments – December 2015

The monthly investment report was presented to the Board for review. The estimated market value of the SERS portfolio on December 31, 2015 was \$277 million with an estimated rate of return for December of -1.32%.

Investment Advisory Committee Meeting Minutes

Jim Tieken moved and Jerry McFarlane seconded the motion to acknowledge the minutes of the January 21, 2016 SERS Investment Advisory Committee Meeting. The motion passed unanimously.

Contribution Statement Letter

Included with the Board Packets was a draft letter from the Director to include with the annual employee contribution statements. Mr. Tencick asked for comments from the Board to be made by January 29.

Other Business

Mr. Tencick update the Board on the public disclosure exemption currently being sought by Washington's three city pension plans. The bill is in committee in both the House and Senate and Mr. Tencick is travelling to Olympia to provide testimony.

2016 Education Priorities

Mr. Tencick discussed the results of the survey that asked the Board members to rank education topics. Based on the survey results, a schedule for the 2016 Board meetings was presented with fiduciary duty, investments, actuarial matters and risk management being the educational priorities to be addressed.

Asset Allocation Risk Factors

Mr. Tencick presented a risk management framework that identified several risk factors facing the Plan and its investments and those that could be addressed during the asset allocation process. Potential changes were identified, with the Board asking for further education before making a decision on which risk factors to model.

Other Business

Mike Coster thanked Jerry McFarlane for his service to the Board over the past 20 years.

There being no other business, the meeting adjourned at 3:01 p.m.

Phillip Tencick, Retirement Director

Spokane Employees' Retirement System (SERS)
Board Meeting Minutes
February 8, 2016

The Special Board Meeting was called to order at 1:00 p.m. in the Retirement Department Conference Room at City Hall.

Present: Mike Coster, Mike Cavanaugh, Jim Tieken, and Brian Brill

Absent: Dean Kiefer

Staff: Phill Tencick

Guests: None

Discuss SERS response to data request from Senator Carlyle

The Board discussed the letter from Senator Carlyle requesting financial data relating to investment performance and Plan expenses from 2003 to 2015. The Board reviewed the draft spreadsheet and cover email prepared by Mr. Tencick and decided to submit the requested data without any additional information.

There being no other business, the meeting was adjourned at 1:30 p.m.

Phillip Tencick, Retirement Director

SERS Retirement Transaction Report February 2016

Retirements

	Name	Age	Retirement Date	Years of Service	Department	Option
1	Thomas F. Leonard	70	02/03/2016	37.6	Water	E
2	Steven R. Aschenbrenner	59	02/13/2016	38.1	Fleet Services	D
3	Janice M. Doherty	66	03/19/2016	25.3	EMS	ST
4	Lloyd R. Brewer	66	04/01/2016	34.1	Environmental Programs	ST
5	Stacy L. Hawley	50	04/09/2016	23.8	Accounting Combined	ST
6	Jacqueline J. Quaschnick	61	04/15/2016	13.4	Communications Center	ST
	Retirements YTD	18				
	2015 Total Retirements	83				

Withdrawals

	Name	Years of Service	Department	Termination Date
1	Kiersten M. Black	0.6	Police	04/15/2013
2	Jennifer S. Perkins	4.7	Library	10/08/2014
3	Frederic N. Brown	14.6	Advanced Wastewater Treatment	08/15/2015
4	Jack T. Busch	0.1	Combined Communications Center	08/27/2015
5	Carl E. Jacobson	3.8	Solid Waste Management	01/02/2016

Vesting

	Name	Department	Years of Service
1	Peter G. Borg	Solid Waste Management	13.02

Deaths

	Name	Date Retired	Age	Date of Death	Information	
1	James A. Simpson	10/16/1993	85	12/20/2015	E Option Continues	*
2	Edward T. Clegg	11/01/1997	86	12/29/2015	No Further Benefits	*
3	John T. King	12/18/2004	68	12/30/2015	E Option Continues	*
4	Wilfred D. Simpson II	07/10/2010	70	01/18/2016	D Option Continues	*
5	Stanley R. Burford	12/31/2004	69	01/24/2016	D Option Continues	
6	Irving B. Reed	06/29/1996	86	01/28/2016	E Option Continues	
7	Joseph Murphy	11/03/1987	90	02/03/2016	No Further Benefits	
8	Nadine Holland	11/02/1999	91	02/13/2016	E Option Continues	

Schedule of Administrative Expenses

	<u>2015 Budget</u>	<u>2015 Actual</u>	<u>2014 Budget</u>	<u>2014 Actual</u>
Personnel services:				
Salaries and wages	\$ 241,313	\$ 220,406	\$ 219,876	\$ 126,544
Personnel benefits	79,608	66,055	52,079	45,557
Administrative income	<u>(15,000)</u>	<u>(22,061)</u>	<u>(20,000)</u>	<u>(6,696)</u>
Total personnel services	<u>305,921</u>	<u>264,400</u>	<u>251,955</u>	<u>165,405</u>
Supplies:				
Office supplies	2,500	4,965	1,500	2,591
Postage	10,000	9,215	10,000	8,321
Minor equipment	2,500	-	2,500	-
Other	<u>1,200</u>	<u>1,286</u>	<u>1,200</u>	<u>672</u>
Total supplies	<u>16,200</u>	<u>15,466</u>	<u>15,700</u>	<u>11,584</u>
Other services and charges:				
State audit charges	10,000	11,688	10,000	10,375
Professional services	155,000	90,588	200,000	142,938
Travel	15,000	2,517	15,000	2,559
Registration and schooling	11,000	10,789	10,000	400
Other dues, subscriptions and memberships	2,500	1,970	2,500	1,013
Printing	300	287	2,500	189
Depreciation/Amortization	-	17,649	-	18,526
Other miscellaneous charges	<u>4,370</u>	<u>4,462</u>	<u>3,870</u>	<u>2,837</u>
Total other services and charges	<u>\$ 198,170</u>	<u>\$ 139,950</u>	<u>\$ 243,870</u>	<u>\$ 178,837</u>

	<u>2015 Budget</u>	<u>2015 Actual</u>	<u>2014 Budget</u>	<u>2014 Actual</u>
Interfund (IF) payments for services:				
IF accounting central services	3,052	2,782	2,000	3,150
IF IT phones	1,512	1,555	1,910	1,935
IF IT communications replacement	241	241	289	289
IF motor pool	-	-	500	-
IF risk management	1,121	1,121	962	962
IF unemployment	500	500	500	500
IF workers' compensation	78	58	86	86
IF IT	13,892	13,892	17,095	16,423
IF reprographics	4,000	4,339	1,500	2,347
IF warrant service	-	-	1,500	986
IF it replacement	3,584	3,584	4,209	4,209
	27,980	28,072	30,551	30,887
TOTAL ADMINISTRATIVE EXPENSES, NET OF ADMINISTRATIVE INCOME	<u>\$ 548,271</u>	<u>\$ 447,888</u>	<u>\$ 542,076</u>	<u>\$ 386,713</u>

SPOKANE EMPLOYEES' RETIREMENT SYSTEM - 6100
 2016 EXPENDITURE SUMMARY REPORT
JANUARY 31, 2016

	2015 ACTUAL	2016 BUDGET	JANUARY ACTUAL EXPENDITURES	2016 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
OPERATING EXPENDITURES						
Departmental Salaries	220,405.82	273,580.00	10,959.53	10,959.53	262,620.47	4.0%
Departmental Benefits	66,088.05	78,190.00	4,652.23	4,652.23	73,537.77	5.9%
Reserve for Budget Adjustment	-	10,000.00	-	-	10,000.00	0.0%
Administrative Income	(22,061.31)	(10,000.00)	-	-	(10,000.00)	
Postage/Supplies/Other	15,753.25	16,000.00	-	-	16,000.00	0.0%
State Audit Charges	11,687.79	10,000.00	-	-	10,000.00	0.0%
Contractual Services	90,587.98	150,000.00	-	-	150,000.00	0.0%
Travel	2,517.20	15,000.00	-	-	15,000.00	0.0%
Registration/Schooling	10,789.00	15,000.00	-	-	15,000.00	0.0%
Other Dues/Subscriptions/Membership	1,970.20	2,500.00	150.00	150.00	2,350.00	6.0%
Other Miscellaneous Charges	4,462.05	2,220.00	57.00	57.00	2,163.00	2.6%
Depreciation & Amortization	17,649.00	-	-	-	-	
TOTAL OPERATING EXPENDITURES	419,849.03	562,490.00	15,818.76	15,818.76	546,671.24	2.8%
INTERFUND EXPENDITURES						
Interfund - Accounting Central Services	2,781.80	2,407.00	575.99	575.99	1,831.01	23.9%
Interfund - IT Phones	1,555.51	1,463.00	-	-	1,463.00	0.0%
Interfund - IT Communications Replacement	240.96	-	-	-	-	-
Interfund - Risk Management	1,121.00	991.00	-	-	991.00	0.0%
Interfund - Unemployment	500.00	-	-	-	-	-
Interfund - Worker's Compensation	58.50	198.00	-	-	198.00	0.0%
Interfund - IT	13,892.04	13,729.00	-	-	13,729.00	0.0%
Interfund - IT Replacement	3,584.04	1,927.00	-	-	1,927.00	0.0%
Interfund - Reprographics	4,338.59	2,500.00	-	-	2,500.00	0.0%
TOTAL INTERFUND EXPENDITURES	28,072.44	23,215.00	575.99	575.99	22,639.01	2.5%
TOTAL ADMINISTRATIVE EXPENDITURES	447,921.47	585,705.00	16,394.75	16,394.75	569,310.25	2.8%

SPOKANE EMPLOYEES' RETIREMENT SYSTEM - 6100
 2016 EXPENDITURE SUMMARY REPORT
JANUARY 31, 2016

	2015 ACTUAL	2016 BUDGET	JANUARY ACTUAL EXPENDITURES	2016 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
PENSIONS						
Pensions-Annuity Benefit Payments	22,192,755.57	24,000,000.00	1,921,825.73	1,921,825.73	22,078,174.27	8.0%
Pensions-Disability Payments	125,328.48	160,000.00	10,444.04	10,444.04	149,555.96	6.5%
Pensions-Survivor Annuity Benefits Payments	1,641,113.98	1,600,000.00	144,478.00	144,478.00	1,455,522.00	9.0%
TOTAL PENSIONS	<u>23,959,198.03</u>	<u>25,760,000.00</u>	<u>2,076,747.77</u>	<u>2,076,747.77</u>	<u>23,683,252.23</u>	
Refunds	637,821.67	1,000,000.00	64,799.30	64,799.30	935,200.70	6.5%
TOTAL EXPENSES	<u><u>25,044,941.17</u></u>	<u><u>27,345,705.00</u></u>	<u><u>2,157,941.82</u></u>	<u><u>2,157,941.82</u></u>	<u><u>25,187,763.18</u></u>	7.9%
INVESTMENT EXPENSE*						
Advisory Technical Service	415,225.05	450,000.00	4,054.21	4,054.21	445,945.79	0.9%

* 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
January 31, 2016

2/17/2016	Type	Market	Actual Allocation	Approved Allocation
Cash and Short-term Investments:				
Cash Held by Treasurer	Cash	\$ 239,865		
US Bank	Short-term Inv	<u>1,904,173</u>		
Total Cash and Short-term Investments		2,144,038	0.8%	1.0%
Fixed Income:				
Vanguard Short-Term	Total Return - Mutual Fund	9,320,096		
Hotchkis & Wiley	High Yield - Mutual Fund	9,804,134		
PIMCO Global	International- Mutual Fund	<u>11,397,397</u>		
Total Fixed Income		30,521,627	11.7%	15.0%
U.S. Equities:				
Hotchkis & Wiley	LC Value - Mutual Fund	13,177,292		
Delaware	LC Growth - Mutual Fund	14,210,641		
MFS Heritage	LC Core	15,485,144		
Vanguard S&P 500 Index	LC Core - Mutual Fund	7,592,095		
Sterling	MC Value	7,531,120		
Vanguard MC Growth	MC Growth - Mutual Fund	6,970,240		
Vanguard MC Index	MC Core - Mutual Fund	4,709,610		
Champlain	SC Core	4,445,218		
Phocas	SC Value - Mutual Fund	3,759,343		
Bridgecity	SC Growth	4,284,272		
Vanguard SC Index	SC Core - Mutual Fund	<u>2,113,924</u>		
Total U.S. Equities		84,278,899	32.4%	
International:				
Berens	Ltd Partnership	9,347,585		
Euro Pacific	LC Blend - Mutual Fund	11,185,575		
Artisan	SMID Value - Mutual Fund	13,648,619		
Trivalent	SC Value - Mutual Fund	<u>8,065,172</u>		
Total International		42,246,951	16.2%	
Total Global Equities			48.6%	50.0%
Alt Absolute Return Hedge:				
Polar Long/Short (Altairis)	LLC	5,978,506		
American Beacon	Mutual Fund	9,606,097		
Castine Capital I	Ltd Partnership	6,126,527		
Post Limited Term High Yield	Ltd Partnership	5,528,369		
Rimrock Low Volatility	Ltd Partnership	<u>8,837,463</u>		
Total Alt Absolute Return Hedge		36,076,962	13.9%	10.0%
Alt Long-Short Growth & Special Opps:				
Weatherlow Offshore	Ltd Partnership	14,475,504		
Caduceus (OrbiMed)	Ltd Partnership	8,611,979		
Royalty Opportunities I	Ltd Partnership	4,453,762		
Royalty Opportunities II	Ltd Partnership	305,286		
Troob	Ltd Partnership	4,101,535		
Beach Point	Ltd Partnership	<u>7,519,690</u>		
Total Alt Long-Short Growth & Special Opps		39,467,756	15.2%	14.0%
Real Estate:				
Legacy Partners Realty Fund III	Ltd Partnership	949,195		
Metropolitan Real Estate Partners	Ltd Partnership	785,616		
Morrison Street Fund IV	LLC	2,905,700		
Morrison Street Fund V	LLC	4,121,840		
Principal (REITs)	REITs	<u>8,931,243</u>		
Total Real Estate		17,693,594	6.8%	6.0%
PIMCO Commodites PLUS	Commodities - Mutual Fund	7,914,624	3.0%	4.0%
Total Cash and Investments		<u>\$ 260,344,451</u>	<u>100.0%</u>	<u>100.0%</u>
as of December 31, 2015	withdrawals	(1,000,000)		
		\$ 273,126,681		
	estimated rate of return	-4.31%		