

Spokane Employees' Retirement System (SERS)
Board Meeting, 1:30 p.m. March 30, 2016
City Hall – Conference Room 5A

AGENDA

1. Minutes of the February 24, 2016 Meeting
 - Motion
2. Director's Report
 - a. Retirements
 - Motion
 - b. Withdrawals
 - Motion
 - c. Vesting
 - Information
 - d. Deaths
 - Information
 - e. Expenditure Summary Report – February 2016
 - Motion
 - f. Schedule of Investments – February 2016
 - Information
 - g. Other Business
3. Pension Payroll Process
 - Discussion
4. Fiduciary Duty Overview
 - Presentation
5. Other Business
6. Next Meeting - **Wednesday, April 27, 2016 at 1:30 p.m.**

Spokane Employees' Retirement System (SERS)
Board Meeting Minutes
February 24, 2016

The regular monthly meeting was called to order at 12:30 p.m. in the 5th Floor Conference Room at City Hall.

Present: Mike Coster, Mike Cavanaugh, Jim Tieken, Breean Beggs, Dean Kiefer, and Brian Brill

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

Guests: Jayson Davidson, Richard Czernik, and John Bjork

Hyas Group, 2015 4th Quarter Investment Performance Report

Mr. Davidson presented the Fourth Quarter 2015 Performance Report and discussed overall portfolio and manager specific returns for the quarter. Additionally, he covered the volatile, short term 2016 year-to-date period. Hyas Group recommended that the Board maintain the watch status for the PIMCO Global Bond Fund, Sterling Mid Cap Fund and the Champlain Small Company Fund. However, it was noted that recent performance for the Champlain Small Company and Sterling Mid Cap options has improved markedly and the funds were no longer in technical violation of policy parameters. It was also noted that the PIMCO Global Bond Fund was originally placed on watch for non-performance related reasons, though recent performance warranted maintaining its watch status. There was discussion about relative performance weakness for the Hotchkis and Wiley Core Fund and whether the Fund should be placed on performance related watch. No action was recommended or taken with regard to the Hotchkis Fund.

Berens

Mr. Davidson discussed the recently announced personnel and leadership changes at Berens Capital Management and the implications for Berens Global Value Fund held in SERS. Hyas viewed the change in leadership, including the promotion of Frank Brochin, and the expected portfolio structural changes positively, it was recommended that the Board place the investment on watch.

Mike Cavanaugh moved and Dean Kiefer seconded the motion to put Berens Global Value on watch as recommended by Hyas Group. The motion passed unanimously.

Money Market Search

In light of the pending regulatory changes for money market funds, the Board discussed replacing the current money market option with one that invests solely in governmental securities. Mr. Davidson presented a money market search to replace the Fidelity Institutional Money Market fund and transition all assets. The four funds presented to the Board were Fidelity Retirement Government Money Market, BlackRock Federal Treasury Money Market, Vanguard Federal Money Market and Vanguard Treasury Money Market.

Staff recommended and Hyas concurred with selecting the Vanguard Treasury Money Market Fund.

Mike Cavanaugh moved and Jim Tieken seconded the motion to replace the Fidelity Institutional Money Market Fund with the Vanguard Treasury Money Market Fund. The motion passed unanimously. Hyas Group will work with the SERS staff and custodian to implement this change as soon as possible.

Minutes of the January 27, 2016 and February 8, 2016 Meetings

Jim Tieken moved and Mike Cavanaugh seconded the motion to approve the minutes of the January 27, 2016 and February 8, 2016 meetings as presented. The motion passed unanimously.

Mr. Bjork asked for more information about the Special Meeting and the data request from Senator Carlyle. Mr. Tencick explained that the request was for investment performance and SERS Plan expenses for the timeframe of 2003 thru 2015. Mr. Tencick and Jim Tieken provided some historical information about a previous Bill presented by Senator Carlyle and information on the Private Investment Exemption Bill currently being legislated in Olympia.

Breean Beggs left at 1:58 p.m.

Director's Report
Service Retirements

<i>Name</i>	<i>Age</i>	<i>Retirement Date</i>	<i>Years of Service</i>	<i>Option</i>
Thomas F. Leonard	70	02/03/2016	37.6	E
Steven R. Aschenbrenner	59	02/13/2016	38.1	D
Janice M. Doherty	66	03/19/2016	25.3	ST
Lloyd R. Brewer	66	04/01/2016	34.1	ST
Stacy L. Hawley	50	04/09/2016	23.8	ST
Jacqueline J. Quaschnick	61	04/15/2016	13.4	ST

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

Withdrawals for February 2016

<i>Name</i>	<i>Years of Service</i>	<i>Termination Date</i>
Kiersten M. Black	0.6	04/15/2013
Jennifer S. Perkins	4.7	10/08/2014
Frederic N. Brown	14.6	08/15/2015
Jack T. Busch	0.1	08/27/2015
Carl E. Jacobson	3.8	01/02/2016

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

Vesting

<i>Name</i>	<i>Department</i>	<i>Years of Service</i>
Peter G. Borg	Solid Waste Management	13.02

Deaths

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

Vesting and death information provided to the Board for review.

Schedule of Administrative Expenses - 2015

The 2015 Schedule of Administrative Expenses was presented to the Board and discussed.

Mike Cavanaugh moved and Dean Kiefer seconded the motion to approve the 2015 Schedule of Administrative Expenses. The motion passed unanimously.

Expenditure Summary Report – January 2016

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

Mike Cavanaugh moved and Jim Tieken seconded the motion to approve the January 2016 Expenditure Summary Report. The motion passed unanimously.

Schedule of Investments – January 2016

The monthly investment report was presented to the Board for review. The estimated market value of the SERS portfolio on January 31, 2016 was \$273 million with an estimated rate of return of -4.31%.

Other Business

Mr. Tencick presented a Welcome Packet for the Board members. The Packet contains information including the history of the SERS Plan, the Investment Policy, the RCWs and SMCs that govern the plan and additional educational items. Printed copies and PDF copies were offered to all Board members.

A half-day retreat is planned for the SERS Board in April, with the date being confirmed via email in the next week.

Upcoming Board Election

Mike Coster's term on the Board runs through July 3, 2016. He announced his intention to run for re-election and Ms. Shisler reminded the Board that the City Clerks' office handles the election.

Other Business

There being no other business, the meeting adjourned at 2:16 p.m.

Phillip Tencick, Retirement Director

SERS Retirement Transaction Report

March 2016

Retirements

	Name	Age	Retirement Date	Years of Service	Department	Option
1	Robert E. Wilson	64	03/07/2016	5.8	Library	ST
2	Linda M. Mill	67	04/30/2016	25.0	Municipal Court	ST
3	Ricardo L. Romero	60	05/01/2016	8.0	Public Works & Utilities	ST
4	Darlene Ahrendt	71	05/03/2016	26.5	Police	ST
5	Ina (LouAnn) Liedkie	78	05/07/2016	27.3	Public Works & Utilities	ST
6	Gene A. Sanford	67	05/07/2016	7.1	Fleet Services	ST
	Retirements YTD	19				
	2015 Total Retirements	83				

Withdrawals

	Name	Years of Service	Department	Termination Date
1	Robyn E. Dunlap	3.5	Solid Waste Disposal	02/01/2013
2	Sandra L. Mann	0.5	Accounting	09/11/2015
3	Lyle J. Stone	7.4	Solid Waste Management	10/02/2015
4	David A. Barnett	8.2	Library	02/29/2016

Vesting

	Name	Department	Years of Service
1	Jonathan C. Williams	IT	8.9
2	Dennis S. Bork	IT	7.3
3	Jennifer P. Stapleton	Grants Management & Financial Assistance	2.0 Portability

Deaths

	Name	Date Retired	Age	Date of Death	Information
1	Donald W. Holland	02/14/2016	90	03/09/2016	No Further Benefits

SPOKANE EMPLOYEES' RETIREMENT SYSTEM - 6100
 2016 EXPENDITURE SUMMARY REPORT
 FEBRUARY 29, 2016

	2015 ACTUAL	2016 BUDGET	FEBRUARY ACTUAL EXPENDITURES	2016 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
OPERATING EXPENDITURES						
Departmental Salaries	220,405.82	273,580.00	20,836.97	31,796.50	241,783.50	11.6%
Departmental Benefits	66,088.05	78,190.00	6,151.51	10,803.74	67,386.26	13.8%
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	20,091.84	15,500.00	1,389.16	1,389.16	14,110.84	9.0%
State Audit Charges	11,687.79	10,000.00	212.64	212.64	9,787.36	2.1%
Contractual Services	90,587.98	150,000.00	-	-	150,000.00	0.0%
Travel	2,517.20	15,000.00	952.96	952.96	14,047.04	6.4%
Registration/Schooling	10,789.00	15,000.00	60.00	60.00	14,940.00	0.4%
Other Dues/Subscriptions/Membership	1,970.20	2,500.00	-	150.00	2,350.00	6.0%
Other Miscellaneous Charges	4,462.05	2,220.00	209.71	266.71	1,953.29	12.0%
Depreciation & Amortization	17,649.00	-	-	-	-	
TOTAL OPERATING EXPENDITURES	424,187.62	561,990.00	29,812.95	45,631.71	516,358.29	8.1%
INTERFUND EXPENDITURES						
Interfund - Accounting Central Services	2,781.80	2,407.00	-	575.99	1,831.01	23.9%
Interfund - IT Phones	1,555.51	1,463.00	126.26	126.26	1,336.74	8.6%
Interfund - IT Communications Replacement	240.96	-	-	-	-	-
Interfund - Risk Management	1,121.00	991.00	247.75	247.75	743.25	25.0%
Interfund - Unemployment	500.00	-	-	-	-	-
Interfund - Worker's Compensation	58.50	198.00	49.50	49.50	148.50	25.0%
Interfund - IT	13,892.04	13,729.00	1,144.08	1,144.08	12,584.92	8.3%
Interfund - IT Replacement	3,584.04	1,927.00	160.58	160.58	1,766.42	8.3%
Interfund - Reprographics	-	3,000.00	357.81	357.81	2,642.19	11.9%
TOTAL INTERFUND EXPENDITURES	23,733.85	23,715.00	2,085.98	2,661.97	21,053.03	11.2%
TOTAL ADMINISTRATIVE EXPENDITURES	447,921.47	585,705.00	31,898.93	48,293.68	537,411.32	8.2%

SPOKANE EMPLOYEES' RETIREMENT SYSTEM - 6100
 2016 EXPENDITURE SUMMARY REPORT
 FEBRUARY 29, 2016

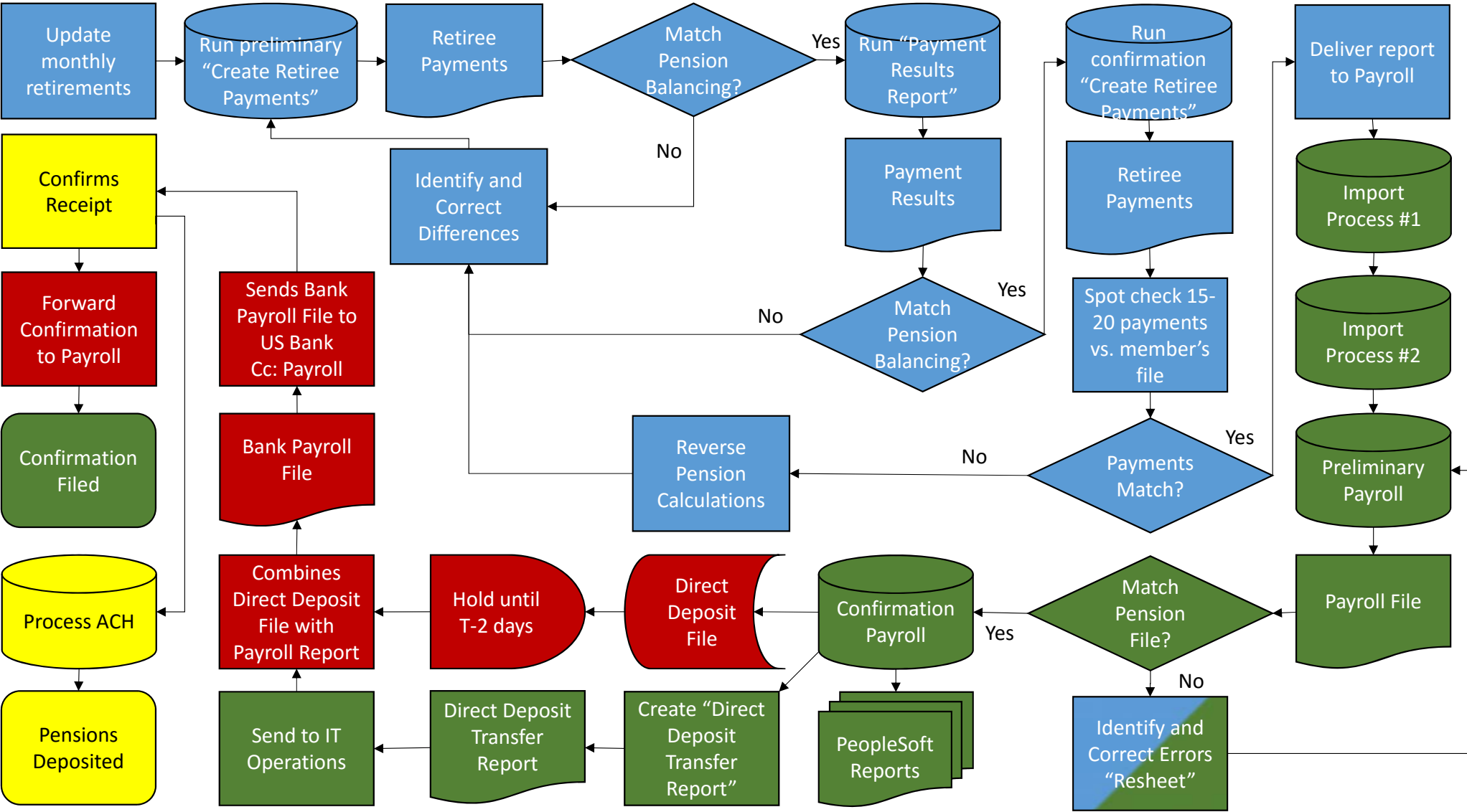
	2015 ACTUAL	2016 BUDGET	FEBRUARY ACTUAL EXPENDITURES	2016 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
PENSIONS						
Pensions-Annuity Benefit Payments	22,192,755.57	24,000,000.00	1,936,084.26	3,857,909.99	20,142,090.01	16.1%
Pensions-Disability Payments	134,210.48	160,000.00	10,444.04	20,888.08	139,111.92	13.1%
Pensions-Survivor Annuity Benefits Payments	1,641,113.98	1,600,000.00	153,356.89	297,834.89	1,302,165.11	18.6%
TOTAL PENSIONS	<u>23,968,080.03</u>	<u>25,760,000.00</u>	<u>2,099,885.19</u>	<u>4,176,632.96</u>	<u>21,583,367.04</u>	
Refunds	637,821.67	1,000,000.00	122,385.49	187,184.79	812,815.21	18.7%
TOTAL EXPENSES	<u><u>25,053,823.17</u></u>	<u><u>27,345,705.00</u></u>	<u><u>2,254,169.61</u></u>	<u><u>4,412,111.43</u></u>	<u><u>22,933,593.57</u></u>	16.1%
INVESTMENT EXPENSE*						
Advisory Technical Service	430,178.76	450,000.00	3,704.35	7,758.56	442,241.44	1.7%

* investment expenses are netted against investment income in the statement of changes of plan net assets to arrive at a net investment income amount.

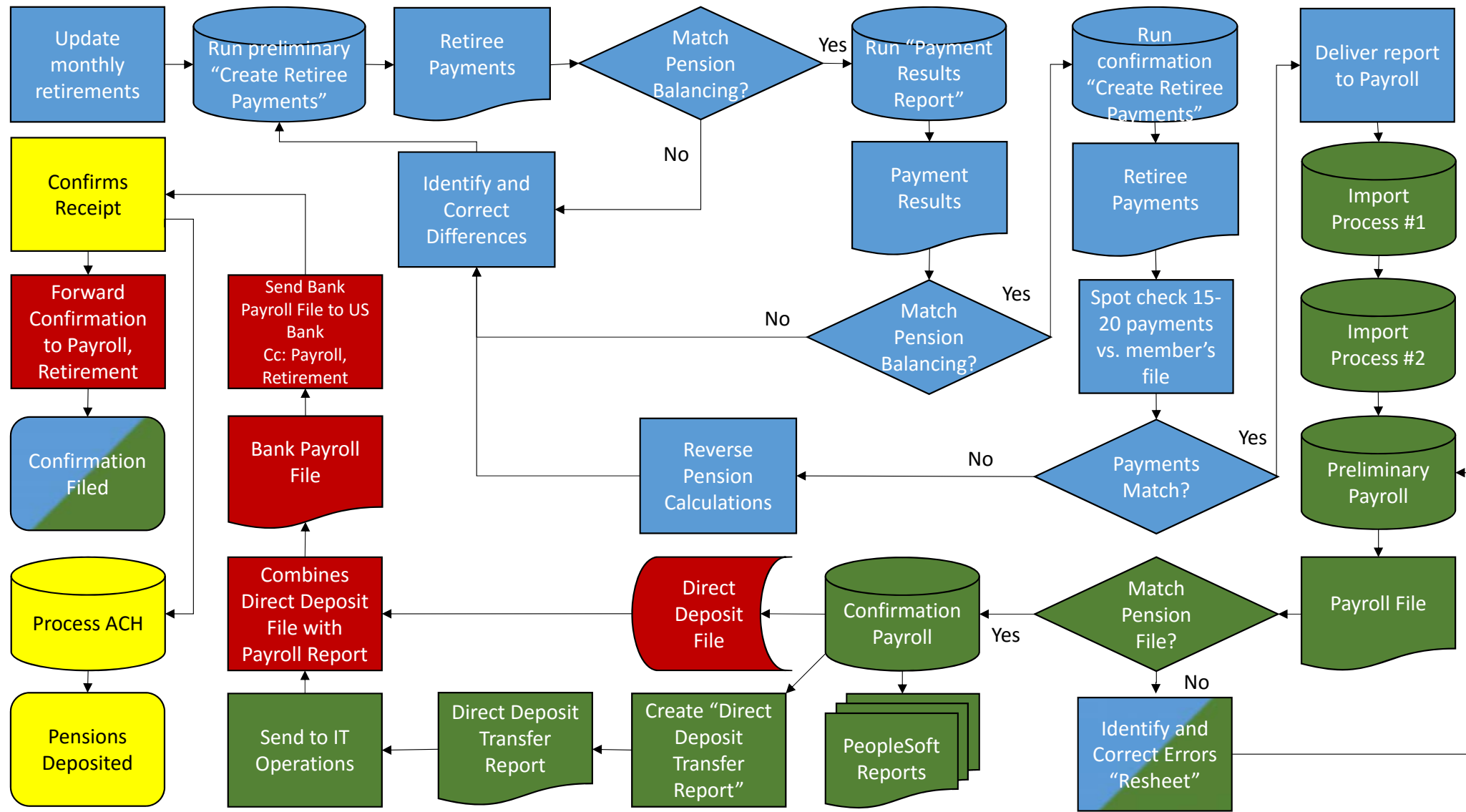
SERS Schedule of Cash and Investments
February 29, 2016

3/23/2016	Type	Market	Actual Allocation	Approved Allocation
Cash and Short-term Investments:				
Cash Held by Treasurer	Cash	\$ 125,832		
US Bank	Short-term Inv	<u>1,905,024</u>		
Total Cash and Short-term Investments		2,030,856	0.8%	1.0%
Fixed Income:				
Vanguard Short-Term	Total Return - Mutual Fund	10,220,424		
Hotchkis & Wiley	High Yield - Mutual Fund	12,340,367		
PIMCO Global	International- Mutual Fund	<u>9,842,137</u>		
Total Fixed Income		32,402,928	12.6%	15.0%
U.S. Equities:				
Hotchkis & Wiley	LC Value - Mutual Fund	12,847,109		
Delaware	LC Growth - Mutual Fund	13,835,305		
MFS Heritage	LC Core	15,524,773		
Vanguard S&P 500 Index	LC Core - Mutual Fund	7,581,823		
Sterling	MC Value	7,476,590		
Vanguard MC Growth	MC Growth - Mutual Fund	6,963,410		
Vanguard MC Index	MC Core - Mutual Fund	4,766,912		
Champlain	SC Core	4,374,482		
Phocas	SC Value - Mutual Fund	3,760,588		
Bridgecity	SC Growth	4,271,416		
Vanguard SC Index	SC Core - Mutual Fund	<u>2,133,342</u>		
Total U.S. Equities		83,535,750	32.5%	
International:				
Berens	Ltd Partnership	8,767,962		
Euro Pacific	LC Blend - Mutual Fund	10,859,756		
Artisan	SMID Value - Mutual Fund	13,522,118		
Trivalent	SC Value - Mutual Fund	<u>7,810,972</u>		
Total International		40,960,808	15.9%	
Total Global Equities			48.5%	50.0%
Alt Absolute Return Hedge:				
Polar Long/Short (Altairis)	LLC	6,089,269		
American Beacon	Mutual Fund	7,034,412		
Castine Capital I	Ltd Partnership	5,844,748		
Post Limited Term High Yield	Ltd Partnership	5,528,369		
Rimrock Low Volatility	Ltd Partnership	<u>8,715,635</u>		
Total Alt Absolute Return Hedge		33,212,433	12.9%	10.0%
Alt Long-Short Growth & Special Opps:				
Weatherlow Offshore	Ltd Partnership	13,890,778		
Caduceus (OrbiMed)	Ltd Partnership	8,405,600		
Royalty Opportunities I	Ltd Partnership	4,453,762		
Royalty Opportunities II	Ltd Partnership	305,286		
Troob	Ltd Partnership	3,934,931		
Beach Point	Ltd Partnership	<u>7,522,045</u>		
Total Alt Long-Short Growth & Special Opps		38,512,402	15.0%	14.0%
Real Estate:				
Legacy Partners Realty Fund III	Ltd Partnership	949,195		
Metropolitan Real Estate Partners	Ltd Partnership	917,193		
Morrison Street Fund IV	LLC	2,905,700		
Morrison Street Fund V	LLC	4,121,840		
Principal (REITs)	REITs	<u>7,891,722</u>		
Total Real Estate		16,785,650	6.5%	6.0%
PIMCO Commodites PLUS	Commodities - Mutual Fund	9,377,818	3.7%	4.0%
Total Cash and Investments		<u>\$ 256,818,645</u>	<u>100.0%</u>	<u>100.0%</u>
	withdrawals	(1,000,000)		
as of January 31, 2016		\$ 260,344,451		
	estimated rate of return	-0.97%		

Pension Payroll Process - Before



Pension Payroll Process - Updated



- Paydays
- Holidays
- Bank Holidays
- Pension

2016



January

Sun	Mon	Tue	Wed	Thu	Fri	Sat
					1	2
						1601F
3	4	5	6	7	8	9
10	11	12	13	14	15	16
						1602S
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						1603F

February

Sun	Mon	Tue	Wed	Thu	Fri	Sat
	1	2	3	4	5	6
						1604S
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
						1605F
28	29					

March

Sun	Mon	Tue	Wed	Thu	Fri	Sat
		1	2	3	4	5
						1606S
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
						1607F
27	28	29	30	31		

April

Sun	Mon	Tue	Wed	Thu	Fri	Sat
					1	2
						1608S
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
						1609T
24	25	26	27	28	29	30

May

Sun	Mon	Tue	Wed	Thu	Fri	Sat
1	2	3	4	5	6	7
						1610F
8	9	10	11	12	13	14
15	16	17	18	19	20	21
						1611S
22	23	24	25	26	27	28
29	30	31				

June

Sun	Mon	Tue	Wed	Thu	Fri	Sat
			1	2	3	4
						1612F
5	6	7	8	9	10	11
12	13	14	15	16	17	18
						1613S
19	20	21	22	23	24	25
26	27	28	29	30		

July

Sun	Mon	Tue	Wed	Thu	Fri	Sat
					1	2
						1614F
3	4	5	6	7	8	9
10	11	12	13	14	15	16
						1615S
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						1616F

August

Sun	Mon	Tue	Wed	Thu	Fri	Sat
	1	2	3	4	5	6
						1617S
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
						1618F
28	29	30	31			

September

Sun	Mon	Tue	Wed	Thu	Fri	Sat
				1	2	3
						1619S
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
						1620T
25	26	27	28	29	30	

October

Sun	Mon	Tue	Wed	Thu	Fri	Sat
						1
						1621F
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
						1622S
23	24	25	26	27	28	29
30	31					

November

Sun	Mon	Tue	Wed	Thu	Fri	Sat
		1	2	3	4	5
						1623F
6	7	8	9	10	11	12
13	14	15	16	17	18	19
						1624S
20	21	22	23	24	25	26
27	28	29	30			

December

Sun	Mon	Tue	Wed	Thu	Fri	Sat
				1	2	3
						1625F
4	5	6	7	8	9	10
11	12	13	14	15	16	17
						1626S
18	19	20	21	22	23	24
25	26	27	28	29	30	31

DIRECT DEPOSIT TRANSFER REPORT

PAYROLL

Date: 3/22/16 Effective Date: 2/29/16

Pay Period: RM201602 Pay Type: RM

Number of Direct Deposit Participants: 1606

Amount of Direct Deposits: \$1,998,602.67

Transfer Approved by: Michele Lesesne

OPERATIONS

Date Received: 2/29/2016

File (x380.acfh9714.w700) downloaded to micro: yes

Time transfer started: 8:20

Verification email (CTYSPOK1) received from Bank yes

Transfer completed by: Doug Harvey

NOTE: *Please return one completed form to payroll and store the other copy with the backup diskette.*

Direct Deposit Confirmation 022916.txt

Secured Message

From:ACH.PRODUCTION@USBANK.COM
To:
Date:02/29/2016 04:34:15 PM GMT
Subject: ACH FILE Confirmation For CTYSPOK1 KEY456

U. S. BANK ACH FILE CONFIRMATION

RUN DATE: 02/29/16 10:32 COMPANY NAME: CITY OF SPOKANE (PAYROLL)
POINT NAME: CTYSPOK1 ACH FILE NAME: CTYSPOK1.A00

FILE DATE	FILE TIME	FILE ID MOD	BATCH COUNT	ENTRY/ ADDENDA	AMOUNT	HASH TOTAL
02/23/16	08:06	A	52	1,725 DR:	.00	6534052148
				CR:	1,998,602.67	

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*** E N D O F R E P O R T

U.S. BANCORP made the following annotations

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FIDUCIARY DUTY OVERVIEW



What is a Fiduciary?

- A person in a position of authority whom the law obligates act **solely** on behalf of the person being represented

Who is a Fiduciary?

- Any person who is named as a fiduciary in the Plan
- Any person who exercises discretionary authority or control over plan assets or administration

Fiduciaries

- Board
- Staff
- Investment Consultant
- Custodian
- Retail Investments

Not Fiduciaries

- Plan Sponsor
- Auditor
- Actuary
- Outside Counsel
- Private Investments

Fiduciary Duties

- Duty of Loyalty
- Duty of Prudence
- Duty to Diversify
- Duty to Adhere
- Duty of Reasonableness

Duty of Loyalty

- Act solely in the interests of plan participants and their beneficiaries with the exclusive purpose of providing benefits to them
- Every action for the benefit of the members, not:
 - Self
 - Plan Sponsor
 - Citizens
- “Hat” rule: When acting as a Board Member, can only wear one “hat”; all others must be put away

Duty of Prudence

- Acting with care, skill, knowledge, prudence, and diligence
- The prudent person rule does not require a Board Member to become a professional in all areas of expertise to do their duties
 - Hiring professionals to assist
 - Document and follow processes
 - Education
 - Due Diligence
 - Monitoring
 - Ask questions

Duty to Diversify

- Diversify investments to reduce risk to the Plan
 - Reduce risk of a large loss
 - Consider how each investment fits in to the entire portfolio
- Duties (may not be delegated):
 - Determine goals and objectives, which are included in a written investment policy
 - Controlling and accounting for expenses
 - Monitoring the overall program and the performance of individual managers

Duty to Adhere

- Document plan policies and processes
 - Investments
 - Administration
- Adhere to the documented policies and processes
 - May not be as simple as it seems
 - Resolving ambiguities or errors – to the benefit of the member or the benefit of the trust?
 - Retirees vs. Active Employees
- Additional Requirements
 - Actuarial Valuations
 - Financial Statement Audit
 - Annual Report

Duty of Reasonableness

- Pay only reasonable plan expenses
 - Reducing expenses retains more assets for the benefit of plan participants
 - When in doubt, erring on the side of lower fees is generally safe

Prohibited Transactions

- Cannot transact with a party in interest of the Plan
 - Transactions
 - Sale, exchange or lease
 - Lending money or providing credit
 - Furnishing payment, goods, services or facilities
 - Parties of Interest
 - Plan Fiduciaries
 - Plan Sponsor
 - Local 270 and M&P
 - Service Providers
 - Relatives of Prohibited Parties

Fiduciary Liability

- Personal Liability
- Duty cannot be delegated