Spokane Employees' Retirement System (SERS)

Board Meeting, 12:30 p.m. May 25, 2016

City Hall - Conference Room 5A

AGENDA

1) Jayson Davidson, Hyas Group
   a) 2016 1st Quarter Investment Performance Report
      - Information
   b) Cash Overlay Presentation
      - Information
   c) Money Market Search
      - Motion
   d) Asset Allocation and Investment Policy Statement Update
      - Information
   e) Bridge City Capital Rate Reduction
      - Information
   f) Other Business

2) Minutes of the April 27, 2016 Meeting
   - Motion

3) Director's Report
   a) Retirements
      - Motion
   b) Withdrawals
      - Motion
   c) Deaths
      - Information
   d) Expenditure Summary Report – April 2016
      - Motion
   e) Schedule of Investments – April 2016
      - Information
   f) Other Business

4) Other Business

5) Next Meeting – **Wednesday, June 29th at 1:30 p.m.**
   Moss Adams is expected to present the draft 2015 Audit Report

Parametric
Engineered Portfolio Solutions

October 2015

CASH SECURITIZATION: THE CHALLENGE OF EFFECTIVE LIQUIDITY MANAGEMENT

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Investment Specialist

Although cash securitization (also known as cash equitization or cash overlay) has been implemented by institutional fund sponsors for many years, the topic remains esoteric for some. In plain language, this paper will clarify what cash securitization is and how it can be used within a broader liquidity management program. Below we review the challenge of liquidity management, introduce the tools that make cash securitization possible, and provide an example of the mechanics involved for effective implementation.

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THE CHALLENGE OF LIQUIDITY MANAGEMENT

Most institutional investors begin the portfolio building process by establishing long-term return and risk objectives. To achieve these objectives, investment policies are created to determine asset allocation targets. Cash, as an asset class, generally receives a small or zero allocation in the policy portfolio. A fundamental thesis of investing is that over the long run, more volatile asset classes are expected to earn a risk premium above cash returns. Consequently, cash exposure reduces long-term return expectations (commonly referred to as cash drag) and may introduce tracking error versus the investment policy.

However despite being a poor long-term investment, institutions typically need to carry some cash exposure as a practical necessity. Cash is required for a variety of reasons which may include payments of pension benefits, endowment distributions, capital call commitments, and other expenses accrued during operations. Selling just the right amount of invested assets to make these payments with perfect precision would be onerous if not impossible. Additionally, when cash comes in to the institution via contributions or other sources, investing the cash in the desired vehicle(s) is not always immediately possible or cost effective. Institutions typically keep at least some cash ready in order to meet these "on demand" liquidity needs.

Holding cash introduces cash drag and can create deviation from the investment policy. However, holding cash is necessary for institutions to function. Investors can address this liquidity management challenge via cash securitization.

EXPANDING THE INVESTMENT TOOLKIT: AN INTRODUCTION TO FUTURES

Before investors can understand how cash securitization works, they must first understand the investment instruments that make cash securitization possible. Let's begin with the concept of a derivative, a term that is often thrown around but little understood. A derivative is a financial instrument that derives its value from its relationship to some underlying asset. The most common derivatives used in a cash securitization program are exchange traded futures. Futures contracts allow an investor to earn a similar return as their underlying asset with an important advantage: capital efficiency. Unlike index funds or ETFs, futures need not be fully funded because they require only a small amount of initial margin.

An investor can buy $100,000 of an underlying asset by purchasing the asset in exchange for $100,000 in cash, or receive the same $100,000 exposure (called notional) by purchasing a futures contract. The investor is required to pledge initial margin, say $5,000[1], and receives the entire $100,000 notional exposure on the underlying asset. In other words, an investor can buy enough futures contracts that the notional value of their exposure is equal to their cash position. Since only a portion of the cash is used for margin, the rest of the cash is available on demand for other uses. It is important to keep in mind that leverage is not introduced into the portfolio as the futures exposure matches the overall cash exposure in the fund.

In this way, fund sponsors may solve their liquidity management challenge. The institution can maintain the practical benefits of holding cash while simultaneously remaining effectively fully invested via futures, reducing the impact of cash drag and policy deviation.

WHAT IS A FUTURES CONTRACT?

"A futures contract is a financial contract obligating the buyer to purchase an asset (or the seller to sell an asset), such as a physical commodity or a financial instrument, at a predetermined future date and price. Futures contracts detail the quality and quantity of the underlying asset; they are standardized to facilitate trading on a futures exchange. Some futures contracts may call for physical delivery of the asset, while others are settled in cash."
– From Investopedia, 8/7/15.

CHARACTERISTICS OF A FUTURES CONTRACT

- Exchange Traded
- Highly liquid for most common indexes
- Low cost
- Capital efficient

[1] Initial margin varies by contract and may change overtime.

An Example of Cash Securitization

Now that we've covered the basic concepts behind cash securitization, let's consider the process involved in implementing an effective cash securitization overlay program.

Create a Cash Securitization Overlay in Three Easy Steps

Step 1: Know Your Cash Balance

First, identify the cash exposure in the fund by capturing the daily cash balances held in all of the custodial accounts used for liquidity management.

Institutional investors can also securitize cash held by their asset managers. If the manager allocation is separately held, the cash balance can be determined by monitoring the custodial account each day. Commingled vehicles require assumptions about the level of cash held by their managers. Investors can estimate this either by discussing it with their managers or by reviewing the cash balances included in their managers' periodic reporting.

Step 2: Determine the Appropriate Allocation for Your Securitized Cash

As a general rule, funds prefer for their securitized cash to have an asset allocation that attempts to mimic their policy portfolio. However, many institutional investors will have policy allocations to asset classes that are uninvestable via existing derivative instruments, for example hedge funds, private equity, or real estate. Investors may choose to reassign those portions of the policy to liquid asset categories for purposes of cash securitization. The two most common approaches are either to proportionally reallocate those asset classes into the investable asset classes or to strategically select investable asset classes that may be a reasonable proxy. For example, an allocation to private equity could be reallocated proportionally across all the investable asset classes or it could be reallocated into domestic small-cap equity because the investor believes private equity and domestic small-cap equity share investment characteristics.

Another common practice for securitizing cash is to use cash dynamically in the portfolio to gain exposure to the most underweight asset classes. The investor surveys the overall fund to determine which asset classes are underweight relative to the target allocation and adds exposure with the objective to move the fund closer to policy targets. Conversely, when funds are withdrawn, exposure is removed from the overweight asset classes.

Asset Class Exposures Commonly Acquired Via Futures

- Domestic Equity: S&P® 500, S&P 400, Russell 2000, Russell 3000
- International Equity: MSCI EAFE, MSCI Emerging Markets, MSCI ACWI ex U.S.
- Fixed Income: Benchmark duration profile created via an optimized basket of Treasury futures
- Commodities: GSCI, Bloomberg Commodity

Step 3: Purchase Futures Contracts to Cover the Value of Your Cash

Having determined the cash balance in Step 1 and the allocation in Step 2, the investor is now ready to implement a cash securitization overlay program. Assume an investor has $10 million in fund cash and a simple allocation of 60% S&P 500 Index and 40% Barclays Capital Aggregate Index. Because, there is no Barclays Capital Aggregate futures contract, that position will be proxied by

a combination of U.S. Treasury futures contracts that have a similar duration profile to the Barclays Capital Aggregate Index. The investor will want to hold enough S&P 500 futures contracts to have notional exposure of $6 million and enough Treasury futures contracts to have duration-equivalent notional exposure of $4 million. Once we know the notional value of the contracts we are purchasing, we can determine how many contracts are purchased.

Figure 1: Sample Futures Contract Calculation

Asset	Desired Notional	Number of Contracts to Purchase	Approximate Notional Value of the Purchased Contracts
S&P 500	$6,000,000	56	$6,000,000
Basket of Treasury Futures	$4,000,000	24	$4,000,000

Source: Parametric, 2015.

In this example, by purchasing 56 S&P 500 futures contracts and a basket of 24 Treasury futures contracts, we have created notional exposure of approximately $10 million; nearly 100% of the value of our institutional investor's cash position is now effectively fully invested, greatly reducing cash drag and bringing the fund closer to its policy target.

What did acquiring these futures contracts require in terms of cash? The investor will be required to post initial margin and to maintain variation margin.

Figure 2: Sample Futures Contract Cost Calculation

Asset	Approximate Notional Value of the Purchased Contracts	Required Initial Margin	Recommended Variation Margin	Total Recommended Margin	Total Recommended Margin as a Percent of the Notional
S&P 500 Futures	$6,000,000	$259,745	$595,045	$854,790	14%
Basket of Treasury Futures	$4,000,000	$37,109	$376,146	$413,255	10%
Total	$10,000,000	$296,854	$971,191	$1,268,045	13%

Source: Parametric, 2015.

The investor pledges a total of $1.3 million of cash in initial and recommended variation margin. The remaining $8.7 million in the cash pool is still available for use on demand in the operations of the institution.

This is how a cash securitization overlay program may solve the liquidity management challenge. Nearly 100% of the value of the cash position is invested, greatly reducing cash drag and helping the portfolio to meet the objectives of its policy. Simultaneously 87% of the fund's cash is available for use in the institution's operations "on demand" and 100% of the cash is available in as little as a day's notice.

▸▸ WHAT HAPPENS TO THE CASH SECURITIZATION OVERLAY PROGRAM NEXT?

After the establishment of a cash securitization overlay program, market conditions and the cash balance may change. How do these changes effect the cash securitization overlay program?

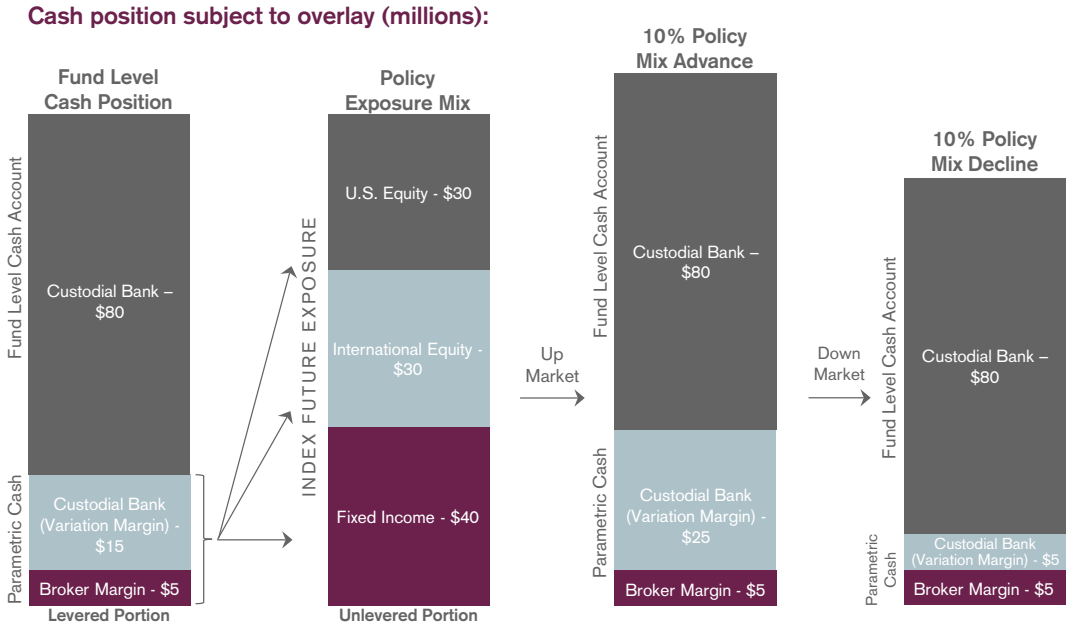
Market Moves

Futures contracts follow a daily mark-to-market process, resulting in cash flows to and from the cash account each day. Assume that the day after establishing the cash securitization overlay program, the S&P 500 rallies by 1%. The S&P 500 portion of the cash securitization overlay program described above will earn $60,000 that is deposited into its cash account as part of the daily mark-to-market. The fund's cash balance increases by $60,000 as does its notional exposure. Similarly, a 1% decline in the S&P 500 would result in a $60,000 mark-to-market withdrawal.

Cash Flows

An effective cash securitization overlay program monitors cash balances daily and adjusts exposures as cash balances change. Imagine that the fund must make a payment of $1 million. To prevent leverage from entering the portfolio, the cash securitization overlay program's S&P 500 and Treasury futures positions will be reduced to match this outflow. The plan remains effectively fully invested with a new cash balance and notional exposure of approximately $9 million.

Figure 3: Where the Cash Resides in an Overlay Program



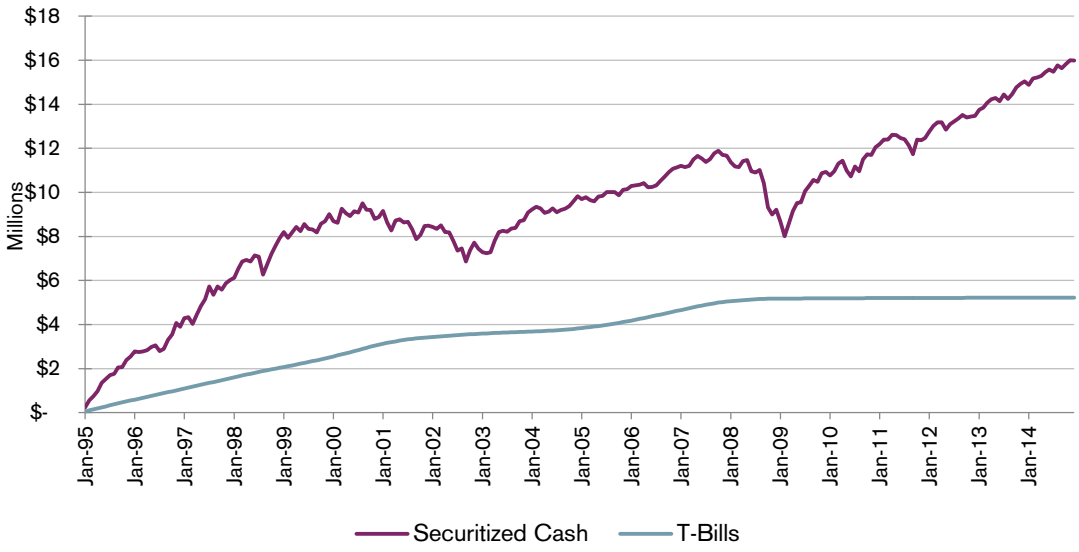
For illustrative purposes only.

What happens over the long run?

Imagine two institutional investors with a market value of $1 billion and a constant cash balance of approximately $10 million. From 1995 to 2014, one holds its cash in T-Bills (or money market funds that earn a T-Bill like return); the other investor securitizes its cash according to a 60% S&P 500 / 40%. Barclays Capital Aggregate allocation. Over the course of 20 years, the cash securitized overlay portfolio earns a potential 5.2% annualized incremental return, or $10.8 million more than the portfolio earning a T-Bill return[2].

[2] Transaction costs and management fee estimates are included in this analysis; these costs are approximately 20 bps per year.

Figure 4: Cash Securitized Overlay Program (Net of Fees) – Simulated Cumulative Return of Fund Cash from 1995 to 2014



Source: Parametric, Bloomberg, 7/17/15. Simulated performance is for illustrative purposes only, does not represent actual returns of any investor, and may not be relied upon for investment decisions. Actual client returns will vary. All investments are subject to loss. Please refer to the Disclosures included at the end of this material for additional important information.

RISKS AND COSTS

Before beginning a cash securitization overlay program, investors should understand the risks.

Figure 5: Overlay Services: What Are the Risks?

Risk	Description	How an Investor Could Mitigate
Market	Market performs in a way that was not anticipated. For example, cash outperforms capital markets.	Systematic market risk is an inherent part of an overlay program and can neither be diversified away nor mitigated. Specific policy guidelines should be established to clearly define desired market risk based on the investor's asset allocation targets.
Communication/ Information	Overlay index exposures are maintained based on underlying investment values provided by one or more third parties. There are often delays in the receipt of updated information which can lead to exposure imbalance risks. Inadequate communication regarding cash flow moves into and out of fund and manager changes can lead to unwanted asset class exposures and loss.	An investor could establish communication links with custodial, manager, and other sources to obtain and verify positions and cash flow data as soon as it is available. Suspect data may be researched.
Leverage	Creation of market exposure in excess of underlying collateral value may lead to significant capital losses and result in position liquidation.	An investor could obtain daily collateral pool values and adjust beta overlay positions to maintain the ratio of total exposure to collateral within a pre-defined band.

Risk	Description	How an Investor Could Mitigate
Margin/Liquidity	Potential that the market moves in a manner adverse to the overlay position causing a mark-to-market loss of capital to the fund and a resulting need to raise liquidity or to close positions; this situation could happen at a time when underlying fund or positions are also declining in value.	Investors should strive to be aware of potential collateral and cash requirements to reduce the risk of needing to remove positions. Margin adequacy should be checked daily.
Tracking Error	Futures (synthetic) index returns do not perfectly track benchmark index returns. This divergence between the price behavior of a position or portfolio and the price behavior of a benchmark is tracking error and impacts performance.	An investor should seek to minimize tracking error by utilizing liquid futures contracts with sufficient daily trading volume and open interest. All derivative contracts will have some tracking error that cannot be mitigated.

For more information on passive investment vehicles and their potential uses, please review our paper *Tools for Efficiently Managing Beta Exposure*.

CONCLUSION

Effective liquidity management presents an implementation challenge to institutional plan sponsors. Institutions need cash to operate, yet cash can drag down their long-term expected investment performance, potentially hindering the achievement of long-term investment objectives. A cash securitization overlay program allows institutions to remain fully invested while retaining all the benefits of "on demand" liquidity. By expanding their investment toolkit and embracing a cash securitization overlay program, institutions can address the challenge of liquidity management and strive to maximize the efficiency of their investment programs.

About Parametric

Parametric, headquartered in Seattle, WA, is a leading global asset management firm, providing investment strategies and customized exposure management to institutions and individual investors around the world. Parametric offers a variety of rules-based, risk-controlled investment strategies, including alpha-seeking equity, alternative and options strategies, as well as implementation services, including customized equity, traditional overlay and centralized portfolio management. Parametric is a majority-owned subsidiary of Eaton Vance Corp. and offers these capabilities through investment centers in Seattle, WA, Minneapolis, MN and Westport, CT (home to Parametric subsidiary Parametric Risk Advisors LLC, an SEC-registered investment adviser).

Disclosure: Parametric

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This material contains simulated, back-tested and/or model performance data, which may not be relied upon for investment decisions. Simulated, back-tested and/or model performance results have many inherent limitations, some of which are described below. Simulated returns are unaudited, are calculated in U.S. dollars using the internal rate of return, reflect the reinvestment of dividends, income and other distributions, but exclude transaction costs, advisory fees and do not take individual investor taxes into consideration. The deduction of such fees would reduce the results shown.

Model/target portfolio information presented, including, but not limited to, objectives, allocations and portfolio characteristics, is intended to provide a general example of the implementation of the strategy and no representation is being made that any client account will or is likely to achieve profits or losses similar to those shown. In fact, there are frequently sharp differences between simulated performance results and the actual results subsequently achieved by any particular trading program. One of the limitations of simulated performance results is that they are generally prepared with the benefit of hindsight. In addition, simulated trading does not involve financial risk, and no simulated trading record can completely account for the impact of financial risk in actual trading. For example, the ability to withstand losses or to adhere to a particular trading program in spite of trading losses are material points which can also adversely affect actual trading results. There are numerous other factors related to the markets in general or to the implementation of any specific trading program which cannot be fully accounted for in the preparation of simulated performance results and all of which can adversely affect actual trading results. Because there are no actual trading results to compare to the simulated, back-tested and/or model performance results, clients should be particularly wary of placing undue reliance on these simulated results. Perspectives, opinions and testing data may change without notice. Detailed back-tested and/or model portfolio data is available upon request. No security, discipline or process is profitable all of the time. There is always the possibility of loss of investment. Benchmark/index information provided is for illustrative purposes only. Indexes are unmanaged and cannot be invested in directly. Deviations from the benchmarks provided herein may include, but are not limited to, factors such as: the purchase of higher risk securities, over/under-weighting specific sectors and countries, limitations in market capitalization, company revenue sources, and/or client restrictions. Parametric's proprietary investment process considers factors such as additional guidelines, restrictions, weightings, allocations, market conditions and other investment characteristics. Thus returns may at times materially differ from the stated benchmark and/or other disciplines provided for comparison.

The Barclays Capital Aggregate Bond Index ("BarCap Agg") is a market-capitalization-weighted index, maintained by Barclays Capital and is often used to represent investment grade bonds being traded in the United States.

The S&P 500 Index represents the top 500 publicly traded companies in the U.S.

Derivatives such as futures, swaps, and other investment strategies have certain disadvantages and risks. Futures require the posting of initial and variation margin. Therefore, a portion of risk capital must be preserved for this purpose rather than being allocated to a manager. Liquid futures may not exist for published benchmarks which may result in tracking error. Also, some intra-period mispricing may occur. Swaps require periodic payments, may be less liquid than futures, and may have counterparty/credit risk. Some investment strategies require a cash investment equal to the desired amount of exposure.

Parametric is headquartered at 1918 8th Avenue, Suite 3100, Seattle, WA 98101. Parametric's Minneapolis investment center is located at 3600 Minnesota Drive, Suite 325, Minneapolis, MN 55435. For more information regarding Parametric and its investment strategies, or to request a copy of Parametric's Form ADV, please contact us at 206.694.5575 (Seattle) or 612.870.8800 (Minneapolis), or visit our website, www.parametricportfolio.com.

FUND CASH SECURITIZATION

CHALLENGE

- Holding cash to facilitate liquidity needs results in tracking error relative to the investment policy and creates a long-term expected performance drag

POTENTIAL SOLUTION

- Efficiently eliminate unwanted cash exposure through the use of an overlay program while maintaining on-demand liquidity

EXPECTED BENEFITS

- Increase expected return
- Increase day-to-day liquidity
- Reduce transaction costs
- Simplify the management of inflows and outflows resulting in time savings for staff

Intended component may not meet benefits listed above.

MANAGER CASH SECURITIZATION

CHALLENGE

- Residual or transactional manager cash exposure (e.g. 1-3% of portfolio) creates an expected long-term performance drag

POTENTIAL SOLUTION

- In non-disruptive manner, efficiently eliminate unwanted manager cash exposure through the use of an overlay program

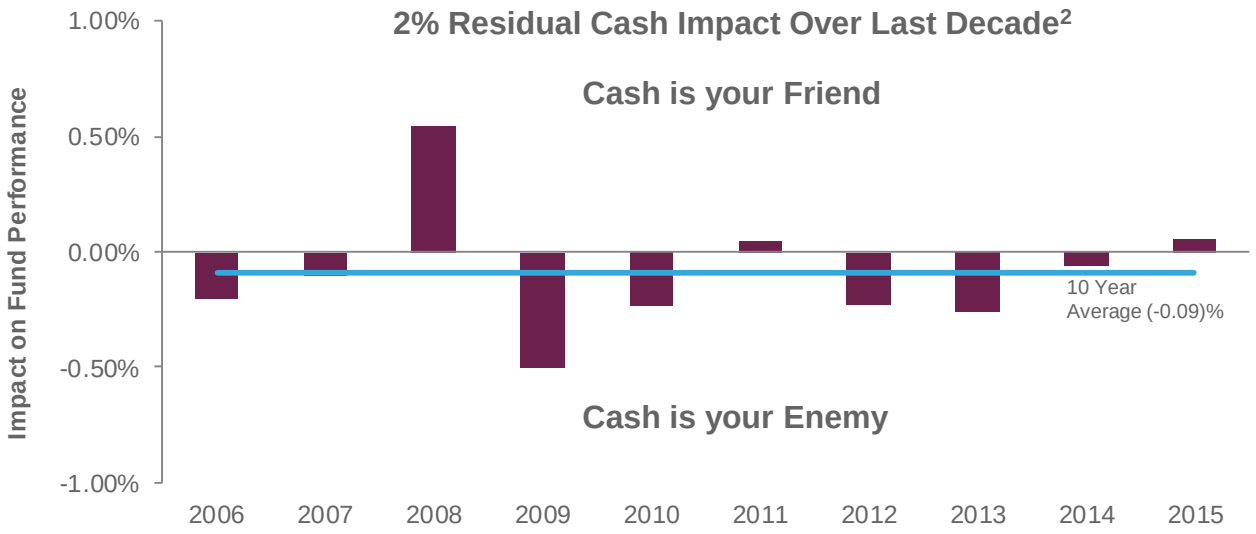
EXPECTED BENEFITS

- Increase expected return
- Maintain exposure across multiple asset classes
- Ability to customize cash overlay for each manager

Intended component may not meet benefits listed above.

PIOS®[1] – NEUTRALIZING POLICY PERFORMANCE SHORTFALLS

Example Policy Mix	
S&P 500	20%
Russell 2000	10%
MSCI EAFE	20%
MSCI EM	10%
Barclays Aggregate	35%
Bloomberg Commodity	5%
Total	100%



Holding 2% residual cash, on its face, does not sound significant. However, when your policy goals is to target 0% cash exposure, you may experience performance slippage. Over the last 10 years, that slippage was estimated to average (0.09)% on the total portfolio.

[1] PIOS (Policy Implementation Overlay Service) is a trademark registered in the U.S. Patent and Trademark Office.
[2] The analysis utilizes index total returns. Returns are net of management fees (15bps applied to cash exposure) and net of expected transaction costs (5bps). The deduction of an advisory fee would reduce an investor's return.

Simulated presentations are for illustrative purposes only, do not represent actual returns of any investor, and may not be considered for investing purposes. It is not possible to invest directly in an index. Investments are subject to loss. Past performance is not indicative of future results. Material provided is supplemental to the GIPS® compliant presentation. Please refer to the GIPS® compliant presentation and other disclosures at the end of this presentation. Source: Parametric, Bloomberg; Date: 1/8/16

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

The regular monthly meeting was called to order at 1:30 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, and Donald Brown

Guests: Bill Dowd, Bill Reid, Kris Ryan, Joe Cavanaugh, Joan Hamilton, Natalie Hilderbrandt, Bob Olsen, Richard Czernik, and John Bjork

Bill Dowd and Bill Reid, SageView Consulting – 2015 Actuarial Valuation
Mr. Dowd and Mr. Reid presented the December 31, 2015 Actuarial Valuation.

The actuarial funded status as of December 31, 2015 was 53.2%, using the blended discount rate required by GASB 67. Without GASB 67, the funding status would have decreased from 69.3% to 68.1%. The Plan's current funded status is in line with the long-term glide path strategy implemented in 2012 to ensure the Plan returns a fully funded status; however the long-term projections fall below the glide path based on the current contribution rate and assumed rate of return.

Ad-Hoc
As the funded ratio is less than 90% and in accordance with SERS Board policy, SageView recommended an ad hoc increase not be granted.

Mike Cavanaugh moved and Jim Tieken seconded a motion for no ad hoc adjustment to retirees in accordance with Board policy. The motion passed unanimously.

Minutes of the March 30, 2016 Meeting
Dean Kiefer moved and Breean Beggs seconded the motion to approve the minutes of the March 30, 2016 meeting as presented. The motion passed unanimously.

Minutes of the April 14, 2016 Special Meeting
Jim Tieken moved and Mike Cavanaugh seconded the motion to approve the minutes of the April 14, 2016 special meeting as presented. The motion passed unanimously.

Director's Report

Service Retirements

Name	*Age*	*Retirement Date*	*Years of Service*	*Option*
Scott N. Craig	51	04/18/2016	13.6	ST
Kathy S. Parsons	57	05/03/2016	35.0	ST
Donald M. Hokenson	62	05/28/2016	26.8	C-20
Janet L. Roys	60	07/09/2016	25.0	D

Mike Cavanaugh moved and Breean Beggs seconded the motion to approve the service retirements on the April Retirement Transaction Report. The motion passed unanimously.

Withdrawals for April 2016

Name	*Years of Service*	*Termination Date*
Selby L. Smith	1.9	12/31/2015
Cynthia G. Olsen	6.3	01/01/2016
Mark W. Finke	2.1	04/08/2016

Dean Kiefer moved and Jim Tieken seconded the motion to approve the requests for withdrawal as presented on the April Retirement Transaction Report. The motion passed unanimously.

Vesting

Name	*Department*	*Years of Service*
Kandace L. Watkins	Grants Management & Financial Assistance	2.1 Portable

Deaths

Name	*Date Retired*	*Age*	*Date of Death*	*Information*
Jessie R. Amsberry	10/15/1976	99	04/01/2016	No Further Benefits
Randee L. Sturdevant	04/23/2005	61	04/05/2016	No Further Benefits

Vesting and death information provided to the Board for review.

Expenditure Summary Report – March 2016

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

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

Schedule of Investments – March 2016

The monthly investment report was presented to the Board for review. The estimated

market value of the SERS portfolio on March 31, 2016 was $266 million with an estimated rate of return of 4.15%.

Other Business
US Bank's automated cash management platform was unable to accommodate the Vanguard Treasury Money Market Fund that was selected by the Board in February. Hyas group will present alternative options, including cash overlay, at the next Board meeting.

Notice of Election for SERS Employee Board Member
Mike Coster was elected without requiring a ballot, as his name was the only nomination that was received by the City Clerk's office.

Pension Payroll Process
Ms. Shisler briefly explained the pension payroll process flow-chart that had been prepared by Mr. Tencick, noting the key changes. Previously, the IT Operations would hold the file until closer to the payment date. Going forward, they will forward the file immediately to the bank. Once the bank receives the file, IT Operations receives an email confirmation, the email confirmation is forwarded to Payroll and will now be forwarded additionally to Ms. Shisler.

Other Business
Mike Cavanaugh asked for a status update on replacing the position vacated by Jerry McFarlane in January of this year. Mr. Tencick explained that he had been meeting with professionals from the community who fit the specialized skill set he felt was needed for this position on the Board. The one citizen he felt would be the best candidate recently declined the opportunity to join the Board. Mr. Tencick asked the Board if they knew of anyone who may be interested to pass along their contact information.

There being no other business, the meeting adjourned at 2:50 p.m.

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Phillip Tencick, Retirement Director

SERS Retirement Transaction Report

May 2016

Retirements

	Name	Age	Retirement Date	Years of Service	Department	Option
1	Debra D. Park	64	05/01/2016	3.1 Portability	Library	ST
2	Karolyn K. Moat	50	05/14/2016	27.8	Accounting	E
3	Kevin L. Burrill	51	05/20/2016	22.2	Streets	ST
4	David C. Stillman	64	06/04/2016	22.2	Fleet	E
5	Richard M. Coe	62	06/16/2016	41.6	Solid Waste Management	C-5
6	John W. Aiken, Jr.	64	07/02/2016	27.1	Public Works	ST
7	Frank (Linc) Gaylord Jr.	63	08/02/2016	18.7	My Spokane	E

Retirements YTD	32
2015 Total Retirements	83

Withdrawals

	Name	Years of Service	Department	Termination Date
1	Heather C. Gillespie	3.6	Police	11/05/2011
2	Sherilee M. Van Zandt	6.6	Parks & Recreation	06/22/2015

Deaths

	Name	Date Retired	Age	Date of Death	Information
1	Lucille F. Giesey	07/06/1996	74	07/08/2016	No Further Benefits
2	Gilbert D. Hanna	03/30/1985	90	05/02/2016	No Further Benefits
3	Donald C. Havens	03/26/1983	93	05/06/2016	No Further Benefits
4	Cheryl A. Eckhart	05/03/2009	57	05/15/2016	No Further Benefits

SPOKANE EMPLOYEES' RETIREMENT SYSTEM - 6100
2016 EXPENDITURE SUMMARY REPORT
APRIL 30, 2016

	2015 ACTUAL	2016 BUDGET	APRIL ACTUAL EXPENDITURES	2016 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
OPERATING EXPENDITURES						
Departmental Salaries	220,405.82	273,580.00	29,678.05	81,413.15	192,166.85	29.8%
Departmental Benefits	66,088.05	78,190.00	7,627.72	24,514.29	53,675.71	31.4%
Reserve for Budget Adjustment	-	10,000.00	-	-	10,000.00	0.0%
Administrative Income	(22,061.31)	(10,000.00)	-	(3,983.73)	(6,016.27)	
Postage/Supplies/Other	20,091.84	18,500.00	1,245.82	4,553.12	13,946.88	24.6%
State Audit Charges	11,687.79	10,000.00	-	262.96	9,737.04	2.6%
Contractual Services	90,587.98	150,000.00	19,669.00	22,025.00	127,975.00	14.7%
Travel	2,517.20	15,000.00	-	952.96	14,047.04	6.4%
Registration/Schooling	10,789.00	15,000.00	-	60.00	14,940.00	0.4%
Other Dues/Subscriptions/Membership	1,970.20	2,500.00	213.20	573.20	1,926.80	22.9%
Other Miscellaneous Charges	4,462.05	2,220.00	61.21	568.05	1,651.95	25.6%
Depreciation & Amortization	17,649.00	-	-	-	-	
TOTAL OPERATING EXPENDITURES	424,187.62	564,990.00	58,495.00	130,939.00	434,051.00	23.2%
INTERFUND EXPENDITURES						
Interfund - Accounting Central Services	2,781.80	2,407.00	575.99	1,151.98	1,255.02	47.9%
Interfund - IT Phones	1,555.51	1,463.00	124.62	373.87	1,089.13	25.6%
Interfund - IT Communications Replacement	240.96	-	-	-	-	-
Interfund - Risk Management	1,121.00	991.00	-	247.75	743.25	25.0%
Interfund - Unemployment	500.00	-	-	-	-	-
Interfund - Worker's Compensation	58.50	198.00	-	49.50	148.50	25.0%
Interfund - IT	13,892.04	13,729.00	1,144.08	3,432.24	10,296.76	25.0%
Interfund - IT Replacement	3,584.04	1,927.00	160.58	481.74	1,445.26	25.0%
TOTAL INTERFUND EXPENDITURES	23,733.85	20,715.00	2,005.27	5,737.08	14,977.92	27.7%
TOTAL ADMINISTRATIVE EXPENDITURES	447,921.47	585,705.00	60,500.27	136,676.08	449,028.92	23.3%

SPOKANE EMPLOYEES' RETIREMENT SYSTEM - 6100
2016 EXPENDITURE SUMMARY REPORT
APRIL 30, 2016

	2015 ACTUAL	2016 BUDGET	APRIL ACTUAL EXPENDITURES	2016 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
PENSIONS						
Pensions-Annuity Benefit Payments	22,192,755.57	24,000,000.00	1,956,621.80	7,756,545.73	16,243,454.27	32.3%
Pensions-Disability Payments	125,328.48	160,000.00	10,444.04	41,776.16	118,223.84	26.1%
Pensions-Survivor Annuity Benefits Payments	1,641,113.98	1,600,000.00	151,114.52	599,178.32	1,000,821.68	37.4%
TOTAL PENSIONS	23,959,198.03	25,760,000.00	2,118,180.36	8,397,500.21	17,362,499.79	
Refunds	637,821.67	1,000,000.00	36,967.58	295,369.45	704,630.55	29.5%
TOTAL EXPENSES	25,044,941.17	27,345,705.00	2,215,648.21	8,829,545.74	18,516,159.26	32.3%
INVESTMENT EXPENSE*						
Advisory Technical Service	430,178.76	450,000.00	38,662.58	78,816.54	371,183.46	17.5%

** 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
April 30, 2016

5/19/2016	Type	Market	Actual Allocation	Approved Allocation
Cash and Short-term Investments:				
Cash Held by Treasurer	Cash	$ 150,545		
US Bank	Short-term Inv	1,506,104		
Total Cash and Short-term Investments		1,656,649	0.6%	1.0%
Fixed Income:				
Vanguard Short-Term	Total Return - Mutual Fund	9,972,893		
Hotchkis & Wiley	High Yield - Mutual Fund	13,349,304		
PIMCO Global	International- Mutual Fund	10,234,780		
Total Fixed Income		33,556,977	12.4%	15.0%
U.S. Equities:				
Hotchkis & Wiley	LC Value - Mutual Fund	14,698,133		
Delaware	LC Growth - Mutual Fund	13,814,453		
MFS Heritage	LC Core	16,465,968		
Vanguard S&P 500 Index	LC Core - Mutual Fund	8,127,319		
Sterling	MC Value	8,330,709		
Vanguard MC Growth	MC Growth - Mutual Fund	7,431,280		
Vanguard MC Index	MC Core - Mutual Fund	5,175,814		
Champlain	SC Core	4,923,633		
Phocas	SC Value - Mutual Fund	4,088,075		
Bridgecity	SC Growth	4,524,420		
Vanguard SC Index	SC Core - Mutual Fund	1,762,478		
Total U.S. Equities		89,342,282	33.1%	
International:				
Berens	Ltd Partnership	9,329,551		
Euro Pacific	LC Blend - Mutual Fund	11,787,289		
Artisan	SMID Value - Mutual Fund	14,651,596		
Trivalent	SC Value - Mutual Fund	8,550,464		
Total International		44,318,900	16.4%	
Total Global Equities			49.5%	50.0%
Alt Absolute Return Hedge:				
Polar Long/Short (Altairis)	LLC	6,178,263		
American Beacon	Mutual Fund	7,251,208		
Castine Capital I	Ltd Partnership	5,941,514		
Post Limited Term High Yield	Ltd Partnership	5,665,418		
Rimrock Low Volatility	Ltd Partnership	8,811,882		
Total Alt Absolute Return Hedge		33,848,285	12.5%	10.0%
Alt Long-Short Growth & Special Opps:				
Weatherlow Offshore	Ltd Partnership	13,752,424		
OrbiMed II (Caduceus)	Ltd Partnership	8,692,197		
Royalty Opportunities I	Ltd Partnership	4,452,619		
Royalty Opportunities II	Ltd Partnership	771,785		
Troob	Ltd Partnership	3,574,848		
Beach Point	Ltd Partnership	7,791,344		
Total Alt Long-Short Growth & Special Opps		39,035,217	14.5%	14.0%
Real Estate:				
Legacy Partners Realty Fund III	Ltd Partnership	919,874		
Metropolitan Real Estate Partners	Ltd Partnership	888,527		
Morrison Street Fund IV	LLC	2,948,606		
Morrison Street Fund V	LLC	3,999,909		
Principal (REITs)	REITs	8,441,053		
Total Real Estate		17,197,969	6.4%	6.0%
PIMCO Commodites PLUS	Commodities - Mutual Fund	11,115,132	4.1%	4.0%
Total Cash and Investments		$ 270,071,411	100.0%	100.0%
	withdrawals	(600,000)		
as of March 31, 2016		$ 266,476,276		
	estimated rate of return	1.57%		