

Spokane Employees' Retirement System (SERS)
Board Meeting Minutes
August 31, 2016

The regular monthly meeting was called to order at 12:36 p.m. in the 5th Floor Conference Room at City Hall.

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

Absent: Breean Beggs

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

Guests: Jayson Davidson, Dave Henshaw, Joe Cavanaugh, Richard Czernik, Natalie Hilderbrand, and John Bjork

Hyas Group, 2016 2nd Quarter Investment Performance Report

Mr. Davidson presented the Second Quarter 2016 Performance Report and discussed overall portfolio and manager specific returns for the quarter. The portfolio returned 1.82% for the quarter versus the policy benchmark of 2.72%. Since inception, the current allocation's annualized returns were 4.58% versus the policy benchmark of 4.84%. Hyas recommended maintaining the watch status for the PIMCO Global Bond Fund, Berens Global Value Fund, and Sterling Mid Cap Fund.

Hyas Group informed the Board that performance for the Champlain Small Company Fund has improved significantly over the last several quarters.

Mike Cavanaugh moved and Jim Tieken seconded the motion to remove Champlain Small Cap Equity from watch status. The motion passed unanimously.

Core Fixed Income Manager Search

Mr. Davidson presented the Hyas Group's Core Bond Manager Search Report. Mr. Tencick presented the staff recommendation, which coincided with Hyas' recommendation. The Board evaluated and discussed the managers presented within the core bond space.

Jim Tieken moved and Mike Cavanaugh seconded the motion to terminated Vanguard Short Duration as the core fixed income manager. The motion passed unanimously.

Mike Cavanaugh moved and Dean Kiefer seconded the motion to select Sterling Capital's Total Return strategy as the new core fixed income manager. The motion passed unanimously.

Investment Policy Statement

The Board engaged in a review of the Investment Policy. Discussion ensued regarding proposed changes and the Board requested a copy of the redline version for review.

Mike Cavanaugh moved and Jim Tieken seconded the motion to move the discussion on the Investment Policy Statement to the December Board meeting. The motion passed unanimously.

Minutes of the July 27, 2016 Meeting

Mike Cavanaugh moved and Jim Tieken seconded the motion to approve the minutes of the July 27, 2016 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>
Alfred G. Heath	62	08/12/2016	18.2	ST
Douglas B. Edwards	50	08/20/2016	24.9	D
Roxanne L. Imus	63	10/04/2016	27.1	ST

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

Withdrawals for August 2016

<i>Name</i>	<i>Years of Service</i>	<i>Termination Date</i>
Karen D. Cahalan	4.6	05/03/2013
Monique R. Cotton	2.7	02/21/2016
Joshua M. Anderson	0.4	07/21/2016
Aaron B. Peterson	0.3	07/26/2016
Nancy L. Isserlis	4.3	08/06/2016
Heather E. Aguayo	0.3	08/11/2016

Dean Kiefer moved and Mike Cavanaugh seconded the motion to approve the requests for withdrawal as presented on the August 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>
Marlin D. Nierstheimer	03/07/2009	61	07/22/2016	D Option Continues
Mary J. O'Neill	03/29/1988	93	08/03/2016	No Further Benefits

Death information provided to the Board for review.

Expenditure Summary Report – July 2016

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

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

Schedule of Investments – July 2016

The monthly investment report was presented to the Board for review. The estimated market value of the SERS portfolio on July 31, 2016 was \$280 million with an estimated rate of return of 4.2%.

Monthly Cash Reconciliation

A new monthly cash reconciliation report was presented to provide the Board with additional insight into the ongoing liquidity and cash position of the plan.

Asset Allocation Implementation Update

A partial redemption from Champlain (US Small/Mid Cap Equity) at the end of July was rebalanced to Euro Pacific (International Large Cap), which reduced the gross tracking error from 12.0% to 11.0%.

2017 Budget

The 2017 Budget was presented to the Board and discussed.

Mike Cavanaugh moved and Dean Kiefer seconded the motion to adopt the 2017 Budget as presented. The motion passed unanimously.

Other Business

Mr. Tencick presented a business case titled US Bank Pension Payment Processing and discussion ensued.

Mr. Tencick led the discussion on the proposed timeline for the Actuary RFP, with the goal of awarding the contract at the December meeting.

Other Business

There being no other business, the meeting adjourned at 2:24 p.m.

/s/

Phillip Tencick, Retirement Director