

Spokane Employees' Retirement System (SERS)
Board Meeting, 12:30 p.m. December 7, 2016
City Hall - Conference Room 5A

AGENDA

- 1) Jayson Davidson, Hyas Group
 - a. Third Quarter 2016 Performance Review – Information
 - On-watch funds: Sterling Mid Cap Value Fund, Berens Global Value Fund
 - b. Fund manager discussion – Information
 - Legacy Partners Realty Fund/Steelwave update
 - TCM redemption
 - Sterling Core Bond portfolio funded
 - PIMCO Global Advantage Bond Fund terminated
 - American Beacon full redemption
 - MFS CEO transition
 - c. Morrison Street Debt Fund – Motion
 - d. Core real estate manager search – Motion
 - e. Investment Policy Statement – Motion
- 2) Minutes of the October 26, 2016 Meeting
 - Motion
- 3) Director's Report
 - a. Retirements
 - Motion
 - b. Withdrawals
 - Motion
 - c. Vesting
 - Information
 - d. Deaths
 - Information
 - e. Expenditure Summary Report – October 2016
 - Motion
 - f. Schedule of Investments – October 2016
 - Information
 - g. Monthly Cash Reconciliation
 - Information
 - h. Other Business
- 4) Other Business
- 5) Next Meeting – **Wednesday January 6, 2017 at 1:30 p.m.**

STATEMENT OF INVESTMENT POLICY Spokane Employees' Retirement System

Date Approved: ~~October 26~~December 7, 2016

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) Establish an asset allocation policy that is expected to meet the required rate of return over long periods of time while minimizing volatility.
- 3) Minimize the costs associated with implementation of the asset allocation through the efficient use of resources.
- 4) 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.
- 5) Seek investment returns and funding policies that will allow for ad hoc increases in retirees' annuities so as to maintain the purchasing power of their benefit.

ROLES AND RESPONSIBILITIES

The Board, as a 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, auditor, actuary 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) 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) Due diligence, monitoring, and contracting of the Fund's investment managers.
- 3) Due diligence, monitoring, and contracting of the Fund's service providers.
- 4) Make buy/sell decisions to provide for regular liquidity requirements and rebalancing within the asset allocation guidelines.

- a. The Board will be notified in advance of all transactions. The transaction will be considered approved if the Board does not object to the proposed transaction within one business day.
- 4)5) 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 Managers.** An 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) **Auditor.** The auditor will provide an annual review the Fund's books and records, accounting policies, and internal controls to provide an opinion that the financial statements are presented fairly and without material misstatement.
- 5) **Actuary.** The actuary will provide an annual valuation of the Fund's total pension liability based on the actuarial assumptions approved by the Board.
- 6) **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, net of any investment management fees. 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.
- Investment management fees shall be reasonable. Fees should be minimized unless additional fees are expected to generate additional returns in excess of the additional fees or to provide additional diversification unavailable in a low-cost, passive investment.

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 capital preservation, domestic equities, international equities, long biased, opportunistic credit, real estate and special opportunities.. 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 standard minimum and maximum allocation rebalancing guidelines. Allocations in excess of the standard minimum or maximum require Board approval.

<u>Asset Class</u>	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Capital Preservation	20%	23%	26%
Cash	0%	0%	2%
Total Return Bond	8%	10%	12%
High Yield Bond	3%	5%	7%
Absolute Return	6%	8%	10%
Domestic Equities	29%	32%	35%
Large Cap Equity	19%	21%	23%
Small/Mid Cap Equity	9%	11%	13%
International Equities	19%	22%	25%
Large Cap Equity	13%	15%	17%
Small/Mid Cap Equity	2%	4%	6%
Emerging Market Equity	1%	3%	5%
Long Biased	4%	7%	10%
Opportunistic Credit	4%	7%	10%
Real Estate	6%	9%	12%
Special Opportunities*	0%	0%	10%

*** Special Opportunities**

This asset class is designed to allow the committee to pursue unique investment opportunities that may fall outside of current asset class descriptions. These opportunities are generally defined by higher expected return potential relative to broad public equity markets. However, they may also include opportunities expected to provide equity-like returns with significantly less risk. Given the variable nature of this opportunity set, the asset class retains a target allocation of 0%, but may be implemented at the discretion of the Board as opportunities present themselves. Funding for the asset class will generally be redirected from the broad public equity allocation.

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 at each Board meeting, 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, or its designee, 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:

Asset Class	Benchmark	Weight
Cash	US 90 Day T-Bill	0%
Total Return Bond	Barclays US Aggregate Bond Index	10%
High Yield Bond	Barclays US Corporate HighYield Index	5%
Absolute Return	HFRI FOF Conservative Index	8%
Domestic Large Cap Equity	S&P 500 Index	21%
Domestic Small/Mid Cap Equity	Russell 2500 Index	11%
International Large Cap Equity	MSCI ACWI ex-US Index	15%
International Small/Mid Cap	MSCI ACWI ex-US Small Cap Index	4%

Equity		
Emerging Markets Equity	MSCI EM Free Index	3%
Long Biased	HFRI FOF Composite Index	7%
Opportunistic Credit	HFRI Distressed Restructuring Index	7%
Real Estate	NCREIF – ODCE Index	9%
Special Opportunities	Russell 3000 Index	0%

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

Investment Category

Relevant Benchmark

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
US Small/Mid Capitalization Stocks – Blended Style	Russell 2500 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
Foreign Small/Mid Capitalization Stocks – Blended	MSCI ACWI ex-US Small Cap Index
Emerging Market Large Capitalization Stocks	MSCI Emerging Markets Free Index
Real Estate Investment Trusts (REITS)	FTSE NAREIT Index
Core Liquid Real Estate	NCREIF – ODCE Index
Private Real Estate	NCREIF Property Index
Global Commodities	Bloomberg Commodity Index
Long Biased	HFRI FOF Composite Index
Opportunistic Credit	HFRI Distressed Restructuring Index
Special Opportunities	Russell 3000 Index
US High Yield Bonds	Barclays US Corporate High Yield Index
Absolute Return	HRFI FOF Conservative Index
Total Return Bonds	Barclays Aggregate Bond Index
Global Bonds	Barclays Global Aggregate Bond Index
Treasury Inflation Protected Securities	Barclays U.S. TIPS Index

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.

MANAGER SELECTION

To facilitate the Board's manager selection decisions, the Consultant and Staff will present a formal search, with recommendations, for all new and replacement investment managers or funds. Initial due diligence should include a review of the investment philosophy, process, team, and performance record. Risks posed by a concentrated exposure to a single investment manager or co-investor will also be evaluated. Additional due diligence should be conducted for investments in new asset classes, firms with limited track records, or limited partnerships to evaluate any idiosyncratic risks the investment may pose, which may include interviewing key personnel, legal review, and on-site due diligence.

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.

Spokane Employees' Retirement System (SERS)
Board Meeting Minutes
October 26, 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, Donald Brown, and Tim Szambelan

Guests: Joe Cavanaugh, Natalie Hilderbrand, Deborah Wardwell, and John Bjork

Minutes of the September 28, 2016 Meeting

Mike Cavanaugh moved and Dean Kiefer seconded the motion to approve the minutes of the September 28, 2016 meeting as presented. The motion passed unanimously.

Mr. Tencick introduced Ms. Wardwell, who gave a brief background on herself.

Director's Report

Service Retirements

<i>Name</i>	<i>Age</i>	<i>Retirement Date</i>	<i>Years of Service</i>	<i>Option</i>
Jeffrey S. Burke	50	10/17/2016	8.9	ST
Harry A. McLean, Jr.	72	11/04/2016	27.6	A
Wanda T. Clark	64	11/19/2016	11.2	ST
Charles D. Fletcher	62	01/07/2017	28.1	E
Richard J. Gow	71	01/07/2017	11.0	E
Robert A. Lincoln	67	01/21/2017	18.6	ST
William A. Flatt	76	02/02/2017	17.7	E

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

Withdrawals for October 2016

<i>Name</i>	<i>Years of Service</i>	<i>Termination Date</i>
Gina R. Dempsey	1.7	07/21/2016
David R. Parker	0.6	08/04/2016
Tyler R. Whitney	0.7	10/03/2016

Jim Ticken moved and Mike Cavanaugh 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>
Shukwo Chan Palmer	IT	7.9
Kyndrin M. Tenny	Police	6.4

Deaths

<i>Name</i>	<i>Date Retired</i>	<i>Age</i>	<i>Date of Death</i>	<i>Information</i>
Clyde H. Kramer	04/09/2005	75	09/15/2016	E Option Continues
Joyce C. Allenton	11/13/2003	85	09/22/2016	No Further Benefits
Harold W. Roan	09/07/1996	88	10/05/2016	No Further Benefits
Raymond D. King	12/05/1992	85	10/06/2016	No Further Benefits
Shirley J. Rickard	02/05/1994	84	10/10/2016	No Further Benefits
Eileen C. Quorn-Peters	03/31/1983	94	10/12/2016	No Further Benefits
Earl W. Cox	04/10/1993	79	10/17/2016	No Further Benefits

Vesting and Death information provided to the Board for review.

Breean Beggs arrived at 1:37 p.m.

Expenditure Summary Report – September 2016

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

Mike Cavanagh moved and Dean Kiefer seconded the motion to approve the September 2016 Expenditure Summary Report. The motion passed unanimously.

Schedule of Investments – September 2016

The monthly investment report was presented to the Board for review. The estimated market value of the SERS portfolio on September 30, 2016 was \$278 million with an estimated rate of return of 0.5%.

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.

Funding Level Update

The 3rd quarter funding ratio was below the glide path, 49.1% versus 50.1%. The decrease was due to a lower discount rate caused by lower municipal bond interest rates.

Other Business

Mr. Tencick notified the Board that he will send a survey to help frame the educational topic schedule for the upcoming year. Mr. Brill also suggested soliciting feedback for 2017 goals.

Mr. Tencick presented the results of a survey that polled the Board members regarding the experience and traits they would like to see for the open position on the Board.

Mr. Tencick updated the Board on the Actuary RFP. The Actuary RFP committee is scheduled to meet on November 1, with their recommendation being presented at the December Board meeting. Mr. Tencick will send electronically to the Board members his list of questions for their review and copies of the proposals that were submitted.

Investment Policy Statement

A redline version of the Investment Policy Statement was presented and discussed. Suggested edits were discussed and the final version with those edits will be presented at the next Board meeting for a vote.

Introduction to Core Real Estate

Mr. Tencick presented an Open-Ended Core Real Estate Primer that introduced the Board to the open-ended core real estate asset class.

Other Business

There being no other business, the meeting adjourned at 2:44 p.m.

Phillip Tencick, Retirement Director

SERS Retirement Transaction Report

December 2016

Retirements

	Name	Age	Retirement Date	Years of Service	Department	Option
1	Damon MK Taam	59	12/01/2016	3.1 Portability	Solid Waste Disposal	E
2	Amy B. Brown	50	12/15/2016	9.5	Arena Management	E
3	Gene B. Jakubczak	64	01/01/2017	25.6	Fleet Services	ST
4	Mindy C. Baker-Nygren	50	01/10/2017	19.6	Probation Services	ST
	Retirements YTD	67				
	2015 Total Retirements	83				

Withdrawals

	Name	Years of Service	Department	Termination Date
1	Lance S. Mueller	1.1	Building Services	05/06/2016
2	Damon L. Hunter	0.2	Mayor	07/19/2016
3	Brian J. Zaugra	0.6	Street	09/19/2016
4	Andrew J. Montgomery	6.2	Solid Waste Management	10/13/2016

Vesting

	Name	Department	Years of Service
1	Mark E. Smith	Water	6.7

Deaths

	Name	Date Retired	Age	Date of Death	Information
1	Gary Horsman	12/30/1998	75	10/15/2016	No Further Benefits
2	Marilyn Lengyel	05/13/2016	74	10/31/2016	No Further Benefits
3	Auldon L. McNerney	12/15/1993	79	11/12/2016	E Option Continues
4	Vivian I. Latham	01/13/1996	78	11/13/2016	No Further Benefits
5	Steven F. Shagina	02/22/2014	54	11/16/2016	No Further Benefits
6	Margret E. Johnson	01/20/2014	80	11/20/2016	No Further Benefits

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

	2015 ACTUAL	2016 BUDGET	OCTOBER ACTUAL EXPENDITURES	2016 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
OPERATING EXPENDITURES						
Departmental Salaries	220,405.82	273,580.00	19,946.60	210,833.56	62,746.44	77.1%
Departmental Benefits	66,088.05	78,190.00	6,083.67	62,560.84	15,629.16	80.0%
Reserve for Budget Adjustment	-	10,000.00	-	-	10,000.00	0.0%
Administrative Income	(22,061.31)	(10,000.00)		(12,618.45)	2,618.45	
Postage/Supplies/Other	20,091.84	16,000.00	726.41	8,130.75	7,869.25	50.8%
State Audit Charges	11,687.79	10,000.00	1,636.94	7,351.50	2,648.50	73.5%
Contractual Services	90,587.98	150,000.00	-	75,911.25	74,088.75	50.6%
Travel	2,517.20	15,000.00	487.20	6,784.93	8,215.07	45.2%
Registration/Schooling	10,789.00	15,000.00	-	510.00	14,490.00	3.4%
Other Dues/Subscriptions/Membership	1,970.20	2,500.00	-	848.20	1,651.80	33.9%
Other Miscellaneous Charges	4,462.05	2,220.00	57.00	1,160.05	1,059.95	52.3%
Depreciation & Amortization	17,649.00	-	-	-	-	
TOTAL OPERATING EXPENDITURES	424,187.62	562,490.00	28,937.82	361,472.63	201,017.37	64.3%
INTERFUND EXPENDITURES						
Interfund - Centralized Accounting	2,781.80	2,407.00	575.99	2,303.96	103.04	95.7%
Interfund - IT Phones	1,555.51	1,463.00	129.01	1,128.06	334.94	77.1%
Interfund - IT Communications Replacement	240.96	-	-	-	-	-
Interfund - Risk Management	1,121.00	991.00	-	743.25	247.75	75.0%
Interfund - Unemployment	500.00	-	-	-	-	-
Interfund - Worker's Compensation	58.50	198.00	-	148.50	49.50	75.0%
Interfund - Reprographics	-	2,500.00	432.30	3,187.57	(687.57)	127.5%
Interfund - IT	13,892.04	13,729.00	1,144.08	10,296.72	3,432.28	75.0%
Interfund - IT Replacement	3,584.04	1,927.00	160.58	1,445.22	481.78	75.0%
TOTAL INTERFUND EXPENDITURES	23,733.85	23,215.00	2,441.96	19,253.28	3,961.72	82.9%
TOTAL ADMINISTRATIVE EXPENDITURES	447,921.47	585,705.00	31,379.78	380,725.91	204,979.09	65.0%

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

	2015 ACTUAL	2016 BUDGET	OCTOBER ACTUAL EXPENDITURES	2016 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
PENSIONS						
Pensions-Annuity Benefit Payments	22,192,755.57	24,000,000.00	2,017,921.28	19,731,239.98	4,268,760.02	82.2%
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	1,641,113.98	1,600,000.00	158,444.21	1,529,884.17	70,115.83	95.6%
TOTAL PENSIONS	<u>23,959,198.03</u>	<u>25,760,000.00</u>	<u>2,186,809.53</u>	<u>21,365,564.55</u>	<u>4,394,435.45</u>	
Refunds	637,821.67	1,000,000.00	25,396.77	628,882.72	371,117.28	62.9%
TOTAL EXPENSES	<u><u>25,044,941.17</u></u>	<u><u>27,345,705.00</u></u>	<u><u>2,243,586.08</u></u>	<u><u>22,375,173.18</u></u>	<u><u>4,970,531.82</u></u>	81.8%
INVESTMENT EXPENSE*						
Advisory Technical Service	430,178.76	450,000.00	32,797.71	253,304.17	196,695.83	56.3%

* 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, 2016

12/1/2016

	Type		Allocation		
			Target	Current	Diff.
Cash Held by Treasurer	Cash	\$ 178,321			
US Bank	Short-term Inv	189,748			
Total Cash		368,069	0.0%	0.1%	0.1%
Vanguard Short-Term	Total Return - Mutual Fund	-			
Sterling Capital	Total Return	21,441,026			
Total Total Return		21,441,026	10.0%	7.8%	-2.2%
Hotchkis & Wiley	High Yield - Mutual Fund	25,467,210			
Total High Yield		25,467,210	5.0%	9.3%	4.3%
Total Fixed Income		47,276,305	15.0%	17.3%	2.3%
Hotchkis & Wiley	LC Value - Mutual Fund	15,188,405			
Delaware	LC Growth - Mutual Fund	14,481,717			
MFS Heritage	LC Core	17,109,944			
Vanguard S&P 500 Index	LC Core - Mutual Fund	8,455,674			
Total US Large Cap		55,235,740	21.0%	20.2%	-0.8%
Sterling	MC Value	6,148,898			
Vanguard MC Growth	MC Growth - Mutual Fund	5,918,845			
Vanguard MC Index	MC Core - Mutual Fund	3,398,000			
Champlain	SC Core	4,594,916			
Phocas	SC Value - Mutual Fund	4,223,801			
Bridge City	SC Growth	4,722,143			
Vanguard SC Index	SC Core - Mutual Fund	819,759			
Total US Small/Mid Cap		29,826,362	11.0%	10.9%	-0.1%
Artisan	SMID Value - Mutual Fund	19,132,519			
Euro Pacific	LC Blend - Mutual Fund	18,018,394			
Vanguard International	LC Index - Mutual Fund	-			
Total International Large Cap		37,150,913	15.0%	13.6%	-1.4%
Trivalent	SC Value - Mutual Fund	8,749,216			
Total International Small/Mid		8,749,216	4.0%	3.2%	-0.8%
Berens	Ltd Partnership	10,262,121			
Total Emerging Markets		10,262,121	3.0%	3.8%	0.8%
Total Equities		141,224,352	54.0%	51.7%	-2.3%
Polar	LLC	6,297,325			
American Beacon	Mutual Fund	-			
Castine Capital I	Ltd Partnership	6,626,006			
Post Limited Term High Yield	Ltd Partnership	5,794,341			
Rimrock Low Volatility	Ltd Partnership	9,170,605			
Total Absolute Return		27,888,277	8.0%	10.2%	2.2%
Weatherlow Offshore	Ltd Partnership	14,359,350			
Royalty Opportunities I	Ltd Partnership	3,680,105			
Royalty Opportunities II	Ltd Partnership	1,426,037			
Troob	Ltd Partnership	285,487			
Total Long Biased		19,750,979	7.0%	7.2%	0.2%
Legacy Partners Realty Fund III	Ltd Partnership	75,533			
Metropolitan Real Estate Partners	Ltd Partnership	432,689			
Morrison Street Fund IV	LLC	2,347,607			
Morrison Street Fund V	LLC	5,347,312			
Principal (REITs)	REITs	12,504,106			
Total Real Estate		20,707,247	9.0%	7.6%	-1.4%
Beach Point	Ltd Partnership	8,544,045			
Total Opportunistic Credit		8,544,045	7.0%	3.1%	-3.9%
Caduceus (OrbiMed)	Ltd Partnership	8,009,153			
Total Special Opportunities		8,009,153	0.0%	2.9%	2.9%
Total Alternatives		84,899,701	31.0%	31.1%	0.1%
Total Cash and Investments		\$ 273,400,358	100.0%	100.0%	0.0%
	Withdrawals	\$ (1,125,000)			
	As of September 30, 2016	\$ 279,312,541			
	Estimated Rate of Return	-1.7%			
Abs. Return and Total Return FI		49,329,303	18.0%	18.0%	0.0%
High Yield and Opp Credit		34,011,255	12.0%	12.4%	0.4%
Equity and Special Situations		149,233,505	54.0%	54.6%	0.6%

<u>Date</u>	<u>Transactions</u>	<u>Sources</u>	<u>Uses</u>	<u>Balance</u>
10/19/2016	Beginning Balance			125,539.23
10/20/2016	Commission Recapture	73.58		125,612.81
10/20/2016	Metro V Distribution	21,708.43		147,321.24
10/21/2016	Morrison Street V Distribution	42,399.54		189,720.78
10/26/2016	Partial Proceeds of Troob Redemption	1,125,000.00		1,314,720.78
10/26/2016	October Pension Payment		(1,125,000.00)	189,720.78
11/1/2016	Interest	34.44		189,755.22
11/4/2016	Custody Fees		(11,313.80)	178,441.42
11/17/2016	Commission Recapture	109.17		178,550.59
11/28/2016	Metro V Distribution	42,303.60		220,854.19
11/29/2016	Sale of Hotchkis & Wiley (LC Value)	825,000.00		1,045,854.19
11/29/2016	November Pension Payment		(1,000,000.00)	45,854.19
11/30/2016	Ending Balance	2,056,628.76	(2,136,313.80)	45,854.19
	<u>Upcoming</u>			
12/31/2016	December Pension Payments		(1,000,000.00)	