

**Spokane Employees' Retirement System (SERS)
Board Meeting Minutes
December 7, 2016**

The regular monthly meeting was called to order at 12:31 p.m. in the 5th Floor Conference Room at City Hall.

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

Absent: Breean Beggs and Jim Tieken

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

Guests: Jayson Davidson, Joe Cavanaugh, and John Bjork

Minutes of the October 26, 2016 Meeting

Mike Cavanaugh moved and Dean Kiefer seconded the motion to approve the minutes of the October 26, 2016 meeting as presented. The motion passed unanimously.

Hyas Group, 2016 3rd Quarter Investment Performance Report

Mr. Davidson reviewed the Third Quarter 2016 Performance Report and spent time discussing the relatively strong portfolio performance for the quarter. The Fund posted a 4.6% return for the quarter, which put it in front of the current and proposed policy benchmarks. He also discussed each of the invested asset classes and products specifically. The Fund's two watch status funds, Sterling Mid Cap Value and Berens Global Value, will remain on watch and Hyas Group will revisit their status at the next quarterly meeting. Mr. Davidson specifically noted the recent spate of redemptions and personnel turnover at Berens and voiced concerns regarding these events. Hyas Group will look to schedule a meeting between SERS staff and Berens personnel in the coming months.

In concert with the Performance Report, the overall portfolio rebalancing efforts to move toward the new investment policy targets and ranges were discussed. Mr. Davidson informed the Board that the Legacy Partners Realty Fund and Troob Capital Management Fund have processed the redemptions requests and we are now only awaiting small residual amounts. Mr. Davidson also noted that the PIMCO Global Advantage Fund was removed from the portfolio in the fourth quarter. The American Beacon Flexible Bond Fund was redeemed to facilitate rebalancing but not terminated. Additionally, the Sterling Core Bond Fund was funded during the quarter with the redemption of the Vanguard Short-term Bond Index Fund and other fixed income alternatives.

Mr. Davidson informed the Board of the recently announced senior personnel changes at MFS, one of the Plan's investment management firms. Mr. Davidson notified the Board that it was recently announced that Michael Roberge will take over as the firm's sole CEO.

The CEO role had been shared by Mr. Roberge and Robert Manning. Mr. Manning is transitioning into the Chairman of the Board role after serving as a mentor to Mr. Roberge for a number of years. Hyas Group is not recommending any action as a result of this change.

Mr. Davidson will work with staff in advance of our next quarterly meeting to reconcile any inconsistencies between the old and new policy allocations within the performance reports.

Hyas Group will schedule a call with representatives at Orbimed to inquire about the slower pace of capital calls and their expectations for 2017.

Morrison Street Debt Fund

Mr. Davidson presented Hyas Group's analysis of the Morrison Street Debt Opportunities Fund, LP investment offering and Mr. Tencick presented the staff analysis. The Board spent time discussing the specific strategy, strengths and overall risk associated with the product.

Mike Cavanaugh moved and Brian Brill seconded the motion to commit \$5 million to Morrison Street Debt Fund. The motion passed unanimously.

Hyas Group and staff will attempt to get the funding documents completed by the end of this year and it is expected that Morrison Street will call almost 50% of the capital within the first quarter of 2017. The proceeds for this funding are expected to come from the REIT allocation and all committed capital will be maintained within that allocation until it is called. Hyas Group will work with staff to finalize the necessary documents for this funding.

Core Real Estate Manager Search

Mr. Davidson presented Hyas Group's Core Real Estate Manager Search report and the Board considered five potential Core managers. Mr. Tencick presented the staff analysis and recommendation. Mr. Davidson and Mr. Tencick discussed the minor differences between the offered products and recommended the Board take action to approve a funding to the Morgan Stanley Prime Property Fund. It was noted that the investment could take some time to get funded as Morgan Stanley has a queue well into 2017.

Mike Cavanaugh moved and Dean Kiefer seconded the motion to commit between \$5 and \$7 million to Morgan Stanley Prime Property Fund with proceeds from the REIT allocation. The motion passed unanimously.

Investment Policy Statement

The Board again engaged in a discussion regarding the potential revisions to the SERS Investment Policy Statement.

Dean Kiefer moved and Mike Cavanaugh seconded the motion to accept the Investment Policy Statement 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>
Damon MK Taam	59	12/01/2016	3.1 Portability	E
Amy B. Brown	50	12/15/2016	9.5	E
Gene B. Jakubczak	64	01/01/2017	25.6	E
Mindy C. Baker-Nygren	50	01/10/2017	19.6	ST

Mike Cavanaugh moved and Brian Brill seconded the motion to approve the service retirements as amended on the December Retirement Transaction Report. The motion passed unanimously.

Withdrawals for November 2016

<i>Name</i>	<i>Years of Service</i>	<i>Termination Date</i>
Lance S. Mueller	1.1	05/06/2016
Damon L. Hunter	0.2	07/19/2016
Brian J. Zaugra	0.6	09/19/2016
Andrew J. Montgomery	6.2	10/13/2016

Dean Kiefer moved and Brian Brill seconded the motion to approve the requests for withdrawal as presented on the December Retirement Transaction Report. The motion passed unanimously.

Vesting

<i>Name</i>	<i>Department</i>	<i>Years of Service</i>
Mark C. Smith	Water	6.7

Deaths

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

Vesting and Death information provided to the Board for review.

Expenditure Summary Report – October 2016

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

Mike Cavanagh moved and Brian Brill seconded the motion to approve the October 2016 Expenditure Summary Report. The motion passed unanimously.

Schedule of Investments – October 2016

The monthly investment report was presented to the Board for review. The estimated market value of the SERS portfolio on October 31, 2016 was \$279.3 million with an estimated rate of return of -1.7%.

Monthly Cash Reconciliation

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

Other Business

Mr. Tencick presented a white paper that discussed the Actuary RFP Scoring Committee's recommendation. Their recommendation was to retain SageView Consultants.

Brian Brill moved and Dean Kiefer seconded the motion to retain SageView Consultants for actuary services. The motion passed unanimously.

Other Business

There being no other business, the meeting adjourned at 2:30 p.m.

/s/

Phillip Tencick, Retirement Director