

Spokane Employees' Retirement System (SERS)
Board Meeting, 12:30 p.m. February 22, 2017
City Hall – Conference Room 5A

AGENDA

1. Jayson Davidson, Hyas Group, 2016 4th Quarter Investment Performance Report
 - Information
2. Minutes of the January 25, 2017 Meeting
 - Motion
3. Director's Report
 - a. Retirements
 - Motion
 - b. Withdrawals
 - Motion
 - c. Vesting
 - Information
 - d. Deaths
 - Information
 - e. Schedule of Administrative Expenses – 2016
 - Motion
 - f. Expenditure Summary Report – January 2017
 - Motion
 - g. Schedule of Investments – January 2017
 - Information
 - h. Cash Reconciliation – January 2017
 - Information
 - i. Other Business – Information
 - SB 5116 Update
 - Pension Payment Transition Update
4. Upcoming Board Election
 - Information
5. Other Business
6. Next Meeting - **Wednesday, March 29, 2017 at 1:30 p.m.**

Spokane Employees' Retirement System (SERS)
Board Meeting Minutes
January 25, 2017

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, Jim Tieken, Mike Cavanaugh, Candace Mumm, Dean Kiefer, and Brian Brill

Staff: Phill Tencick, Donald Brown, and Tim Szambelan

Guests: Joe Cavanaugh, Bob Olsen, Dave Hanshaw, Joan Hamilton, Natalie Hilderbrand and John Bjork

Election of Chairperson

Mike Cavanaugh moved and Dean Kiefer seconded the motion to elect Mike Coster as Board Chairperson for the year 2017. The motion passed unanimously

Minutes of the December 7, 2016 Meeting

Mike Cavanaugh moved and Jim Tieken seconded the motion to approve the minutes of the October 26, 2016 meeting as presented. The motion passed 5-0, with Candace Mumm abstaining since she was not at the meeting.

Director's Report

Service Retirements

<i>Name</i>	<i>Age</i>	<i>Retirement Date</i>	<i>Years of Service</i>	<i>Option</i>
Mark Teaford	59	12/06/2016	8.7	E
Matthew W. Antush	51	01/07/2017	23.8	E
Robert V. Inwards	66	01/14/2017	28.8	D
Clinton L. Tucker	66	02/04/2017	17.7	E
Suzanne M. Tresko	61	04/08/2017	26.6	ST

Dean Kiefer moved and Brian Brill seconded the motion to approve the service retirements as amended on the January Retirement Transaction Report. The motion passed unanimously.

Withdrawals for December 2016

<i>Name</i>	<i>Years of Service</i>	<i>Termination Date</i>
Shelley M. Kilgore	6.6	12/21/2013
Jacquelyn B. Caro	2.7	04/01/2016
Cory L. Taylor beneficiary of Karen A. Taylor	12.3	09/30/2016
Bret M. Lancaster	0.2	10/24/2016

Mike Cavanaugh moved and Jim Tieken 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>
Angela N. Pashon	Mayor	1.0

Deaths

<i>Name</i>	<i>Date Retired</i>	<i>Age</i>	<i>Date of Death</i>	<i>Information</i>
Taylor K. Bressler	12/15/2012	66	12/04/2016	No Further Benefits
Dale F. Sciuchetti	07/02/2002	76	12/07/2016	E Option Continues
Billy J. Yokum	03/02/1999	78	12/14/2016	No Further Benefits
James D. West	05/05/1984	95	12/16/2016	No Further Benefits
James C. Daniel	07/01/1985	96	12/23/2016	No Further Benefits
John L. Boesel	04/03/1993	91	12/29/2016	E Option Continues
Nobuko Oka	02/01/1986	97	12/31/2016	No Further Benefits

Vesting and Death information provided to the Board for review.

Expenditure Summary Report – November 2016

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

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

Schedule of Investments – December 2016

The monthly investment report was presented to the Board for review. The estimated market value of the SERS portfolio on November 30, 2016 was \$275.3 million with an estimated rate of return of 1.4%.

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.

Current Investment Theses

Dean Kiefer moved and Jim Tieken seconded the motion to approve the three investment theses covering investment weights outside of the policy bands. The motion passed unanimously.

Other Business

The transition to US Bank has been completed and January will be the first payment cycle with US Bank processing the pension payments. Mr. Tencick reviewed with the Board the schedule of retirement cut-off dates, the dates when US Bank will process the transmitted file, and when they will distribute the advices and checks to retirees.

Mr. Tencick walked the board thru the white paper that discussed the plan's liquidity and cash management analysis.

The 2017 Board Meeting Agenda with education topics listed was reviewed by Mr. Tencick with each of the education topics briefly explained.

Mr. Tencick shared that Local 270 has finalized their contract and its impact on SERS. Within the contract, contribution rates were increased. Before the contribution rate change can be put into effect, the other bargaining units have to approve the increase.

Mr. Tencick presented the Investment Advisory Committee minutes. Mike Cavanaugh moved and Brian Brill seconded the motion to acknowledge the minutes of the January 24, 2017 SERS Investment Advisory Committee Meeting. The motion passed unanimously.

Mr. Tencick informed the Board that Senate Bill 5116 was introduced in the state legislature. The bill gives first-class cities the option to irrevocably transfer their assets to the Washington State Investment Board for management.

Mike Cavanaugh moved and Jim Tieken seconded the motion to draft a letter from the Board to Senator Carlyle, Senator Billig, and Council President Stuckart commenting on Senate Bill 5116. The motion passed unanimously.

Other Business

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

Phillip Tencick, Retirement Director

SERS Retirement Transaction Report

February 2017

Retirements

	Name	Age	Retirement Date	Years of Service	Department	Option
1	James C. Humphries, Jr.	53	02/06/2017	9.6	Water	E
2	Michael F. Curtis	68	02/11/2017	45.8	Water	ST
3	Joseph J. Keane	67	02/18/2017	17.8	Water	E
4	Jill R. Young	59	04/02/2017	20.6	Library	D
5	Glenn A. Furman	69	04/09/2017	20.7	Advanced Wastewater	ST
	Retirements YTD	12				
	2016 Total Retirements	69				

Withdrawals

	Name	Years of Service	Department	Termination Date
1	Carlene Johnston	0.3	Library	12/22/2013
2	Nicole Robinson	0.3	Library	12/16/2016

Vesting

	Name	Department	Years of Service
1	Katrina M. Heath	Library	6.9
2	Christopher M. Baty	Advanced Wastewater	8.7

Deaths

	Name	Date Retired	Age	Date of Death	Information
1	David A. Wagner	02/24/2001	65	06/08/2016	No Further Benefits
2	Lynette P. Struck	01/08/2011	73	01/02/2011	No Further Benefits
3	Kenneth R. Johnson	10/02/1993	76	01/12/2017	E Option Continues
4	Roy F. Triplett	06/02/2012	66	01/18/2017	E Option Continues

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

	2015 ACTUAL	2016 BUDGET	DECEMBER ACTUAL EXPENDITURES	2016 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
OPERATING EXPENDITURES						
Departmental Salaries	220,405.82	273,580.00	31,204.70	261,984.86	11,595.14	95.8%
Departmental Benefits	66,088.05	78,190.00	7,890.06	76,531.55	1,658.45	97.9%
Reserve for Budget Adjustment	-	10,000.00	-	-	10,000.00	0.0%
Administrative Income	(22,061.31)	(10,000.00)	(6,756.86)	(19,375.31)	9,375.31	
Postage/Supplies/Other	20,091.84	16,000.00	2,485.61	11,432.31	4,567.69	71.5%
State Audit Charges	11,687.79	10,000.00	1,681.67	11,172.03	(1,172.03)	111.7%
Contractual Services	90,587.98	150,000.00	3,231.41	80,222.66	69,777.34	53.5%
Travel	2,517.20	15,000.00	-	7,972.23	7,027.77	53.1%
Registration/Schooling	10,789.00	15,000.00	-	805.00	14,195.00	5.4%
Other Dues/Subscriptions/Membership	1,970.20	2,500.00	150.00	1,993.20	506.80	79.7%
Other Miscellaneous Charges	4,462.05	2,220.00	57.00	1,278.26	941.74	57.6%
Amortization	17,649.00	-	17,649.00	17,649.00	(17,649.00)	
TOTAL OPERATING EXPENDITURES	424,187.62	562,490.00	57,592.59	451,665.79	110,824.21	80.3%
INTERFUND EXPENDITURES						
Interfund - Centralized Accounting	2,781.80	2,407.00	-	2,303.96	103.04	95.7%
Interfund - IT Phones	1,555.51	1,463.00	249.75	1,505.77	(42.77)	102.9%
Interfund - IT Communications Replacement	240.96	-	-	-	-	-
Interfund - Risk Management	1,121.00	991.00	-	991.00	-	100.0%
Interfund - Unemployment	500.00	-	-	-	-	-
Interfund - Worker's Compensation	58.50	198.00	-	198.00	-	100.0%
Interfund - Reprographics	-	2,500.00	297.94	4,930.49	(2,430.49)	197.2%
Interfund - IT	13,892.04	13,729.00	1,539.57	12,980.37	748.63	94.5%
Interfund - IT Replacement	3,584.04	1,927.00	321.16	1,926.96	0.04	100.0%
Interfund - My Spokane	-	-	751.00	751.00	(751.00)	
TOTAL INTERFUND EXPENDITURES	23,733.85	23,215.00	3,159.42	25,587.55	(2,372.55)	110.2%
TOTAL ADMINISTRATIVE EXPENDITURES	447,921.47	585,705.00	60,752.01	477,253.34	108,451.66	81.5%

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

	2015 ACTUAL	2016 BUDGET	DECEMBER ACTUAL EXPENDITURES	2016 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
PENSIONS						
Pensions-Annuity Benefit Payments	22,192,755.57	24,000,000.00	2,012,039.49	23,765,712.64	234,287.36	99.0%
Pensions-Disability Payments	125,328.48	160,000.00	10,444.04	125,328.48	34,671.52	78.3%
Pensions-Survivor Annuity Benefits Payments	1,641,113.98	1,600,000.00	159,695.59	1,846,473.52	(246,473.52)	115.4%
TOTAL PENSIONS	<u>23,959,198.03</u>	<u>25,760,000.00</u>	<u>2,182,179.12</u>	<u>25,737,514.64</u>	<u>22,485.36</u>	<u>99.9%</u>
Refunds	637,821.67	1,000,000.00	70,696.77	729,741.16	270,258.84	73.0%
TOTAL EXPENSES	<u><u>25,044,941.17</u></u>	<u><u>27,345,705.00</u></u>	<u><u>2,313,627.90</u></u>	<u><u>26,944,509.14</u></u>	<u><u>401,195.86</u></u>	<u><u>98.5%</u></u>
INVESTMENT EXPENSE*						
Advisory Technical Service	430,178.76	450,000.00	66,751.96	376,810.03	73,189.97	83.7%

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

SPOKANE EMPLOYEES' RETIREMENT SYSTEM - 6100
 2016 EXPENDITURE SUMMARY REPORT
JANUARY 31, 2017

	2016 ACTUAL	2017 BUDGET	JANUARY ACTUAL EXPENDITURES	2017 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
OPERATING EXPENDITURES						
Departmental Salaries	261,984.86	279,341.00	9,143.32	9,143.32	270,197.68	3.3%
Departmental Benefits	76,531.55	80,482.00	4,614.02	4,614.02	75,867.98	5.7%
Reserve for Budget Adjustment	-	10,000.00	-	-	10,000.00	0.0%
Administrative Income	(19,375.31)	(10,000.00)	-	-	(10,000.00)	
Postage/Supplies/Other	11,432.31	16,500.00	170.22	170.22	16,329.78	1.0%
State Audit Charges	11,172.03	12,000.00	-	-	12,000.00	0.0%
Contractual Services	80,222.66	173,475.00	-	-	173,475.00	0.0%
Travel	7,972.23	15,000.00	-	-	15,000.00	0.0%
Registration/Schooling	805.00	30,285.00	-	-	30,285.00	0.0%
Other Dues/Subscriptions/Membership	1,993.20	2,500.00	-	-	2,500.00	0.0%
Other Miscellaneous Charges	1,278.26	1,826.00	56.00	56.00	1,770.00	3.1%
Amortization	17,649.00	-	-	-	-	
TOTAL OPERATING EXPENDITURES	451,665.79	611,409.00	13,983.56	13,983.56	597,425.44	2.3%
INTERFUND EXPENDITURES						
Interfund - Centralized Accounting	2,303.96	2,347.00	586.73	586.73	1,760.27	25.0%
Interfund - IT Phones	1,505.77	1,451.00	-	-	1,451.00	0.0%
Interfund - IT Communications Replacement	-	-	-	-	-	-
Interfund - Risk Management	991.00	760.00	-	-	760.00	0.0%
Interfund - Unemployment	-	-	-	-	-	-
Interfund - Worker's Compensation	198.00	104.00	-	-	104.00	0.0%
Interfund - Reprographics	4,930.49	4,500.00	-	-	4,500.00	0.0%
Interfund - IT	12,980.37	14,078.00	-	-	14,078.00	0.0%
Interfund - IT Replacement	1,926.96	2,772.00	-	-	2,772.00	0.0%
Interfund - My Spokane	751.00	-	-	-	-	
TOTAL INTERFUND EXPENDITURES	25,587.55	26,012.00	586.73	586.73	25,425.27	2.3%
TOTAL ADMINISTRATIVE EXPENDITURES	477,253.34	637,421.00	14,570.29	14,570.29	622,850.71	2.3%

SPOKANE EMPLOYEES' RETIREMENT SYSTEM - 6100
 2016 EXPENDITURE SUMMARY REPORT
JANUARY 31, 2017

	2016 ACTUAL	2017 BUDGET	JANUARY ACTUAL EXPENDITURES	2017 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
PENSIONS						
Pensions-Annuity Benefit Payments	23,765,712.64	26,000,000.00	2,019,547.46	2,019,547.46	23,980,452.54	7.8%
Pensions-Disability Payments	125,328.48	160,000.00	10,444.04	10,444.04	149,555.96	6.5%
Pensions-Survivor Annuity Benefits Payments	1,846,473.52	2,000,000.00	163,482.96	163,482.96	1,836,517.04	8.2%
TOTAL PENSIONS	<u>25,737,514.64</u>	<u>28,160,000.00</u>	<u>2,193,474.46</u>	<u>2,193,474.46</u>	<u>25,966,525.54</u>	7.8%
Refunds	729,741.16	1,000,000.00	-	-	1,000,000.00	0.0%
TOTAL EXPENSES	<u><u>26,944,509.14</u></u>	<u><u>29,797,421.00</u></u>	<u><u>2,208,044.75</u></u>	<u><u>2,208,044.75</u></u>	<u><u>27,589,376.25</u></u>	7.4%
INVESTMENT EXPENSE*						
Advisory Technical Service	376,810.03	450,000.00	4,256.35	4,256.35	445,743.65	0.9%

* 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
January 31, 2017

2/16/2017

				Allocation		
		Type		Target	Current	Diff.
Cash Held by Treasurer	Cash		\$ 287,590			
US Bank	Short-term Inv		110,712			
Total Cash			398,302	0.0%	0.1%	0.1%
Vanguard Short-Term	Total Return - Mutual Fund		-			
Sterling Capital	Total Return		21,935,952			
Total Total Return			21,935,952	10.0%	7.8%	-2.2%
Hotchkis & Wiley	High Yield - Mutual Fund		23,232,689			
Total High Yield			23,232,689	5.0%	8.3%	3.3%
Total Fixed Income			45,566,943	15.0%	16.2%	1.2%
Hotchkis & Wiley	LC Value - Mutual Fund		14,788,703			
Jackson Square (Delaware)	LC Growth - Mutual Fund		14,692,237			
MFS Heritage	LC Core		18,219,564			
Vanguard S&P 500 Index	LC Core - Mutual Fund		9,111,170			
Total US Large Cap			56,811,674	21.0%	20.2%	-0.8%
Sterling	MC Value		7,071,156			
Vanguard MC Growth	MC Growth - Mutual Fund		5,130,456			
Vanguard MC Index	MC Core - Mutual Fund		3,688,280			
Champlain	SC Core		5,138,475			
Phocas	SC Value - Mutual Fund		4,945,476			
Bridge City	SC Growth		5,397,124			
Vanguard SC Index	SC Core - Mutual Fund		921,408			
Total US Small/Mid Cap			32,292,375	11.0%	11.5%	0.5%
Artisan	SMID Value - Mutual Fund		20,123,650			
Euro Pacific	LC Blend - Mutual Fund		18,423,608			
Vanguard International	LC Index - Mutual Fund		-			
Total International Large Cap			38,547,258	15.0%	13.7%	-1.3%
Trivalent	SC Value - Mutual Fund		9,045,619			
Total International Small/Mid			9,045,619	4.0%	3.2%	-0.8%
Berens	Ltd Partnership		10,004,518			
Total Emerging Markets			10,004,518	3.0%	3.6%	0.6%
Total Equities			146,701,444	54.0%	52.2%	-1.8%
Polar	LLC		6,346,783			
American Beacon	Mutual Fund		-			
Castine Capital I	Ltd Partnership		7,084,129			
Post Limited Term High Yield	Ltd Partnership		5,847,896			
Rimrock Low Volatility	Ltd Partnership		9,400,310			
Total Absolute Return			28,679,118	8.0%	10.2%	2.2%
Weatherlow Offshore	Ltd Partnership		14,617,970			
Royalty Opportunities I	Ltd Partnership		2,703,883			
Royalty Opportunities II	Ltd Partnership		1,360,043			
Troob	Ltd Partnership		285,487			
Total Long Biased			18,967,383	7.0%	6.8%	-0.2%
Legacy Partners Realty Fund III	Ltd Partnership		27,518			
Metropolitan Real Estate Partners	Ltd Partnership		368,677			
Morrison Street Fund IV	LLC		2,397,177			
Morrison Street Fund V	LLC		5,429,971			
Morrison Street Debt Opportunties	LP		2,955,819			
Principal (REITs)	REITs		12,681,055			
Total Real Estate			23,860,217	9.0%	8.5%	-0.5%
Beach Point	Ltd Partnership		8,745,895			
Total Opportunistic Credit			8,745,895	7.0%	3.1%	-3.9%
Caduceus (OrbiMed II)	Ltd Partnership		8,424,159			
Total Special Opportunities			8,424,159	0.0%	3.0%	3.0%
Total Alternatives			88,676,772	31.0%	31.6%	0.6%
Total Cash and Investments			\$ 280,945,159	100.0%	100.0%	0.0%

Withdrawals \$ -
As of December 31, 2016 \$ 277,928,000
Estimated Rate of Return 1.1%

Abs. Return and Total Return FI	50,615,070	18.0%	18.0%	0.0%
High Yield and Opp Credit	31,978,584	12.0%	11.4%	-0.6%
Equity and Special Situations	155,125,603	54.0%	55.2%	1.2%

Cash Recon - Feb 17

Date	Transactions	Sources	Uses	Balance
1/20/2017	Beginning Balance			48,714.34
1/23/2017	Commission Recapture	95.16		48,809.50
1/25/2017	Pension Contributions	634,211.14		683,020.64
1/30/2017	Sale - Hotchkis&Wiley Large Cap Value	1,600,000.00		2,283,020.64
1/30/2017	Quarterly US Bank Trust Fees		(12,043.17)	2,270,977.47
1/30/2017	Distribution - Morrison Street Fund IV	33,096.93		2,304,074.40
1/31/2017	Monthly Pension Payments		(2,193,512.50)	110,561.90
1/31/2017	Retiree Medical Premiums - Members	23,462.70		134,024.60
1/31/2017	Retiree Medical Premiums - City		(23,462.70)	110,561.90
2/1/2017	Monthly Interest on Cash Account	148.81		110,710.71
2/6/2017	Distribution - Morrison Street Fund V	42,282.19		152,992.90
2/6/2017	Pension Contributions	797,566.44		950,559.34
2/7/2017	Purchase - Victory Trivalent Int'l Mid Cap		(900,000.00)	50,559.34
2/8/2017	Distribution - Metro Real Estate Fund V	9,462.65		60,021.99
2/10/2017	Distribution - Morrison Street Debt Fund	46,921.00		106,942.99
2/16/2017	Ending Balance	3,187,247.02	(3,129,018.37)	106,942.99
	<u>Upcoming</u>			
2/21/2017	Pension Contributions	629,000.00		
2/28/2017	Monthly Pension Payments		(2,220,000.00)	