

**Spokane Employees' Retirement System (SERS)**  
**Board Meeting Minutes**  
**February 22, 2017**

The regular monthly meeting was called to order at 12:32 p.m. in the 5<sup>th</sup> Floor Conference Room at City Hall.

**Present:** Mike Coster, Jim Tieken, Candace Mumm, Dean Kiefer, and Brian Brill

**Absent:** Mike Cavanaugh

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

**Guests:** Joe Cavanaugh, Natalie Hilderbrand, Dave Hanshaw, Richard Czernik, Bob Olsen, Mary Kuney, and John Bjork

Mr. Tencick introduced Ms. Mary Kuney to the Board and guests. Ms. Kuney briefly shared her background and work experience.

Candace Mumm arrived at 12:40 p.m.

**Hyas Group, 2016 4<sup>th</sup> Quarter Investment Performance Report**

Mr. Davidson presented the Fourth Quarter 2016 Performance Report. He discussed the performance of the portfolio relative to investment policy and peer groups and further discussed each of the investment managers in the portfolio more specifically. It was noted that the newly approved investment policy allocation was implemented and included in the report as presented. Mr. Davidson alerted the Board to a relative performance issue that was created under the implementation of the new policy. In particular, there is a lag in the implementation of one of the real estate managers and this caused a 25 bps performance shortfall versus policy. For the time being, Hyas Group will wait to more formally address this discrepancy until after the aforementioned real estate manager is fully implemented.

The Board gave consideration to taking watch action on the Jackson Square Large Cap Growth Fund and the OrbiMed Partners Fund.

Candace Mumm moved to place OrbiMed Partners Fund on watch status. The motion failed due to lack of a second.

The Board deferred any action on these two options until further information can be provided. Hyas Group and staff will prepare additional details related to the performance of OrbiMed and present at the next meeting. Jackson Square will be reviewed at the next quarterly investment performance meeting.

Mr. Davidson will also set up additional discussions with Jackson Square and Berens related to the recent performance shortfalls. The Berens Global Value Fund and the Sterling Mid Cap Value Fund will remain on watch. Recent performance improvements for the Sterling Mid Cap Fund were noted, however, and the Board may consider taking the Sterling Mid Cap Fund off watch at the next quarterly meeting.

Hyas Group will look into the possibility of including secondary benchmarks for the Vanguard Mid Cap and Small Cap Indexes. Currently both funds are benchmarked against Russell Indexes, but Vanguard does not construct their index funds around those benchmarks.

Mr. Davidson informed the Board that the Morrison Street Debt Fund was added and allocated prior to year-end. Getting the funding completed allowed SERS to benefit from interest income for the month of December. Mr. Davidson also informed the Board that

Hyas Group recommend placing Vanguard Mid Cap Growth Fund on watch for performance in violation of investment policy parameters, in addition to recently announced management personnel changes. Mr. Davidson distributed a Hyas Group prepared communication on the subject.

Jim Tieken moved and Dean Kiefer seconded the motion to place Vanguard Mid Cap Growth Fund on watch due to personnel changes in management and underperformance. The motion passed unanimously.

Candace Mumm departed at 12:40 p.m.

**Minutes of the January 25, 2017 Meeting**

Jim Tieken moved and Dean Kiefer seconded the motion to approve the minutes of the January 25, 2017 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>
James C. Humphries, Jr.	53	02/06/2017	9.6	E
Michael F. Curtis	68	02/11/2017	45.8	ST
Joseph J. Keane	67	02/18/2017	17.8	E
Jill R. Young	59	04/02/2017	20.6	D
Glenn A. Furman	69	04/09/2017	20.7	ST

Jim Tieken moved and Brian Brill seconded the motion to approve the service retirements as amended on the February Retirement Transaction Report. The motion passed unanimously.

Withdrawals for December 2016

<i>Name</i>	<i>Years of Service</i>	<i>Termination Date</i>
Carlene Johnston	0.3	12/22/2013
Nicole Robinson	0.3	12/16/2016

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

Vesting

<i>Name</i>	<i>Department</i>	<i>Years of Service</i>
Katrina M. Heath	Library	6.9
Christopher M. Baty	Advanced Wastewater	8.7

Deaths

<i>Name</i>	<i>Date Retired</i>	<i>Age</i>	<i>Date of Death</i>	<i>Information</i>
David A. Wagner	02/24/2001	65	06/08/2016	No Further Benefits
Lynette P. Struck	01/08/2011	73	02/05/2017	No Further Benefits
Kenneth R. Johnson	10/02/1993	76	01/12/2017	E Option Continues
Roy F. Triplett	06/02/2012	66	01/18/2017	E Option Continues

Vesting and Death information provided to the Board for review.

Expenditure Summary Report – December 2016 and January 2017

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

Dean Kiefer moved and Jim Tieken seconded the motion to approve the December 2016 and January 2017 Expenditure Summary Reports. The motion passed unanimously.

Schedule of Investments – January 2017

The monthly investment report was presented to the Board for review. The estimated market value of the SERS portfolio on January 31, 2017 was \$280.9 million with an estimated monthly return of 1.1%.

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 updated the Board on the status of Senate Bill 5116. SERS sent a number of letters and testified in opposition to the bill. The bill passed the Ways and Means Committee and was pending in the Rules Committee.

Mr. Tencick updated the Board on the transition of monthly pension payment processing to US Bank. The first payments were made at the end of January. There were a few minor issues, but all participants successfully received their payments.

**Upcoming Board Election**

Mike Cavanaugh's term on the Board runs through July 2, 2017. Ms. Shisler reminded the Board the City Clerk's office handles the election.

**Other Business**

There being no other business, the meeting adjourned at 2:07 p.m.

/s/

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**Phillip Tencick, Retirement Director**