

Spokane Employees' Retirement System (SERS)
Board Meeting, 12:30 p.m. June 7, 2017
City Hall - Conference Room 5A

AGENDA

- 1) Hyas Group Quarterly Investment Review
 - a) 2017 1st Quarter Investment Performance Report
 - Information
 - b) Manager Updates
 - Information
 - c) Opportunistic Credit Search
 - Motion
 - d) Other Business

- 2) Minutes of the April 26, 2017 Meeting
 - Motion

- 3) Director's Report
 - a) Retirements
 - Motion
 - b) Vesting
 - Information
 - c) Deaths
 - Information
 - d) Expenditure Summary Report – April 2017
 - Motion
 - e) Schedule of Investments – April 2017
 - Information
 - f) Cash Reconciliation – April 2017
 - Information
 - g) Other Business

- 4) Other Business

- 5) Next Meeting – **Wednesday, June 28th at 1:30 p.m.**
Moss Adams will present the draft 2016 Audit Report
SageView will present the Experience Study

**Spokane Employees' Retirement System (SERS)
Board Meeting Minutes
April 26, 2017**

The regular monthly meeting was called to order at 1:29 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: Bill Reid, Bill Dowd, Joan Hamilton, Joe Cavanaugh, Bob Olsen, Natalie Hilderbrand, Marcus Eveland, Kim Bustos, and Michelle Hughes

Minutes of the March 29, 2017 Meeting

Jim Tieken moved and Dean Kiefer seconded the motion to approve the minutes of the March 29, 2017 meeting as presented. The motion passed unanimously.

Candace Mumm arrived at 1:30 pm

Bill Dowd and Bill Reid, SageView Consulting – 2016 Actuarial Valuation

Mr. Dowd and Mr. Reid presented the December 31, 2016 Actuarial Valuation.

The actuarial funded status as of December 31, 2016 was 53.0%, using the blended discount rate required by GASB 67. Without GASB 67, the funding status would have decreased from 68.1% to 66.7%. The Plan's current funded status is in line with the long-term glide path strategy implemented in 2012 to ensure the Plan returns a fully funded status; however the long-term projections fall below the glide path based on the current contribution rate and assumed rate of return.

Ad-Hoc Increase

In accordance with SERS Board policy, SageView recommended not granting an ad hoc pension increase since the current funding ratio is below the minimum 90% threshold.

Director's Report

Service Retirements

<i>Name</i>	<i>Age</i>	<i>Retirement Date</i>	<i>Years of Service</i>	<i>Option</i>
William J. Brown	50	04/18/2017	20.5	B
Joel K. Cook	50	04/19/2017	11.9	E

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

Withdrawals for April 2017

<i>Name</i>	<i>Years of Service</i>	<i>Termination Date</i>
Allen Simon	6.2	09/03/2004
Sarah P. Scott	1.0	10/11/2016
Matthew E. Thordarson	0.2	10/21/2016
Collin W. Maguire	0.6	01/10/2017
Michael H. Morgan	0.4	02/16/2017

Mike Cavanaugh moved and Dean Kiefer seconded the motion to approve the requests for withdrawal as presented on the April Retirement Transaction Report. The motion passed unanimously.

Vesting

<i>Name</i>	<i>Department</i>	<i>Years of Service</i>
Christopher L. King	Solid Waste Management	8.4
Sean M. Girard	Library	5.7

Deaths

<i>Name</i>	<i>Date Retired</i>	<i>Age</i>	<i>Date of Death</i>	<i>Information</i>
Robert P. Willson	12/25/1983	94	03/30/2017	No Further Benefits
David H. Rodgers	02/01/1994	93	04/18/2017	No Further Benefits

Vesting and Death information provided to the Board for review.

Expenditure Summary Report – March 2017

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

Jim Tieken moved and Mike Cavanaugh seconded the motion to approve the March 2017 Expenditure Summary Report. The motion passed unanimously.

Schedule of Investments – March 2017

The monthly investment report was presented to the Board for review. The estimated market value of the SERS portfolio on March 31, 2017 was \$286.5 million with an estimated rate of return of 0.2% for the month.

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.

Ethics Policy Review

Mr. Tencick presented to the Board a comparison of ethics policies of other government pension plans and the SERS policy as established by Spokane Municipal Code. Mike Coster suggested the Board review the comparison for future discussion.

Other Business

The Board adjourned to executive session at 2:42 p.m. to discuss the candidates for the vacant Board position. Guests were asked to leave room.

The Board resumed open session at 2:57 p.m. and invited the guests back into the room.

Jim Ticken moved and Mike Cavanaugh seconded the motion to seat J.D. Morscheck in the vacant Board position. The motion passed with Brian Brill abstaining and Candace Mumm voting nay in support of the other candidate.

There being no other business, the meeting adjourned at 2:58 p.m.

Phillip Tencick, Retirement Director

SERS Retirement Transaction Report

May 2017

Retirements

	Name	Age	Retirement Date	Years of Service	Department	Option
1	Gary J. Brueher	74	05/01/2017	1.6 Portability	Municipal Court	D
2	Pedro A. Brown	61	05/20/2017	27.4	Water	ST
3	Richard S. Rush	65	06/01/2017	6.3	Council	ST
4	Colleen A. Rugg	62	06/03/2017	25.0	Building Services	E
5	Robert J. Horrocks	60	06/08/2017	33.4	Street	ST
6	Rickey D. Penaluna	62	06/17/2017	16.3	Street	E
7	Ellen P. Brown	66	07/04/2017	20.4	Legal	ST
8	Linda J. Hartman	65	07/08/2017	28.7	Library	E
9	Julie A. Neff	54	07/08/2017	12.2	Planning Services	D
	Retirements YTD	26				
	2016 Total Retirements	69				

Vesting

	Name	Department	Years of Service
1	Sarah B. Lynds	Police	2.8 Portability
2	Michele R. Frachiseur	Building Services	0.7 Portability

Deaths

	Name	Date Retired	Age	Date of Death	Information
1	Veryl K. Cross	03/06/1983	96	04/24/2017	E Option Continues
2	John W. Schulte	10/31/2009	67	04/24/2017	D Option Continues
3	Richard A. Shobe	04/03/1982	89	05/10/2017	No Further Benefits
4	Joan L. Lockridge	03/30/2010	83	05/12/2017	No Further Benefits
5	Sandra L. Johnson	09/03/2005	78	05/19/2017	No Further Benefits
6	Charles R. Benefiel	03/05/1988	85	05/19/2017	No Further Benefits
7	Benjamin J. Herres	06/07/1986	97	05/24/2017	No Further Benefits

SPOKANE EMPLOYEES' RETIREMENT SYSTEM - 6100
 2017 EXPENDITURE SUMMARY REPORT
 APRIL 30, 2017

	2016 ACTUAL	2017 BUDGET	APRIL ACTUAL EXPENDITURES	2017 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
OPERATING EXPENDITURES						
Departmental Salaries	261,984.86	279,341.00	20,469.83	81,669.27	197,671.73	29.2%
Departmental Benefits	76,531.55	80,482.00	6,235.17	25,148.97	55,333.03	31.2%
Reserve for Budget Adjustment	-	10,000.00	-	-	10,000.00	0.0%
Administrative Income	(19,375.31)	(10,000.00)	-	(4,992.59)	(5,007.41)	
Postage/Supplies/Other	11,432.31	16,500.00	44.75	1,975.62	14,524.38	12.0%
State Audit Charges	11,172.03	12,000.00	147.14	724.41	11,275.59	6.0%
Contractual Services	80,222.66	173,475.00	10,494.00	13,494.00	159,981.00	7.8%
Travel	7,972.23	15,000.00	713.60	1,126.53	13,873.47	7.5%
Registration/Schooling	805.00	30,285.00	-	15,285.00	15,000.00	50.5%
Other Dues/Subscriptions/Membership	1,993.20	2,500.00	160.00	210.00	2,290.00	8.4%
Other Miscellaneous Charges	1,278.26	1,826.00	59.21	264.18	1,561.82	14.5%
Amortization	17,649.00	-	-	-	-	
TOTAL OPERATING EXPENDITURES	451,665.79	611,409.00	38,323.70	134,905.39	476,503.61	22.1%
INTERFUND EXPENDITURES						
Interfund - Centralized Accounting	2,303.96	2,347.00	586.73	1,173.46	1,173.54	50.0%
Interfund - IT Phones	1,505.77	1,451.00	127.89	383.87	1,067.13	26.5%
Interfund - IT Communications Replacement	-	-	-	-	-	-
Interfund - Risk Management	991.00	760.00	-	190.00	570.00	25.0%
Interfund - Unemployment	-	-	-	-	-	-
Interfund - Worker's Compensation	198.00	104.00	-	26.00	78.00	25.0%
Interfund - Reprographics	4,930.49	4,500.00	799.41	3,274.06	1,225.94	72.8%
Interfund - IT	12,980.37	14,078.00	1,173.17	3,519.51	10,558.49	25.0%
Interfund - IT Replacement	1,926.96	2,772.00	231.00	693.00	2,079.00	25.0%
Interfund - My Spokane	751.00	-	-	-	-	
TOTAL INTERFUND EXPENDITURES	25,587.55	26,012.00	2,918.20	9,259.90	16,752.10	35.6%
TOTAL ADMINISTRATIVE EXPENDITURES	477,253.34	637,421.00	41,241.90	144,165.29	493,255.71	22.6%

SPOKANE EMPLOYEES' RETIREMENT SYSTEM - 6100
 2017 EXPENDITURE SUMMARY REPORT
 APRIL 30, 2017

	2016 ACTUAL	2017 BUDGET	APRIL ACTUAL EXPENDITURES	2017 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
PENSIONS						
Pensions-Annuity Benefit Payments	23,765,712.64	26,000,000.00	2,052,136.74	8,153,208.14	17,846,791.86	31.4%
Pensions-Disability Payments	125,328.48	160,000.00	10,444.04	41,776.16	118,223.84	26.1%
Pensions-Survivor Annuity Benefits Payments	1,846,473.52	2,000,000.00	160,684.63	648,335.18	1,351,664.82	32.4%
TOTAL PENSIONS	<u>25,737,514.64</u>	<u>28,160,000.00</u>	<u>2,223,265.41</u>	<u>8,843,319.48</u>	<u>19,316,680.52</u>	31.4%
Refunds	729,741.16	1,000,000.00	106,025.16	107,858.93	892,141.07	10.8%
TOTAL EXPENSES	<u><u>26,944,509.14</u></u>	<u><u>29,797,421.00</u></u>	<u><u>2,370,532.47</u></u>	<u><u>9,095,343.70</u></u>	<u><u>20,702,077.30</u></u>	30.5%
INVESTMENT EXPENSE*						
Advisory Technical Service	380,964.60	450,000.00	52,293.34	94,681.53	355,318.47	21.0%

* 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
April 30, 2017

5/31/2017

		Allocation			
		Type	Target	Current	Diff.
Cash Held by Treasurer	Cash	\$ 148,185			
US Bank	Short-term Inv	225,557			
	Total Cash	373,742	0.0%	0.1%	0.1%
Sterling Capital	Total Return	22,265,800			
	Total Total Return	22,265,800	10.0%	7.7%	-2.3%
Hotchkis & Wiley	High Yield - Mutual Fund	23,787,376			
	Total High Yield	23,787,376	5.0%	8.2%	3.2%
Polar	LLC	6,368,754			
American Beacon	Mutual Fund	1,302,699			
Castine Capital I	Ltd Partnership	7,398,412			
Post Limited Term High Yield	Ltd Partnership	5,925,243			
Rimrock Low Volatility	Ltd Partnership	9,489,897			
	Total Absolute Return	30,485,005	8.0%	10.5%	2.5%
Total Capital Preservation		76,911,923	23.0%	26.5%	3.5%
Hotchkis & Wiley	LC Value - Mutual Fund	15,302,701			
Jackson Square (Delaware)	LC Growth - Mutual Fund	15,738,208			
MFS Heritage	LC Core	15,992,335			
Vanguard S&P 500 Index	LC Core - Mutual Fund	9,598,657			
	Total US Large Cap	56,631,901	21.0%	19.5%	-1.5%
Sterling	MC Value	5,699,921			
Vanguard MC Growth	MC Growth - Mutual Fund	4,270,314			
Vanguard MC Index	MC Core - Mutual Fund	3,542,775			
Champlain	SC Core	5,303,012			
Phocas	SC Value - Mutual Fund	4,096,444			
Bridge City	SC Growth	5,645,794			
Vanguard SC Index	SC Core - Mutual Fund	949,018			
	Total US Small/Mid Cap	29,507,278	11.0%	10.2%	-0.8%
Total US Equities		86,139,179	32.0%	29.7%	-2.3%
Artisan	SMID Value - Mutual Fund	21,937,657			
Euro Pacific	LC Blend - Mutual Fund	21,643,391			
Vanguard International	LC Index - Mutual Fund	-			
	Total International Large Cap	43,581,048	15.0%	15.0%	0.0%
Trivalent	SC Value - Mutual Fund	11,497,888			
	Total International Small/Mid	11,497,888	4.0%	4.0%	0.0%
Berens	Ltd Partnership	11,044,333			
	Total Emerging Markets	11,044,333	3.0%	3.8%	0.8%
Total International Equities		66,123,269	22.0%	22.8%	0.8%
Weatherlow Offshore	Ltd Partnership	14,895,913			
Royalty Opportunities I	Ltd Partnership	2,741,717			
Royalty Opportunities II	Ltd Partnership	1,346,375			
Troob	Ltd Partnership	-			
	Total Long Biased	18,984,005	7.0%	6.5%	-0.5%
Legacy Partners Realty Fund III	Ltd Partnership	26,953			
Metropolitan Real Estate Partners	Ltd Partnership	335,121			
Morrison Street Fund IV	LLC	1,642,283			
Morrison Street Fund V	LLC	5,531,881			
Morrison Street Debt Opportunties	LP	2,958,058			
Principal (REITs)	REITs	13,646,436			
	Total Real Estate	24,140,732	9.0%	8.3%	-0.7%
Beach Point	Ltd Partnership	8,961,199			
	Total Opportunistic Credit	8,961,199	7.0%	3.1%	-3.9%
Caduceus (OrbiMed II)	Ltd Partnership	8,834,970			
	Total Special Opportunities	8,834,970	0.0%	3.0%	3.0%
Total Cash and Investments		\$ 290,095,277	100.0%	100.0%	0.0%

Withdrawals \$ -
As of March 31, 2017 **\$ 286,532,680**
Estimated Rate of Return 1.2%

Abs. Return and Total Return FI	Thesis 2017.1	52,750,805	18.0%	18.2%	0.2%
High Yield and Opp Credit	Thesis 2017.2	32,748,575	12.0%	11.3%	-0.7%
Equity and Special Situations	Thesis 2017.3	161,097,418	54.0%	55.5%	1.5%

Cash Recon - May 17

Date	Transactions	Sources	Uses	Balance
4/21/2017	Beginning Balance			64,460.82
4/21/2017	Distribution - Morrison Street Fund IV	797,635.93		862,096.75
4/26/2017	Quarterly Trust Fees		(18,784.45)	843,312.30
4/27/2017	Interest	1,541.46		844,853.76
4/27/2017	Distribution - Morrison Street Fund V	68,276.20		913,129.96
4/28/2017	Final Distribution - Troob	285,486.56		1,198,616.52
4/28/2017	Sale - EuroPacific, Artisan International	1,250,000.00		2,448,616.52
4/28/2017	Monthly Pension Payments		(2,223,265.41)	225,351.11
5/1/2017	Monthly Pension Payments - Lump Sum		(116,882.98)	108,468.13
5/1/2017	Payroll Contributions	610,090.38		718,558.51
5/1/2017	Interest	216.07		718,774.58
5/4/2017	Health Insurance Premium Refund		(493.97)	718,280.61
5/8/2017	Distribution - Morrison Street Debt Fund	53,607.98		771,888.59
5/9/2017	Distribution - Morrison Street Fund IV	370,934.54		1,142,823.13
5/9/2017	Lump Sum Payment Correct/Reissue		(20,631.76)	1,122,191.37
5/10/2017	Purchase - Principal REIT		(1,100,000.00)	22,191.37
5/18/2017	Commission Recapture	20.08		22,211.45
5/18/2017	Payroll Contributions	608,943.26		631,154.71
5/30/2017	Payroll Contributions	613,563.56		1,244,718.27
5/31/2017	Sale - EuroPacific, Artisan International	1,900,000.00		3,144,718.27
5/31/2017	Monthly Pension Payments		(2,256,945.12)	887,773.15
5/31/2017	Capital Call - OrbiMed Royalty Ops II		(850,000.00)	37,773.15
6/1/2017	Ending Balance	6,560,316.02	(6,587,003.69)	37,773.15
	<u>Upcoming</u>			
6/13/2017	Payroll Contributions	610,000.00		