

**Spokane Employees' Retirement System (SERS)**  
**Board Meeting Minutes**  
**June 7, 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, Mike Cavanaugh, Candace Mumm, Dean Kiefer, Brian Brill, and J.D. Morscheck

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

**Guests:** Jayson Davidson, Joe Cavanaugh, Bob Olsen, Dave Henshaw, Joan Hamilton, Natalie Hilderbrand, and John Bjork

**Jayson Davidson, Hyas Group, 2017 1<sup>st</sup> Quarter Investment Performance Report**

Mr. Davidson reviewed with the Board the First Quarter 2017 Performance Report and discussed performance for the overall portfolio, as well as strengths and weaknesses from the underlying, individual managers.

Mr. Davidson informed the Board that Hyas Group intends to make changes to the primary performance benchmarks used for the OrbiMed Partners and the Berens Global options. The OrbiMed benchmark will be moved to the more global focused MSCI World Healthcare Index to better capture the breadth of OrbiMed's portfolio. For Berens, Hyas will make the MSCI Emerging Markets Index the primary performance benchmark. This index better reflects the true focus of the fund under the guidance of the new portfolio manager. The changes are consistent with the Investment Policy Statement and next quarter's report will have the new primary benchmarks in place. Additionally, Mr. Davidson noted that Hyas has included Vanguard-specific secondary benchmarks for the mid cap and small cap index funds in the portfolio.

Mr. Davidson and Mr. Tencick spent additional time discussing the Jackson Square, Berens Global Value and the OrbiMed Partners products. Updates on the additional due diligence phone calls and on-site visits to the managers was provided. Jackson Square's poor performance in 2016 was due to stock selection in their concentrated portfolio. In the case of Berens, the firm has gone through a number of organizational changes and the Global Value product has shrunk considerably due to client redemptions. Mr. Davidson expressed that Hyas Group feels the changes that have been implemented are positive and they are comfortable, at this point, retaining the investment. For OrbiMed, the fund's biotech and specialty pharmaceutical focus continues to underperform relative to larger pharmaceutical companies and service providers within the global healthcare space. Hyas will continue to monitor the managers and will bring any pertinent information to the Boards attention as warranted.

The Board also received a general update on the New York due diligence trip, which included meetings with OrbiMed, Berens and several prospective managers within the Opportunistic Credit and Long Biased asset classes.

A brief amount of time was spent discussing the Department of Labor's new fiduciary rule that goes into effect on June 9th. Mr. Davidson expects a minimal impact to SERS and will provide a summary of some of the policies broader impacts to the Board.

### **Manager Updates**

It was confirmed that Berens Global Value, Vanguard Mid Cap Growth and OrbiMed Partners II should remain on watch (OrbiMed was placed on watch by the Board during the March meeting).

Mike Cavanaugh moved and Dean Kiefer seconded the motion to place Jackson Square Large Cap Growth Fund on watch for performance in violation of the investment policy parameters. The motion passed unanimously.

Jim Tieken moved and Candace Mumm seconded the motion to remove Sterling Mid Cap Value Fund off watch as the combination of recent performance improvement and the removal of 2012 from the five-year return stream has resulted in the Fund being compliant for the past two quarters. The motion passed unanimously.

### **Opportunistic Credit Search**

The Board was provided with Hyas Group's due diligence report and the Board Staff's recommendation for a proposed Opportunistic Credit manager. Both Hyas Group and Staff recommended the Angelo Gordon (AG) Super Fund Limited Partnership. The AG Super Fund is a broad, multi-strategy credit product with global reach. The management team offers deep experience and the risk adjusted return numbers, since inception, have been attractive. The multi-strategy structure provides broad exposure to the asset class with lower fees than through a fund-of-fund manager. The consensus recommendation was to invest \$10 million in the fund, splitting the total allocation amongst three different AG lock-up term structures with different liquidity metrics. \$3 million would be invested at a one-year lock, and the remaining \$7 million would be split equally between the two and three year locks to reduce the fee basis without compromising liquidity. The funding for this product would come from the SERS portfolio's allocation to High Yield.

Mike Cavanaugh moved and Dean Kiefer seconded the motion to commit \$10M to AG Superfund, LP as recommended by Hyas Group and Staff, pending legal document review. The motion passed unanimously.

### **Minutes of the April 26, 2017 Meeting**

Jim Tieken moved and Mike Cavanaugh seconded the motion to approve the minutes of the April 26, 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>
Gary J. Brueher	74	05/01/2017	1.6 Portability	D
Pedro A. Brown	61	05/20/2017	27.4	ST
Richard S. Rush	65	06/01/2017	6.3	ST
Colleen A. Rugg	62	06/03/2017	25.0	E
Robert J. Horrocks	60	06/08/2017	33.4	ST
Rickey D. Penaluna	62	06/17/2017	16.3	E
Ellen P. Brown	66	07/04/2017	20.4	ST
Linda J. Hartman	65	07/08/2017	28.7	E
Julie A. Neff	54	07/08/2017	12.2	D

Candace Mumm moved and Jim Tieken seconded the motion to approve the service retirements as presented on the May Retirement Transaction Report. The motion passed unanimously.

**Vesting**

<i>Name</i>	<i>Department</i>	<i>Years of Service</i>
Sarah B. Lynds	Police	2.8 Portability
Michele R. Frachiseur	Building Services	0.7 Portability

**Deaths**

<i>Name</i>	<i>Date Retired</i>	<i>Age</i>	<i>Date of Death</i>	<i>Information</i>
Veryl K. Cross	03/06/1983	96	04/24/2017	E Option Continues
John W. Schulte	10/31/2009	67	04/24/2017	D Option Continues
Richard A. Shobe	04/03/1982	89	05/10/2017	No Further Benefits
Sandra L. Johnson	09/03/2005	78	05/19/2017	No Further Benefits
Charles R. Benefiel	03/05/1988	85	05/19/2017	No Further Benefits
Benjamin J. Herres	06/07/1986	97	05/24/2017	No Further Benefits

Vesting and Death information provided to the Board for review.

**Expenditure Summary Report – April 2017**

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

Dean Kiefer moved and Candace Mumm seconded the motion to approve the April 2017 Expenditure Summary Report. The motion passed unanimously.

Schedule of Investments – April 2017

The monthly investment report was presented to the Board for review. The estimated market value of the SERS portfolio on April 30, 2017 was \$286.5 million with an estimated rate of return of 1.2% for the month.

Monthly Cash Reconciliation

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

There being no other business, the meeting adjourned at 2:14 p.m.

/s/

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**Phillip Tencick, Retirement Director**