

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

**AGENDA**

- 1) Hyas Group Quarterly Investment Review
  - a) 2017 2<sup>nd</sup> Quarter Investment Performance Report
    - Information
  - b) Manager Updates
    - Information
  - c) Other Business
  
- 2) Minutes of the July 26, 2017 Meeting
  - Motion
  
- 3) Director's Report
  - a) Retirements
    - Motion
  - b) Withdrawals
    - Motion
  - c) Vesting
    - Information
  - d) Deaths
    - Information
  - e) Expenditure Summary Report – July 2017
    - Motion
  - f) Schedule of Investments – July 2017
    - Information
  - g) Cash Reconciliation – July 2017
    - Information
  - h) Other Business
  
- 4) Other Business
  
- 5) Next Meeting – **Wednesday, September 27<sup>th</sup> at 1:30 p.m.**

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

The regular monthly meeting was called to order at 1:31 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, and Brian Brill

**Absent:** J.D. Morscheck

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

**Guests:** Joe Cavanaugh, Joan Hamilton, Natalie Hilderbrand, and John Bjork

**Minutes of the June 28, 2017 Meeting**

Jim Tieken moved and Mike Cavanaugh seconded the motion to approve the minutes of the June 28, 2017 meeting as amended. 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>
Paul E. Putman	58	07/06/2017	32.2	ST
William F. Thomas	63	07/08/2017	25.0	ST
Jerry J. Richardson	71	08/02/2017	15.1	E

Dean Kiefer moved and Jim Tieken seconded the motion to approve the service retirements as presented on the July Retirement Transaction Report. The motion passed unanimously.

**Withdrawals for June 2017**

<i>Name</i>	<i>Years of Service</i>	<i>Termination Date</i>
Charles Kline	1.0	02/15/2017
Laura Hathorn	0.5	05/01/2017
John Focht	2.0	05/05/2017
Michael Yates	0.6	05/22/2017

Candace Mumm moved and Jim Tieken seconded the motion to approve the requests for withdrawal as presented on the July Retirement Transaction Report. The motion passed unanimously.

Deaths

<i>Name</i>	<i>Date Retired</i>	<i>Age</i>	<i>Date of Death</i>	<i>Information</i>
Ila I. Greenaway	06/09/2015	99	06/12/2017	No Further Benefits
Gary R. Driskell	08/14/1999	82	06/22/2017	No Further Benefits
Larry V. Stevens	09/07/2011	67	06/23/2017	E Option Continues
Lorraine C. Johnson	06/01/2015	76	06/29/2017	No Further Benefits
Lawrence E. Maly	04/06/1991	86	07/14/2017	D Option Continues

Death information provided to the Board for review.

Expenditure Summary Report – June 2017

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

Jim Tieken moved and Candace Mumm seconded the motion to approve the June 2017 Expenditure Summary Report. The motion passed unanimously.

Schedule of Investments – June 2017

The monthly investment report was presented to the Board for review. The estimated market value of the SERS portfolio on June 30, 2017 was \$295 million with an estimated rate of return of 0.7% 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.

Sustainability Review

Mr. Tencick prepared for discussion a presentation outlining a strategic review of SERS sustainability. There was discussion by the Board about the reason for developing the presentation, the goals for the review, and the Arnold Foundation's role in the review.

Candace Mumm moved and Jim Tieken seconded the motion to draft a letter from the SERS Board to the City's Administration expressing interest to be engaged in the discussions with The Arnold Foundation. The motion passed unanimously.

There being no other business, the meeting adjourned at 2:31 p.m.

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**Phillip Tencick, Retirement Director**

# SERS Retirement Transaction Report

## August 2017

### *Retirements*

	<b>Name</b>	<b>Age</b>	<b>Retirement Date</b>	<b>Years of Service</b>	<b>Department</b>	<b>Option</b>
1	Robert Mielke	56	09/09/2017	32.5	Golf	E
	Retirements YTD	45				
	2016 Total Retirements	69				

### *Withdrawals*

	<b>Name</b>	<b>Years of Service</b>	<b>Department</b>	<b>Termination Date</b>
1	Dominic C. Morin	21.8	Solid Waste Management	02/28/2016
2	Christopher B. Van Gelder	10.8	Code Enforcement	01/06/2017
3	Kaitlin L. Larson	1.4	Council	05/31/2017
4	Rachel E. Giachetti	8.4	Accounting	07/28/2017

### *Vesting*

	<b>Name</b>	<b>Department</b>	<b>Years of Service</b>
1	Jeffrey R. Bailey	Parks & Recreation	9.0
2	Corbin J. Enquist	Solid Waste Management	0.76 (portable)

### *Deaths*

	<b>Name</b>	<b>Date Retired</b>	<b>Age</b>	<b>Date of Death</b>	<b>Information</b>
1	James M. Gaffney	12/23/1999	79	08/05/2017	No Further Benefits
2	Hunt M. Whaley		44	08/10/2017	Active Death
3	Natale Polito	05/04/1993	85	08/17/2017	D Option Continues

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

	2016 ACTUAL	2017 BUDGET	JULY ACTUAL EXPENDITURES	2017 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
<b>OPERATING EXPENDITURES</b>						
Departmental Salaries	261,984.86	279,341.00	20,469.81	143,078.68	136,262.32	51.2%
Departmental Benefits	76,531.55	80,482.00	6,234.17	43,853.97	36,628.03	54.5%
Reserve for Budget Adjustment	-	10,000.00	-	-	10,000.00	0.0%
Administrative Income	(19,375.31)	(10,000.00)	-	(9,754.89)	(245.11)	
Postage/Supplies/Other	11,432.31	16,500.00	355.31	2,612.85	13,887.15	15.8%
State Audit Charges	11,172.03	12,000.00	1,549.78	5,620.19	6,379.81	46.8%
Contractual Services	80,222.66	173,475.00	15,773.49	102,771.83	70,703.17	59.2%
Travel	7,972.23	15,000.00	-	4,149.85	10,850.15	27.7%
Registration/Schooling	805.00	30,285.00	400.00	15,685.00	14,600.00	51.8%
Other Dues/Subscriptions/Membership	1,993.20	2,500.00	150.00	360.00	2,140.00	14.4%
Other Miscellaneous Charges	1,278.26	1,826.00	55.00	429.18	1,396.82	23.5%
Amortization	17,649.00	-	-	-	-	
<b>TOTAL OPERATING EXPENDITURES</b>	<b>451,665.79</b>	<b>611,409.00</b>	<b>44,987.56</b>	<b>308,806.66</b>	<b>302,602.34</b>	<b>50.5%</b>
<b>INTERFUND EXPENDITURES</b>						
Interfund - Centralized Accounting	2,303.96	2,347.00	586.73	1,760.19	586.81	75.0%
Interfund - IT Phones	1,505.77	1,451.00	124.90	758.74	692.26	52.3%
Interfund - IT Communications Replacement	-	-	-	-	-	-
Interfund - Risk Management	991.00	760.00	-	380.00	380.00	50.0%
Interfund - Unemployment	-	-	-	-	-	-
Interfund - Worker's Compensation	198.00	104.00	-	52.00	52.00	50.0%
Interfund - Reprographics	4,930.49	4,500.00	384.63	4,201.94	298.06	93.4%
Interfund - IT	12,980.37	14,078.00	1,173.17	7,039.02	7,038.98	50.0%
Interfund - IT Replacement	1,926.96	2,772.00	231.00	1,386.00	1,386.00	50.0%
Interfund - My Spokane	751.00	-	-	-	-	
<b>TOTAL INTERFUND EXPENDITURES</b>	<b>25,587.55</b>	<b>26,012.00</b>	<b>2,500.43</b>	<b>15,577.89</b>	<b>10,434.11</b>	<b>59.9%</b>
<b>TOTAL ADMINISTRATIVE EXPENDITURES</b>	<b>477,253.34</b>	<b>637,421.00</b>	<b>47,487.99</b>	<b>324,384.55</b>	<b>313,036.45</b>	<b>50.9%</b>

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

	2016 ACTUAL	2017 BUDGET	JULY ACTUAL EXPENDITURES	2017 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
<b>PENSIONS</b>						
Pensions-Annuity Benefit Payments	23,765,712.64	26,000,000.00	2,084,322.06	14,365,275.48	11,634,724.52	55.3%
Pensions-Disability Payments	125,328.48	160,000.00	10,444.04	73,108.28	86,891.72	45.7%
Pensions-Survivor Annuity Benefits Payments	1,846,473.52	2,000,000.00	158,210.67	1,125,851.52	874,148.48	56.3%
<b>TOTAL PENSIONS</b>	<u>25,737,514.64</u>	<u>28,160,000.00</u>	<u>2,252,976.77</u>	<u>15,564,235.28</u>	<u>12,595,764.72</u>	55.3%
Refunds	729,741.16	1,000,000.00	17,775.95	172,981.60	827,018.40	17.3%
<b>TOTAL EXPENSES</b>	<u><u>26,944,509.14</u></u>	<u><u>29,797,421.00</u></u>	<u><u>2,318,240.71</u></u>	<u><u>16,061,601.43</u></u>	<u><u>13,735,819.57</u></u>	53.9%
<b>INVESTMENT EXPENSE*</b>						
Advisory Technical Service	380,964.60	450,000.00	49,577.08	201,779.92	248,220.08	44.8%

\* 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

July 31, 2017

8/24/2017

	Type		Allocation		
			Target	Current	Diff.
Cash Held by Treasurer	Cash	\$ 62,201			
US Bank	Short-term Inv	21,055			
<b>Total Cash</b>		<b>83,256</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
Sterling Capital	Total Return	22,551,485			
<b>Total Total Return</b>		<b>22,551,485</b>	<b>10.0%</b>	<b>7.6%</b>	<b>-2.4%</b>
Hotchkis & Wiley	High Yield - Mutual Fund	22,046,722			
<b>Total High Yield</b>		<b>22,046,722</b>	<b>5.0%</b>	<b>7.4%</b>	<b>2.4%</b>
Polar	LLC	6,450,851			
American Beacon	Mutual Fund	1,331,130			
Castine Capital I	Ltd Partnership	7,418,232			
Post Limited Term High Yield	Ltd Partnership	5,987,198			
Rimrock Low Volatility	Ltd Partnership	9,569,503			
<b>Total Absolute Return</b>		<b>30,756,914</b>	<b>8.0%</b>	<b>10.3%</b>	<b>2.3%</b>
<b>Total Capital Preservation</b>		<b>75,438,377</b>	<b>23.0%</b>	<b>25.3%</b>	<b>2.3%</b>
Hotchkis & Wiley	LC Value - Mutual Fund	15,933,926			
Jackson Square (Delaware)	LC Growth - Mutual Fund	17,027,426			
MFS Heritage	LC Core	16,609,671			
Vanguard S&P 500 Index	LC Core - Mutual Fund	9,994,800			
<b>Total US Large Cap</b>		<b>59,565,823</b>	<b>21.0%</b>	<b>20.0%</b>	<b>-1.0%</b>
Sterling	MC Value	5,796,405			
Vanguard MC Growth	MC Growth - Mutual Fund	4,406,469			
Vanguard MC Index	MC Core - Mutual Fund	3,660,807			
Champlain	SC Core	5,415,434			
Phocas	SC Value - Mutual Fund	4,116,059			
Bridge City	SC Growth	5,768,781			
Vanguard SC Index	SC Core - Mutual Fund	969,942			
<b>Total US Small/Mid Cap</b>		<b>30,133,897</b>	<b>11.0%</b>	<b>10.1%</b>	<b>-0.9%</b>
<b>Total US Equities</b>		<b>89,699,720</b>	<b>32.0%</b>	<b>30.1%</b>	<b>-1.9%</b>
Artisan	SMID Value - Mutual Fund	22,000,403			
Euro Pacific	LC Blend - Mutual Fund	22,615,494			
Vanguard International	LC Index - Mutual Fund	-			
<b>Total International Large Cap</b>		<b>44,615,897</b>	<b>15.0%</b>	<b>15.0%</b>	<b>0.0%</b>
Trivalent	SC Value - Mutual Fund	10,920,491			
<b>Total International Small/Mid</b>		<b>10,920,491</b>	<b>4.0%</b>	<b>3.7%</b>	<b>-0.3%</b>
Berens	Ltd Partnership	11,734,215			
<b>Total Emerging Markets</b>		<b>11,734,215</b>	<b>3.0%</b>	<b>3.9%</b>	<b>0.9%</b>
<b>Total International Equities</b>		<b>67,270,603</b>	<b>22.0%</b>	<b>22.6%</b>	<b>0.6%</b>
Weatherlow Offshore	Ltd Partnership	14,787,648			
Royalty Opportunities I	Ltd Partnership	2,719,344			
Royalty Opportunities II	Ltd Partnership	2,142,811			
Troob	Ltd Partnership	-			
<b>Total Long Biased</b>		<b>19,649,803</b>	<b>7.0%</b>	<b>6.6%</b>	<b>-0.4%</b>
Legacy Partners Realty Fund III	Ltd Partnership	27,656			
Metropolitan Real Estate Partners	Ltd Partnership	271,468			
Morrison Street Fund IV	LLC	1,276,816			
Morrison Street Fund V	LLC	5,766,542			
Morrison Street Debt Opportunties	LP	3,297,996			
Principal (REITs)	REITs	15,971,571			
<b>Total Real Estate</b>		<b>26,612,049</b>	<b>9.0%</b>	<b>8.9%</b>	<b>-0.1%</b>
Beach Point	Ltd Partnership	9,972,825			
<b>Total Opportunistic Credit</b>		<b>9,972,825</b>	<b>7.0%</b>	<b>3.3%</b>	<b>-3.7%</b>
Caduceus (OrbiMed II)	Ltd Partnership	9,366,621			
<b>Total Special Opportunities</b>		<b>9,366,621</b>	<b>0.0%</b>	<b>3.1%</b>	<b>3.1%</b>
<b>Total Cash and Investments</b>		<b>\$ 298,009,998</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>
	Withdrawals	\$ -			
	As of June 30, 2017	<b>\$ 295,001,878</b>			
	Estimated Rate of Return	1.0%			
<b>Abs. Return and Total Return FI</b>	Thesis 2017.1	<b>53,308,399</b>	<b>18.0%</b>	<b>17.9%</b>	<b>-0.1%</b>
<b>High Yield and Opp Credit</b>	Thesis 2017.2	<b>32,019,547</b>	<b>12.0%</b>	<b>10.7%</b>	<b>-1.3%</b>
<b>Equity and Special Situations</b>	Thesis 2017.3	<b>166,336,944</b>	<b>54.0%</b>	<b>55.8%</b>	<b>1.8%</b>

## Cash Recon - Aug 17

Date	Transactions	Sources	Uses	Balance
<b>7/19/2017</b>	<b>Beginning Balance</b>			<b>35,391.37</b>
7/21/2017	Distribution - Morrison Street V	52,679.79		<b>88,071.16</b>
7/21/2017	Payroll Contributions	621,054.22		<b>709,125.38</b>
7/26/2017	Quarterly Trust Fees		(19,077.65)	<b>690,047.73</b>
7/28/2017	Wire to City Account (Operating Expenses)		(50,000.00)	<b>640,047.73</b>
7/31/2017	Sale - Hothckis & Wiley High Yield	1,650,000.00		<b>2,290,047.73</b>
7/31/2017	Pension Payments		(2,269,197.65)	<b>20,850.08</b>
8/1/2017	Interest	204.59		<b>21,054.67</b>
8/3/2017	Distribution - Morrison Street IV	359,338.06		<b>380,392.73</b>
8/3/2017	Distribution - Morrison Street MSDO	41,060.59		<b>421,453.32</b>
8/7/2017	Payroll Contributions	613,034.30		<b>1,034,487.62</b>
8/9/2017	Purchase - American Beacon		(600,000.00)	<b>434,487.62</b>
8/11/2017	Distribution - Metro Real Estate V	13,359.03		<b>447,846.65</b>
8/11/2017	Capital Call - Morrison Street MSDO		(390,395.13)	<b>57,451.52</b>
8/15/2017	Commission Recapture	333.44		<b>57,784.96</b>
8/15/2017	Distribution - Morrison Street V	634,319.94		<b>692,104.90</b>
8/17/2017	Returned Check	412.03		<b>692,516.93</b>
8/17/2017	Purchase - American Beacon		(550,000.00)	<b>142,516.93</b>
8/17/2017	Wire to City Account (Operating Expenses)		(100,000.00)	<b>42,516.93</b>
8/21/2017	Payroll Contributions	611,147.26		<b>653,664.19</b>
<b>8/24/2017</b>	<b>Ending Balance</b>	<b>4,596,943.25</b>	<b>(3,978,670.43)</b>	<b>653,664.19</b>
	<u>Upcoming</u>			
8/29/2017	Sale - TBD	1,850,000.00		
8/31/2017	Pension Payments		(2,462,684.64)	