

Spokane Employees' Retirement System (SERS)
Board Meeting Minutes
August 30, 2017

The regular monthly meeting was called to order at 12:38 p.m. in the 5th Floor Conference Room at City Hall.

Present: Mike Coster, Candace Mumm, Brian Brill, and J.D. Morscheck

Absent: Jim Tieken, Mike Cavanaugh, and Dean Kiefer

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

Guests: Jayson Davidson, Brian Loescher, Joe Cavanaugh, Bob Olsen, Natalie Hilderbrand, Joan Hamilton, John Bjork, and Richard Czernik

Hyas Group, 2017 2nd Quarter Investment Performance Report

Mr. Davidson presented the Second Quarter 2017 Performance Report. He noted that it was a relatively strong quarter for the markets, as well as for most of the portfolio's managers. The Fund's watch status managers remained unchanged with no further action recommended: Jackson Square Large Cap Growth, Berens Global Value, Vanguard Mid Cap Growth, and OrbiMed Partners II. It was noted that Jackson Square and OrbiMed, have enjoyed a good start to 2017 relative to policy benchmarks. Mr. Davidson also informed the Board that the approved benchmark changes for Berens Global Value and OrbiMed Partners II were fully implemented and reflected in the report.

Hyas Group will forward the performance attribution, with selection and allocation effects, for the time periods prior to the Fund's broad allocation and Investment Policy changes. This information could not be linked when reporting under the new allocation structure.

The Board requested that Hyas Group attempt to provide a breakdown by broad sector of the overall portfolio. In particular, a look at how the portfolio might be over/under exposed to certain market categories like healthcare or financials. Mr. Davidson will work with the analytics team to provide the requested information and will forward what they are able to develop as soon as it is available.

Hyas Group provided additional qualitative detail on five of the Fund's current investment managers: OrbiMed, Berens, Morgan Stanley, Angelo Gordon, and Vanguard.

- For OrbiMed, Hyas noted a recent due diligence on-site visit regarding a major performance shortfall in 2016 for the Partners II hedge fund product. This fund remains structured as expected. The primary driver of underperformance for 2016 came from a relative value trade between bio-technology and pharmaceutical stocks that hurt both the long and short books. That trade appears to be working better in 2017. Additional monitoring will remain in place and the board will be notified of any additional issues.

- For Berens, Hyas noted for the Board that the firm has gone through a number of recent organizational changes that are viewed as positive. The current concern continues to be the fact that the assets under management for the Global Value product have shrunk considerably due to client redemptions. Berens appears to be trying to address this by merging with another investment management firm.
- For Morgan Stanley, the Board was informed that two-thirds of committed capital is expected to be called in September, with the remaining one-third called by year-end. The timing is consistent with expectations.
- For Angelo Gordon, the Board was informed that the Portfolio Manager for Corporate Credit left the firm. While Hyas Group is currently comfortable with the remaining staff on hand, they are concerned about additional employee departures. It was recommended to postpone the SERS investment indefinitely and revisit the mandate award at a later date.
- For Vanguard, the Board was briefed on a recently announced executive level change at Vanguard. Tim Buckley, the Vanguard's current Chief Investment Officer, will be taking over as the new CEO starting on January 1, 2018. This will have him replacing current Vanguard CEO, Bill McNabb. McNabb will continue to act as the Chairman of the Board once Buckley takes over as CEO. No action was required.

Minutes of the July 26, 2017 Meeting

Candace Mumm suggested a change to the motion that involved the sustainability of SERS. Discussion ensued and The Board decided to include on the September Agenda a discussion of a drafting a letter.

Candace Mumm moved and J. D. Morscheck seconded the motion to approve the minutes of the July 26, 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>
Robert K. Mielke	56	09/09/2017	32.5	E

Candace Mumm moved and Brian Brill seconded the motion to approve the service retirements as presented on the August Retirement Transaction Report. The motion passed unanimously.

Withdrawals for August 2017

<i>Name</i>	<i>Years of Service</i>	<i>Termination Date</i>
Dominic C. Morin	21.8	02/28/2016
Christopher B. Van Gelder	10.8	01/06/2017
Kaitlin L. Larson	1.4	05/31/2017
Rachel E. Giachetti	8.4	07/28/2017

Candace Mumm moved and Brian Brill seconded the motion to approve the requests for withdrawal as presented on the August Retirement Transaction Report. The motion passed unanimously.

Vesting

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

Deaths

<i>Name</i>	<i>Date Retired</i>	<i>Age</i>	<i>Date of Death</i>	<i>Information</i>
James M. Gaffney	12/23/1999	79	08/05/2017	No Further Benefits
Natale Polito	05/04/1993	85	08/17/2017	D Option Continues

Vesting and Death information provided to the Board for review.

Expenditure Summary Report – July 2017

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

Candace Mumm moved and Brian Brill seconded the motion to approve the July 2017 Expenditure Summary Report. The motion passed unanimously.

Schedule of Investments – July 2017

The monthly investment report was presented to the Board for review. The estimated market value of the SERS portfolio on July 31, 2017 was \$298 million with an estimated rate of return of 1.0% 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 2:21 p.m.

/s/

Phillip Tencick, Retirement Director