

Spokane Employees' Retirement System (SERS)
Board Meeting, 12:00 p.m. February 28, 2018
City Hall – Conference Room 5A

AGENDA

1. Jayson Davidson, Hyas Group, 2017 4th Quarter Investment Performance Report
 - a. Performance Report
 - Information
 - b. Investment Policy Statement Review
 - Motion
 - c. Berens Redemption
 - Motion
 - d. Opportunistic Credit Search
 - Information
 - e. Other Business
2. Minutes of the January 31, 2018 Meeting
 - Motion
3. Director's Report
 - a. Retirements
 - Motion
 - b. Withdrawals
 - Motion
 - c. Vesting
 - Information
 - d. Deaths
 - Information
 - e. Expenditure Summary Reports – December 2017, January 2018
 - Motion
 - f. Schedule of Investments – January 2018
 - Information
 - g. Cash Reconciliation – January 2018
 - Information
 - h. Other Business
4. Board Rules
 - Motion
5. Upcoming Board Election
 - Information
6. Other Business
7. Next Meeting - **Wednesday, March 28, 2018 at 1:30 p.m.**

Spokane Employees' Retirement System (SERS)
Board Meeting Minutes
January 31, 2018

The regular monthly meeting was called to order at 1:30 p.m. in the 5th Floor Conference Room at City Hall.

Present: Mike Coster, Jim Tieken, Mike Cavanaugh, Dean Kiefer, J.D. Morscheck, and Brian Brill

Absent: Candace Mumm

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

Guests: Joe Cavanaugh, Joan Hamilton, Natalie Hilderbrand, Bob Olsen, Dave Hanshaw, Richard Czernik, and John Bjork

Election of Chairperson

Mike Cavanaugh moved and Jim Tieken seconded the motion to elect Mike Coster as Board Chairperson for the year 2018. The motion passed unanimously

Minutes of the December 6, 2017 Meeting

Mike Cavanaugh moved and Dean Kiefer seconded the motion to approve the minutes of the December 6, 2017 meeting as presented.

Director's Report

Service Retirements

<i>Name</i>	<i>Age</i>	<i>Retirement Date</i>	<i>Years of Service</i>	<i>Option</i>
Mira Duong	50	08/10/2017	15.5	B
Terry M. Headley	67	12/03/2017	41.2	E
Ronda A. Stapleton	53	01/01/2018	9.9	ST
Robert M. West	64	01/03/2018	19.3	E
Eric M. Townsend	50	01/06/2018	17.4	ST
Virgil L. Stratton	63	01/08/2018	28.0	E
Carla J. Pearson	63	01/13/2018	9.8	ST
Raymond E. Rouse	66	01/13/2018	8.9	ST
Sharon J. Lukich	66	02/02/2018	16.8	D
Tia L. Tauscher	56	02/03/2018	27.5	D
Joyce L. Brede Stiles	66	03/31/2018	23.8	ST
Janice A. Ahmann	60	04/03/2018	25.6	E
William P. Craver	63	04/13/2018	10.4	D

Jim Tieken moved and Mike Cavanaugh seconded the motion to approve the service retirements as amended on the January Retirement Transaction Report. The motion passed unanimously.

Withdrawals for January 2017

<i>Name</i>	<i>Years of Service</i>	<i>Termination Date</i>
Angel D. Odle	0.3	11/27/2017
Michael P. Werner	2.0	02/24/2015

J.D. Morscheck moved and Brian Brill seconded the motion to approve the requests for withdrawal as presented on the December 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>
Keith M. Thackray	09/26/1985	91	12/11/2017	No Further Benefits
David F. Scarpelli	05/14/2001	66	12/18/2017	No Further Benefits
John H. Owen	07/12/2007	68	12/20/2017	E Option Continues
Richard A. Davis	06/21/2002	71	12/19/2017	No Further Benefits
Andrea E. Nierstheimer	07/23/2016	64	12/26/2017	No Further Benefits
Michael R. Jobe	10/02/2015	56	01/13/2018	No Further Benefits

Death information provided to the Board for review.

Expenditure Summary Report – November 2017

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

Mike Cavanaugh moved and Dean Kiefer seconded the motion to approve the November 2017 Expenditure Summary Report. The motion passed unanimously.

Schedule of Investments – December 2017

The monthly investment report was presented to the Board for review. The estimated market value of the SERS portfolio on November 30, 2017 was \$306.3 million with an estimated monthly rate of return of 1.5%.

Monthly Cash Reconciliation

The monthly cash reconciliation reports for November 2017 and December 2017 were presented to provide the Board with additional insight into the ongoing liquidity and cash position of the plan.

Rule of 90 Implementation Update

Mr. Tencick informed the Board that the Rule of 90 Implementation has been completed. PeopleSoft was updated with the RP-2000 Mortality Tables for retirement calculations

and the City's IT Department was able to make the necessary software changes in-house to add the Rule of 90 tier. HR sent an email to all employees notifying them of the updated contribution rate and the new tier, and a letter was included with the annual contribution statement that notified employees of the changes. City Council approved the Resolutions and the Ordinance necessary to make the changes under SMC to increase the contribution rate and add the new tier.

Annual Board Agenda

Mr. Tencick distributed a draft annual agenda for the year to the Board and asked for input on education topics within the next couples of weeks.

Investment Advisory Committee Update

Mr. Tencick presented the Investment Advisory Committee minutes.

Jim Tieken moved and Brian Brill seconded the motion to acknowledge the minutes of the January 29, 2018 SERS Investment Advisory Committee Meeting. The motion passed unanimously.

Other Business

Mr. Tencick informed that Senate Bill 5160 is starting to be discussed again. The Board suggested that the topic be brought back to the February meeting for further discussion.

Mr. Tencick informed the Board that the CEO of OrbiMed stepped down. Discussion ensued and OrbiMed will remain on watch.

Mr. Tencick updated the Board on the need to recalculate 49 pensions from 2017 due to the retroactive payment received by Local 270. Of the 49 pensions, only 16 pensions were impacted by the retroactive payment. The one-time payments totaled approximately \$1,013 for the year, and the total monthly increase was approximately \$309.

Board Rules

Mr. Tencick presented the draft Board Rules to the Board. Discussion ensued.

Jim Tieken moved and Dean Kiefer seconded the motion to defer the changes to Rule IX until the next meeting. The motion passed unanimously.

Dean Kiefer moved and Mike Cavanaugh second the motion to strike Rule XV and defer to the next meeting for discussion. The motion passed unanimously.

Jim Tieken moved and Mike Cavanaugh seconded the motion to approve the changes to Rules V, VII, and XI as presented. The motion passed unanimously.

Other Business

There being no other business, the meeting adjourned at 2:15 p.m.

Phillip Tencick, Retirement Director

DRAFT

SERS Retirement Transaction Report

February 2018

Retirements

	Name	Age	Retirement Date	Years of Service	Department	Option
1	Jack L. Flores	62	02/10/2018	24.5	Water	E
2	Patricia L. Moulton	60	03/03/2018	20.9	Police	ST
3	Robert E. Cabbage II	71	03/09/2018	15.0	EMS Fund	E
4	Daniel J. Skindzier	65	04/07/2018	25.1	Development Services Center	E
5	Larry K. White	70	04/07/2018	40.5	Parks & Recreation	E
6	Dennis L. McConkey	69	05/05/2018	17.3	Development Services Center	E
7	Samuel R. McKee	62	06/02/2018	17.1	Integrated Capital Management	B
8	Rodney J. Minarik	66	06/09/2018	21.9	Neighborhood Services	D
	Retirements YTD	14				
	2017 Total Retirements	62				

Withdrawals

	Name	Years of Service	Department	Termination Date
1	Brentt G. Ramharter	0.9	Accounting	05/15/2017
2	Rachel M. Riley	1.0	My Spokane	11/27/2017
3	Jacqueline D. Halvorson	0.6	Council	12/29/2017

Vesting

	Name	Department	Years of Service
1	Jonathan D. Mallahan	Community & Neighborhood Services	9.3

Deaths

	Name	Date Retired	Age	Date of Death	Information
1	Wallace W. Berry	07/02/1997	77	01/31/2018	No Further Benefits
2	Ronald H. Thomas	07/27/1999	72	01/31/2018	E Option Continues
3	Edward H. Davis	05/04/2003	71	01/26/2018	No Further Benefits
4	John P. Lynch	03/10/2007	70	02/07/2018	E Option Continues

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

	2016 ACTUAL	2017 BUDGET	DECEMBER ACTUAL EXPENDITURES	2017 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
OPERATING EXPENDITURES						
Departmental Salaries	261,984.86	279,341.00	37,938.81	272,809.13	6,531.87	97.7%
Departmental Benefits	76,531.55	80,482.00	8,249.45	78,628.12	1,853.88	97.7%
Reserve for Budget Adjustment	-	10,000.00	-	-	10,000.00	0.0%
Administrative Income	(19,375.31)	(10,000.00)	(4,521.43)	(19,374.47)	9,374.47	
Postage/Supplies/Other	11,432.31	16,500.00	1,535.39	4,680.88	11,819.12	28.4%
State Audit Charges	11,172.03	12,000.00	1,047.87	10,669.62	1,330.38	88.9%
Contractual Services	80,222.66	173,475.00	13,460.50	139,186.91	34,288.09	80.2%
Travel	7,972.23	15,000.00	2,085.58	10,968.76	4,031.24	73.1%
Registration/Schooling	805.00	30,285.00	-	15,980.00	14,305.00	52.8%
Other Dues/Subscriptions/Membership	1,993.20	2,500.00	-	1,886.00	614.00	75.4%
Other Miscellaneous Charges	1,278.26	1,826.00	55.00	708.66	1,117.34	38.8%
OPEB Expense	-	-	601.00	601.00	(601.00)	#DIV/0!
Amortization	17,649.00	-	17,649.00	17,649.00	(17,649.00)	#DIV/0!
TOTAL OPERATING EXPENDITURES	451,665.79	611,409.00	78,101.17	534,393.61	77,015.39	87.4%
INTERFUND EXPENDITURES						
Interfund - Centralized Accounting	2,303.96	2,347.00	-	2,346.92	0.08	100.0%
Interfund - IT Phones	1,505.77	1,451.00	252.16	1,514.36	(63.36)	104.4%
Interfund - Risk Management	991.00	760.00	-	760.00	-	100.0%
Interfund - Worker's Compensation	198.00	104.00	-	104.00	-	100.0%
Interfund - Reprographics	4,930.49	4,500.00	2,082.20	8,948.70	(4,448.70)	198.9%
Interfund - IT	12,980.37	14,078.00	2,024.63	13,756.33	321.67	97.7%
Interfund - IT Replacement	1,926.96	2,772.00	462.00	2,772.00	-	100.0%
Interfund - My Spokane	751.00	-	-	296.59	(296.59)	#DIV/0!
TOTAL INTERFUND EXPENDITURES	25,587.55	26,012.00	4,820.99	30,498.90	(4,486.90)	117.2%
TOTAL ADMINISTRATIVE EXPENDITURES	477,253.34	637,421.00	82,922.16	564,892.51	72,528.49	88.6%

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

	2016 ACTUAL	2017 BUDGET	DECEMBER ACTUAL EXPENDITURES	2017 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
PENSIONS						
Pensions-Annuity Benefit Payments	23,765,712.64	26,000,000.00	2,112,760.38	24,852,639.62	1,147,360.38	95.6%
Pensions-Disability Payments	125,328.48	160,000.00	10,444.04	125,328.48	34,671.52	78.3%
Pensions-Survivor Annuity Benefits Payments	1,846,473.52	2,000,000.00	157,665.97	1,913,816.49	86,183.51	95.7%
TOTAL PENSIONS	<u>25,737,514.64</u>	<u>28,160,000.00</u>	<u>2,280,870.39</u>	<u>26,891,784.59</u>	<u>1,268,215.41</u>	95.5%
Refunds	729,741.16	1,000,000.00	11,809.43	551,908.36	448,091.64	55.2%
TOTAL EXPENSES	<u><u>26,944,509.14</u></u>	<u><u>29,797,421.00</u></u>	<u><u>2,375,601.98</u></u>	<u><u>28,008,585.46</u></u>	<u><u>1,788,835.54</u></u>	94.0%
INVESTMENT EXPENSE*						
Advisory Technical Service	380,964.60	450,000.00	68,200.12	445,143.35	4,856.65	98.9%

* investment expenses are netted against investment income in the statement of changes of plan net assets to arrive at a net investment income amount.

SPOKANE EMPLOYEES' RETIREMENT SYSTEM - 6100
 2018 EXPENDITURE SUMMARY REPORT
JANUARY 31, 2018

	2017 ACTUAL	2018 BUDGET	JANUARY ACTUAL EXPENDITURES	2018 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
OPERATING EXPENDITURES						
Departmental Salaries	272,809.13	290,564.00	7,706.00	7,706.00	282,858.00	2.7%
Departmental Benefits	78,628.12	86,250.00	4,736.08	4,736.08	81,513.92	5.5%
Reserve for Budget Adjustment	-	10,000.00	-	-	10,000.00	0.0%
Administrative Income	(19,374.47)	(10,000.00)			(10,000.00)	
Postage/Supplies/Other	4,680.88	9,950.00	84.47	84.47	9,865.53	0.8%
State Audit Charges	10,669.62	15,000.00	-	-	15,000.00	0.0%
Contractual Services	139,186.91	175,000.00	-	-	175,000.00	0.0%
Travel	10,968.76	15,000.00	-	-	15,000.00	0.0%
Registration/Schooling	15,980.00	15,000.00	-	-	15,000.00	0.0%
Other Dues/Subscriptions/Membership	1,886.00	2,500.00	-	-	2,500.00	0.0%
Other Miscellaneous Charges	708.66	1,300.00	55.00	55.00	1,245.00	4.2%
OPEB Expense	601.00	-	-	-	-	
Amortization	17,649.00	-	-	-	-	
TOTAL OPERATING EXPENDITURES	534,393.61	610,564.00	12,581.55	12,581.55	597,982.45	2.1%
INTERFUND EXPENDITURES						
Interfund - Centralized Purchasing	-	378.00	94.50	94.50	283.50	25.0%
Interfund - Centralized Accounting	2,346.92	2,078.00	519.40	519.40	1,558.60	25.0%
Interfund - IT Phones	1,514.36	-	-	-	-	
Interfund - Risk Management	760.00	790.00	-	-	790.00	0.0%
Interfund - Worker's Compensation	104.00	109.00	-	-	109.00	0.0%
Interfund - Reprographics	8,948.70	4,500.00	-	-	4,500.00	0.0%
Interfund - IT	13,756.33	16,171.00	-	-	16,171.00	0.0%
Interfund - IT Replacement	2,772.00	2,066.00	-	-	2,066.00	0.0%
Interfund - My Spokane	296.59	1,532.00	-	-	1,532.00	0.0%
TOTAL INTERFUND EXPENDITURES	30,498.90	27,624.00	613.90	613.90	27,010.10	2.2%
TOTAL ADMINISTRATIVE EXPENDITURES	564,892.51	638,188.00	13,195.45	13,195.45	624,992.55	2.1%

SPOKANE EMPLOYEES' RETIREMENT SYSTEM - 6100
 2018 EXPENDITURE SUMMARY REPORT
JANUARY 31, 2018

	2017 ACTUAL	2018 BUDGET	JANUARY ACTUAL EXPENDITURES	2018 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
PENSIONS						
Pensions-Annuity Benefit Payments	24,852,639.62	27,000,000.00	2,127,098.18	2,127,098.18	24,872,901.82	7.9%
Pensions-Disability Payments	125,328.48	140,000.00	10,444.04	10,444.04	129,555.96	7.5%
Pensions-Survivor Annuity Benefits Payments	1,913,816.49	2,100,000.00	156,615.61	156,615.61	1,943,384.39	7.5%
TOTAL PENSIONS	<u>26,891,784.59</u>	<u>29,240,000.00</u>	<u>2,294,157.83</u>	<u>2,294,157.83</u>	<u>26,945,842.17</u>	7.8%
Refunds	551,908.36	1,000,000.00	17,694.24	17,694.24	982,305.76	1.8%
TOTAL EXPENSES	<u><u>28,008,585.46</u></u>	<u><u>30,878,188.00</u></u>	<u><u>2,325,047.52</u></u>	<u><u>2,325,047.52</u></u>	<u><u>28,553,140.48</u></u>	7.5%
INVESTMENT EXPENSE*						
Advisory Technical Service	445,143.35	500,000.00	4,717.52	4,715.52	495,284.48	0.9%

* investment expenses are netted against investment income in the statement of changes of plan net assets to arrive at a net investment income amount.

Cash Recon - Feb 18

Date	Transactions	Sources	Uses	Balance
1/24/2018	Beginning Balance			743,850.27
1/24/2018	Return Pension Payment	711.54		744,561.81
1/25/2018	Reissue Corrected Pension Payment		(711.54)	743,850.27
1/25/2018	Distribution - Morrison Street V	239,836.70		983,686.97
1/26/2018	Capitall Call - Morrison Street Debt Opps		(431,929.70)	551,757.27
1/26/2018	Trust Fees		(19,796.43)	531,960.84
1/31/2018	Sale - Vanguard S&P 500	250,000.00		781,960.84
1/31/2018	Sale - Vanguard Small Cap Index	400,000.00		1,181,960.84
1/31/2018	Sale - Hotchkis & Wiley Large Cap Value	200,000.00		1,381,960.84
1/31/2018	Sale - Vanguard Mid Cap Growth	400,000.00		1,781,960.84
1/31/2018	Sale - Phocas Small Cap Value	600,000.00		2,381,960.84
1/31/2018	Sale - Jackson Square Large Cap Growth	200,000.00		2,581,960.84
1/31/2018	Pension Payments		(2,311,852.07)	270,108.77
2/1/2018	Interest	505.63		270,614.40
2/1/2018	Distribution - Morrison Street Debt Opps	87,174.05		357,788.45
2/2/2018	Redemption - Berens International Value	2,500,000.00		2,857,788.45
2/5/2018	Payroll Contributions	679,998.78		3,537,787.23
2/9/2018	Dividends	108.50		3,537,895.73
2/13/2018	Distribution - Morrison Street IV	423,817.64		3,961,713.37
2/20/2018	Commission Recapture	54.50		3,961,767.87
2/20/2018	Payroll Contributions	775,479.42		4,737,247.29
2/21/2018	Wire to City Account (Operating Expenses)		(100,000.00)	3,861,767.87
2/21/2018	Ending Balance	6,757,686.76	(2,864,289.74)	4,637,247.29
	<u>Upcoming</u>			
2/22/2018	Purchase			
2/28/2018	February Pension Payments		(2,309,535.96)	

Summary of Board Rule Changes

- ~~Rule V – Lump sum for IRS required distributions added, monthly admin fee~~
- ~~Rule VII – Contribution interest changed from quarterly to monthly~~
- Rule IX – The Board may defer to the Social Security Administration when determining disability claims
- ~~Rule XI – Rule of 90 provisions~~
- Rule XV (New) – Establishes notice period of 2 weeks between date of application and retirement date

**RULES OF THE BOARD OF ADMINISTRATION OF THE
SPOKANE EMPLOYEES' RETIREMENT SYSTEM
REVISED JUNE 29, 2016**

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**BOARD OF ADMINISTRATION
OF THE
SPOKANE EMPLOYEES' RETIREMENT SYSTEM
RULES**

RULE I

GENERAL

Section 1. PURPOSE. The purpose of these rules is to establish uniform methods of procedure for the conduct of the business of the Board of Administration of the Spokane Employees' Retirement System. This Board was established pursuant to the authority of Ordinance No. C7540 passed by the City Council September 22, 1941. Authorization for these rules is found in the Spokane Municipal Code (SMC) Chapters_03.05 and 04.14. "Robert's Rules of Order Newly Revised" shall guide the Board where the proceedings are not otherwise governed by these rules or the laws of the State of Washington.

Section 2. MEETINGS. The regular monthly meeting of the Board of Administration shall be held in City Hall, or other location as will be posted and the Board members notified. The meeting will be held on the last working Wednesday of each month at the time designated by the Secretary; provided, that if the last working Wednesday should fall on a holiday, the regular monthly meeting shall be held on the prior working day or any other day as designated_by the Board. Special meetings of the Board of Administration may be held upon the call of the Chairperson, the Secretary, or a majority of members of the Board. All meetings shall be conducted in accordance with the "Open Public Meetings Act," RCW 42.30, and shall be open to the public.

Section 3. COMPOSITION OF THE BOARD OF ADMINISTRATION. The composition of the Board of Administration shall be as provided by SMC 04.14. The Retirement Director of the City of Spokane shall be Secretary of the Board. The Retirement Director and the Assistant Director must become members of the Retirement System upon appointment, if not already members.

Section 4. QUORUM. Four (4) members of the Board of Administration shall constitute a quorum.

Four (4) affirmative votes are needed to transact all business of the Board.

Section 5. APPOINTMENTS AND ELECTIONS. The appointment and election of members of the Board of Administration shall be in accordance with SMC 04.14. The name of a member appointed or elected shall be noted in the minutes of the next regular meeting of the Board of Administration subsequent to the appointment or election, along with the member's term of office.

Section 5.1. CONDUCT OF ELECTIONS. All nominations for election of members to the Board of Administration must be signed by at least 20 active members of the System and filed with the City Clerk in a timely manner. Write-in votes for candidates not certified for election shall not be counted. In the event only one nominee is certified for the election, a unanimous ballot shall be cast in the nominee's favor without ballot.

Section 6. THE TERM OF THE PRESIDENT. The President of the Board will be elected at the January meeting of each year.

Section 7. AGENDA AND ORDER OF BUSINESS. An agenda shall be prepared by the Secretary and distributed to the members at each regular monthly meeting.

Section 8. MINUTES. The Secretary shall take and prepare the official minutes of the Board of Administration containing the actions of the Board and a substantive account of the proceedings. A record of the Board members present and absent shall be entered, along with the ayes and nays and abstentions of each member when voting. The minutes shall be signed by the Secretary and placed on record. Copies shall be distributed to all members of the Board of Administration and such other persons as the Board may designate.

Section 9. ABSENCE.

(A) Each Board member is expected to notify the President or the Secretary prior to a scheduled meeting if that member will not be able to attend the meeting. Such notice will serve to establish such absence as excused. All attendance at meetings shall be recorded in the minutes of the meeting.

RULE II

PRESERVATION OF RETIREMENT CREDITS RELATED TO PORTABILITY

Section 1. Retaining or regaining of retirement service credits shall only be permitted for those systems which have entered into written agreements with the Spokane Employees' Retirement System or those covered by RCW 41.54.

Section 2. Service credits will only be retained in our system if the employee is a member of another public agency of the state covered by another public retirement system which is under contract with the Spokane Employees' Retirement System. No service credit shall be preserved or recovered in any fund or system until it is officially established that such member has been accepted into membership in one of the other retirement or pension funds or systems which is a party to this agreement.

Section 3. Members of the Retirement System shall have the sole responsibility of making application for retaining or regaining service credits.

Section 4. Service credits shall mean those prior and current service credits earned and established by membership in this system on the date of the member's separation from employment with the City of Spokane.

Section 5. Application for retaining or regaining service credits must be made in accordance with RCW 41.54 and SMC 03.05.

Section 6. Contribution interest as set by SMC 03.05 shall be credited on the accumulations from the date of retaining or regaining service credit.

Section 7. Upon proper certification of retirement, a member who has transferred to another retirement system and who has retained his service credits shall have his

benefits calculated in accordance with the provisions of the law and regulations in effect on the date the member becomes eligible for retirement.

Section 8. No minimum allowance shall be applied in computing the retirement allowance of a member who has transferred to another retirement system.

Section 9. No credit shall be given for a simultaneous period of service within a retirement fund or system for which credit has already been established under another participating fund or system.

Section 10. The Board shall act on all applications for the retaining of retirement service credits under this rule; or the granting of pensions or refunding of contributions pursuant to this rule.

RULE III

HEARINGS

Section 1. GENERAL. Hearings by the Board shall be open to the public and may be conducted by a quorum of the Board. All parties to the hearing shall be notified in advance of such hearing and may, at their own expense, select representatives of their choosing. The Board may, and shall at the request of any party or the secretary of the Board, issue subpoenas and subpoenas duces tecum. Any fees or expense of any kind for the appearance of a witness shall be assumed by the party requesting the issuance of the subpoena.

Section 2. TESTIMONY UNDER OATH. The testimony of any witness shall be under oath administered by the President or any member of the Board.

Section 3. OFFICIAL RECORD. The Board shall prepare and keep an official record of the hearing which shall include testimony recorded manually or by mechanical device, and all other evidence including, but not limited to, the pleadings, documents, exhibits, and other records and documents offered and made a part of the record by the Board. Documentary evidence may be received in the form of copies or excerpts, or by incorporation by reference. No factual information or evidence other than the official record shall be considered by the Board in determination of the case.

Section 4. HEARINGS INFORMAL. All hearings shall be informal and the Board may admit and give probative effect to evidence which possesses probative value commonly accepted by reasonably prudent men in the conduct of their affairs. The Board shall give effect to the rules of privilege recognized by law and it may exclude incompetent, irrelevant, immaterial and unduly repetitious evidence.

Section 5. WITNESSES. Every party shall have the right of cross examination of witnesses who testify. The Board and/or its representative shall have the right to question any witness or party to a hearing, require the production of evidence, and require a party to submit to such medical examination as it deems necessary.

Section 6. JUDICIAL NOTICE. The Board may take notice of judicially cognizable facts and, in addition, may take notice of general, technical or scientific facts within its specialized knowledge. Parties shall be notified of the material so noticed and they shall be afforded an opportunity to contest the facts so noticed.

Section 7. DECISIONS. Decisions of the Board of Hearings shall be final and binding. Board members who vote in the making of a decision but who were not present at the reception of evidence shall review, consider and familiarize themselves with the record of the hearing. Decisions and orders arising from hearings shall be in writing and accompanied by Findings of Fact and Conclusions of Law.

Section 8. APPEAL. Decisions of the Board rendered as a result of a hearing may be appealed to the City Council by any party or any member of the Employees' Retirement System. The appellant must file notice of such appeal with the City Clerk within thirty (30) calendar days from the date of the Board's decision. Upon Notice of Appeal being filed, the Secretary of the Board shall forward to the City Clerk the written Decision, Findings of Fact and Conclusions of Law. Such appeal shall be heard de novo.

RULE IV

DELETED

RULE V

WITHDRAWAL OF ACCUMULATED CONTRIBUTIONS

Section 1. TIME LIMIT FOR CONTRIBUTIONS WITHDRAWAL. Any member of the Retirement System who has permanently terminated employment with the City and who is not eligible to vest, or has elected not to vest, may elect to withdraw his accumulated contributions within one hundred eighty (180) days of such termination, provided such employee has not retained his credits under state statutes. Should any such employee fail to make application for withdrawal of his accumulated contributions or fail to declare to vest within the one hundred eighty (180) day period, his accumulated contributions, if over \$1,000.00, may be charged a monthly administrative fee of \$10.00. Upon reaching normal retirement age for the tier corresponding to the member, a single lump sum distribution of all contributions plus interest will be made as soon as possible. Additionally, and for the avoidance of doubt, upon reaching the age for required distributions under Internal Revenue Code section 401(a)(9), a single lump sum distribution of all contributions plus contribution interest will be made as soon as administratively possible.

Section 2. RESTORATION OF WITHDRAWN CONTRIBUTIONS. Any member who has previously withdrawn his accumulated contributions from the retirement fund upon termination of his employment, for any cause whatsoever, and is subsequently reemployed by the City may, within one year after he again becomes a member of the Retirement System, redeposit an amount equal to that which he withdrew from the retirement fund at the last termination of his membership, or a portion thereof, with interest at the current actuarial assumed interest rate in effect. Interest shall be calculated from

the time of withdrawal to the time of redeposit. If the member does not redeposit in the amount and manner specified, he will not be entitled to the benefits provided for in SMC 03.05, nor may the time period attributable to such drawn contributions be used in any manner to provide benefits under this Chapter. Restoration of prior service will be conditional based on contributions and interest redeposited and will not be pro-rated in less than one-month increments, unless the entire service time is being restored.

Section 3. APPLICATIONS. Each member is required to apply for withdrawal of the member's accumulated contributions. All applications must be received by the Retirement Office no later than one week prior to the monthly pension run. All applications submitted by this date will be submitted to the Board for approval at the regular meeting. If the application is received in a timely manner and the Board Meeting has been canceled, the withdrawals for that particular month will be processed as normal and become part of the record at the following month's meeting.

RULE VI

TERMINATION OF \$500 LIMIT

Section 1. DETERMINATION OF "TOTAL FINAL COMPENSATION." From and after January 1, 1968, any member of the Retirement System who elected to have his contributions frozen at the \$500 salary limit and later properly revoked such election, shall, upon retirement, have his "Total Final Compensation" defined as the sum of his final compensation at the frozen amount and his final compensation as defined in Chapter 3.05.020 of the City Code. Calculation will result in \$500 being maximum Final Compensation for those years of service the member was under the \$500 limitation. All other years of service will be calculated based on the Final Compensation as defined in Chapter 3.05.020 of the City Code.

Section 2. EXAMPLE CALCULATION. Essentially, the calculation in Chapter 3.05.020 of City Code is the regular calculation based on the two (2) highest years' salary.

The calculation of "Total Final Compensation" is simply the pension figured for those number of years at the \$500 limit added to the pension for those number of years at the full contribution rate.

EXAMPLE

John Doe – Age 65 – and retiring with 21.9 years of creditable service in 1977.

Worked for the City since 1955 and under the \$500 limit for six (6) years, (1968 – 1973).

Assuming his final average salary is now \$960 per month, his pension under the 2% formula would be:

$$\begin{aligned} .02 \times 6.0 \text{ years} \times \$500 &= \$60.00 \\ .02 \times 15.9 \text{ years} \times \$960 &= \underline{305.28} \\ &= \$365.28 \end{aligned}$$

RULE VII

INTEREST ON MEMBER CONTRIBUTIONS

Section 1. CREDITING INTEREST. Interest on the contributions of members and the matching contributions of the City shall be credited monthly at the Contribution interest rate based on the average balance each month, except in the case of withdrawal, retirement or death of a member during any month, the amount of interest credited to such member's account for that month only shall be a fraction of the amount computed as above, such fraction having as a numerator the number of days from beginning of the month of the date of withdrawal, retirement or death and a denominator of the number of days in the month. For the purposes of this rule, date of withdrawal shall be on the last business day of the month that payment is made.

On November 30, 1978 (as amended January 25, 1979), the Board declared that its interpretation of this rule is to calculate interest on accumulations for active employee deaths up to the date of withdrawal.

Section 2. INTEREST RATE ON MEMBER CONTRIBUTIONS.

"Contribution interest," as defined by SMC 03.05.020, unless changed by the board as provided in SMC 4.14.070, means the interest rate on member contributions, which shall be set equal to the average daily interest rate for the 5-year US Treasury Note from July 1 of the previous year to June 30 of the current year, rounded to the nearest 0.25%. The new interest rate will be effective as of July 1 of the current year, beginning in 2016.

RULE VIII

MISCELLANEOUS

Section 1. INADVERTENT EXCLUSION FROM RETIREMENT SYSTEM, REGAINING RETIREMENT CREDITS. An employee eligible for membership in the Spokane Employees' Retirement System, but left off through no fault of the member, shall be placed in the Retirement System immediately and must choose one of the following two options:

A. The member may deposit the sum that should have been paid during the period when eligible for membership and gain creditable service in the Retirement System for this period. This sum must be paid in full within six (6) months of receiving notice of such option or the member forfeits his/her rights to reclaim the retirement credit. The City shall match this contribution as if contributions had been contributed on a normal basis;

Or,

B. The member may sign a waiver of all retirement benefits which would have been earned during this period. The effective date of membership in the Retirement System would become the first day of the pay period in which contributions for the Retirement System were withheld. If a member does not make a deposit or sign a waiver, all rights to reclaim creditable service are forfeited.

Section 2. RECOVERING SERVICE CREDIT FOR ELECTIVE OFFICERS. Any elective officer who elects to gain service credits as provided in City Code Chapter 3.05.030 shall make all required deposits prior to the completion of five (5) years of continuous service. Such deposits shall be an amount equal to what would be, or would have been, the officer's normal contributions if a member of the system during this period

of service, with interest at the actuarial rate of return in effect during this timeframe. Interest shall be calculated on the beginning quarterly balance owed, multiplied by $\frac{1}{4}$ of the interest rate compounded quarterly.

If the elective officer does not make a deposit in the amount and manner specified, that officer will not be eligible to gain service credits for this period at any future date.

RULE IX

DISABILITY RETIREMENT

Section 1. DETERMINATION OF DISABILITY PROCESS. After receiving the member's application for disability, the Board will determine how to adjudicate the application. The Board will generally defer the determination of disability to the Social Security Administration's (SSA). In the event that the member wishes to appeal the SSA decision or seek an interim determination, the Board may elect to make its own determination of disability.

Section 2. SOCIAL SECURITY ADMINISTRATION DETERMINATION OF DISABILITY PROCEDURES.

A. Application. A formal, written request for disability must be received by the Secretary. The letter must include the severity and prognosis of the employee's condition, the current status of the SSA determination, and grant the Board access to SSA's findings.

B. Determination. The Board will accept the Social Security Administration's determination of disability, including any presumptive determinations, appeal outcomes, or judicial review findings.

Section 43. BOARD DETERMINATION OF DISABILITY PROCEDURES.

A. ~~Step 4~~Application. The member may appeal the SSA determination or seek an interim determination from the Board. In addition to the application required in Section 2, Aa formal, written request ~~for appealing the SSA disability determination or seeking an interim determination~~ must be received by the Secretary. The letter must establish the basis for appeal or interim determination along with a letter from the

individual's personal physician that includes the severity and prognosis of the member's condition. ~~must be received by the Secretary. The letter must include the severity and prognosis of the employee's condition.~~

B. Medical Examination. After receiving the ~~above information~~ member's application, the Secretary will use his discretion in making an appointment with the Board of Administration's doctor. Cases where the Secretary feels that the examination might be unnecessary, i.e. application for disability is not warranted or questionable, or the condition of the employee is such that further examination would not be considered necessary, he may delay sending the individual to the Board doctor until the next regular meeting when the Board would consider what action to take.

C. Medical Opinion. The Board doctor will review the request, the personal physician's letter and any other pertinent information on the applicant referred by the Secretary. The Board doctor will either:

(a) Make the examination himself and provide the Board with a timely medical opinion on the status of the application, or

(b) Recommend to the Secretary that the Disability Review Panel be utilized where the Board doctor feels the Panel would be a more appropriate vehicle.

D. Disability Review Panel. The composition of the Disability Review Panel will be determined by the Board. If a Panel is recommended, the Board will decide on the use of the Panel. The cost of appointments not kept shall be the responsibility of the applicant; the cost of completed examinations shall be paid by the Spokane Employees' Retirement System.

E. Requirement. A medical opinion from either the Board doctor or the Disability Review Panel may be required on all disability retirements, where other

compelling information is lacking to make a determination. The Board shall also consider the opinion and/or testimony of any other person having personal knowledge of the employee's condition.

F. Evidence for the Board. The Spokane Employees' Retirement Board of Administration will be provided with the following when asked to decide on a disability pension:

- (a) Applicant's written request and letter from personal physician
- (b) If appropriate, opinion of either the Board doctor or the Disability Review Panel
- (c) All pertinent facts and findings that the Secretary has obtained

G. Less than 5 years City Service. In the instance of an applicant with less than five (5) years of City service who requests disability, it will be the responsibility of the applicant to provide all documentation concerning job relatedness of the disability. The Secretary will obtain such additional information as may be available in City records or by testimony.

Section ~~42~~. OUTSIDE GAINFUL EMPLOYMENT.

A. Report. Annually, after March 1, and before June 1, the Secretary shall submit to each Disability Retiree under the Normal Retirement Age (NRA) of their respective plan, a request to complete an affidavit certifying the Retiree's previous year gross income from wages, salaries, commissions or other remuneration derived from employment and the type of employment. This affidavit will be subscribed and sworn to by a Notary Public.

B. Content. The request to the Retiree will advise the Retiree that the request is being made in accordance with SMC 03.05, and will instruct the Retiree that failure to complete and return the affidavit within fourteen (14) days of the date of the request will

be cause to terminate the allowance being received. The request will also instruct the Retiree that any future change in income from employment should be communicated immediately to the Secretary in the form of an affidavit. Changes in income will cause a recomputation of pension.

C. Determination and Notice. The Retirement Office shall, if it is determined by the Secretary from any affidavit submitted that the disability retirement allowance of a retiree should be adjusted, notify the Retiree by letter that an adjustment will take place, the amount of the adjustment, and the time and place of the Board meeting at which the adjustment will be considered.

D. Computation.

- (a) Monthly Salary from Outside Gainful Employment. Where a Retiree receives a set salary or wage, the adjustment shall be determined by considering the last full month salary or wage paid to get a monthly compensation.
- (b) Hourly Wage or Commission from Outside Gainful Employment. Where a Retiree receives an hourly wage or commission, the adjustment shall be determined by considering the income received during the preceding twelve (12) months and dividing by twelve to get an average monthly compensation.
- (c) Adjustment. The allowance shall be adjusted by an amount which, when added to the monthly compensation or average monthly compensation earned by the Retiree from gainful employment, exceeds the amount of the final compensation used in the calculation of the member's disability pension, with the adjustments for changes in the national consumer price index.
- (d) Consumer Price Index Adjustment. The final compensation upon which a member's disability allowance is computed shall only be adjusted by the consumer price index when the Board is considering an adjustment due to outside gainful employment. This rule is not to be construed to increase a member's allowance over that set at the time of disability retirement. The consumer price index adjustment shall be computed by multiplying the allowance granted at the time of retirement by a fraction, the numerator of which is the Consumer Price

Index for All Urban Consumers, U.S. City Average, All Items for the month in which an adjustment is being considered, and the denominator of which is the Consumer Price Index for All Urban Consumers, U.S. City Average, All Items for the month in which the member commenced his or her disability retirement. Thereafter, if a member receives a reduced allowance because of the adjustment, his allowance shall be reconsidered annually, taking into consideration compensation from outside gainful employment or changes in the Consumer Price Index for All Urban Consumers, U.S. City Average, All Items.

- (e) Interim Consumer Price Index Adjustments. Between annual reports required in Subsection A., comparisons to the consumer price index described in Subsection (d) will only be made when there has been a change in the compensation receivable by the Retiree.

E. Restoration of Benefit. Upon the date the Retiree reaches normal retirement age, any reduction of the disability allowance previously imposed shall be restored fully.

F. Definitions.

- (a) Gross income from outside gainful employment shall include all wages, salaries, commissions, or other remuneration derived from employment subject to tax, pursuant to the Federal Insurance Contributions Act as amended. For purposes of determining what constitutes wages, salaries, commissions or other remuneration derived from employment, this rule shall be governed by the definitions in 26 USC Sec. 3121, as now or hereafter amended, except there shall be no exemption for remuneration paid by exempt organizations.
- (b) Final Compensation – as defined in SMC 03.05.

Section ~~35~~. EFFECTIVE DATE FOR DISABILITY RETIREMENT. The effective date of the disability retirement will be either the day after the last day in a paid or unpaid status or the day of application made by the member following Board approval, whichever is later. A disability pension will not be allowed when an applicant is actively working for the City of Spokane, even though the duties of the position are not being fully carried out.

Section 64. CALCULATION OF PENSION. Per SMC 03.05.190 (A-2), the Normal Benefit Option (ST) is the only available option for a disability retirement. A factor of 1.25% is used and the pension is taxable.

- (a) For members under SMC 3.05.025 (A) and (B): A disability retirement is based on a normal retirement age of age 62. For years of creditable service, use date of hire to when the employee would be age 62, not to exceed 30 years. Creditable service will still be adjusted by part-time employment and any leave of absence without pay.

Example: Jane Doe was born 5-17-1961. Her hire date is 8-5-1991. Her final average monthly salary is \$3,000.

Birth 5-17-1961
Plus age 62
5-18-2023

8-5-1991 to 5-18-2023 = 31.80274

\$3,000 x .0125 x 30 years = \$1,125/month ST Option

- (b) For members under SMC 3.05.025 (C): A disability retirement is based on a normal retirement age of age 65. For years of creditable service, use date of hire to when the employee would be age 65, not to exceed 35 years. Creditable service will still be adjusted by part-time employment and any leave of absence without pay.

Example: John Doe was born 5-17-1961. His hire date is 8-5-1987. His final average monthly salary is \$3,500.

Birth 4-17-1961
Plus age 65
4-18-2026

8-5-1987 to 4-18-2026 = 38.72877

\$3,500 x .0125 x 35 years = \$1,531/month ST Option

RULE X

RETIREE PENSION ADJUSTMENTS

Section 1. The Retirement System will consider granting an ad-hoc performance adjustment under the following conditions:

A. The Fiduciary Net Position as a Percentage of the Total Pension Liability (“Funding Ratio”) for the System is above 90%, the additional Total Pension Liability associated with the ad-hoc increase does not cause the Funding Ratio to drop below 90%, and the combined employer and employee contribution rates are sufficient to fund the unfunded accrued liabilities as increased by the cost of the ad-hoc adjustment over a period not to exceed the maximum allowable GASB amortization period (currently 30 years).

B. The performance adjustment is non-compounding and based upon a retiree’s original pension amount (per SMC 03.05.160).

C. The rate of performance adjustment, if any, is determined by the board in its sole discretion based on financial, actuarial and other data considered by the board, but is limited to a maximum of three percent (3%) in any year (per SMC 03.05.160).

D. The ad-hoc adjustments may be made annually, on or before July 1st of each year (per SMC 03.05.160).

Ad-hoc translation: “*for this purpose*”

Section 2. The allowance shall be non-compounding and be based upon a retiree’s original pension amount. A survivor with an Option ‘D’ receiving one-half the pension shall have the allowance based on one-half of the original pension amount.

RULE XI

RETIREMENT CALCULATION FACTORS

Section 1. CREDITABLE SERVICE

A. For purposes of calculating “Creditable Service,” as used in the Retirement Ordinance, SMC 03.05, the Department will consider a “year” to be 2080 hours of service in a 12-month period. Any fewer hours paid in a calendar year will result in a proportionately reduced calculation. Overtime hours or hours worked beyond an employee’s FTE status will not be used in the years of service calculation.

B. Under the Alternate Formula, as described in SMC 03.05.165, age and years of service must equal 75 points for an employee to retire. Permanent part-time employment, for eligibility and vesting purposes only, will be calculated differently for the Rule of 75.

Eligibility and vesting time toward the 75 points will be calculated as below:

For each year a part-time employee is paid at least 50% of the year (1040 hours) they will receive credit for one (1) eligibility and vesting year. Any time less than 50% will be proportionally reduced. Any time off without pay will still be adjusted for this qualifying time.

This will not change the definition of creditable service for the retirement. The calculation will still be based on actual creditable service credit and not eligibility or vesting credit for the Rule of 75.

Under the Alternate Formula, as described in SMC 03.05.166, age and years of service must equal 80 points for an employee to retire. Permanent part-time employment, for eligibility and vesting purposes only, will be calculated differently for the Rule of 80.

Eligibility and vesting credit toward the 80 points will be calculated as below:

For each year a part-time employee is paid at least 50% of the year (1040 hours) they will receive credit for one (1) eligibility and vesting year. Any time less than 50% will be proportionally reduced. Any time off without pay will still be adjusted for this qualifying time.

This will not change the definition of creditable service for the retirement. The calculation will still be based on actual creditable service credit and not eligibility or vesting credit for the Rule of 80.

Under the Alternate Formula, as described in SMC 03.05.167, when age and years of service must equal 90 points for an employee to retire, permanent part-time employment, for eligibility and vesting purposes only, will be calculated differently for the Rule of 90.

Eligibility and vesting credit toward the 90 points will be calculated as below:

For each year a part-time employee is paid at least 50% of the year (1040 hours) they will receive credit for one (1) eligibility and vesting year. Any time less than 50% will be proportionally reduced. Any time off without pay will still be adjusted for this qualifying time.

This will not change the definition of creditable service for the retirement. The calculation will still be based on actual creditable service credit and not eligibility or vesting credit for the Rule of 90.

Section 2. FINAL COMPENSATION

A. Under the Formula, as described in SMC 03.05.160 and the Alternate Formula, as described in SMC 03.05.165 and in compliance with SMC 03.05.020, “final compensation” is calculated using the greater of:

- 24 consecutive months out of the member’s last 25 months
- Highest two consecutive calendar years

B. Under the Alternate Formula, as described in SMC 03.05.166 “final compensation” is the greater of:

- 36 consecutive months out of the member's last 37 months or
- Highest three consecutive calendar years

A. Under the Alternate Formula, as described in SMC 03.05.167 "final compensation" is based on highest three (3) consecutive years, with overtime and base salary capped at one hundred and twenty percent (120% of base salary). The three consecutive years shall be based on the greater of:

- 36 consecutive months out of the member's last 37 months or
- Highest three consecutive calendar years

RULE XII

PORTABILITY CALCULATIONS

Final compensation for SERS participants is based on the highest two or three consecutive year's salary in accordance to the rules of the plan in which the member was hired under per SMC 03.05. When calculating final compensation for a portability participant, it is possible that the participant would have less than two or three years service time in SERS. In these cases, SERS will defer to the method used by the Washington State Department of Retirement Systems (DRS).

DRS uses additional months of salary from a second system for a portability participant who does not have enough service months in the current system. For example, if a portability participant has only thirteen (13) months in SERS, use the last eleven (11) months of salary from the previous portability system to compute the twenty-four (24) month period (two consecutive year's salary) for members under SMC 3.05.025 (A) and (B). For members under SMC 3.05.025 (C) use the last twenty-three (23) month period (three consecutive year's salary). The calculation will be coordinated with the DRS or other portable system.

RULE XIII

REQUESTS FOR PROPOSALS (RFP)

The Retirement Department enters into contracts for several professional services, including but not limited to, investment consulting, actuarial services and financial audits.

At least every five years, the Retirement Director will issue an RFP for the major services provided. Investment management and custodial services are excluded from the RFP process.

RULE XIV

FUNDING OBJECTIVE

SERS funding objective is to achieve and maintain an actuarial liability Funded Ratio between 90% and 110%.

RULE XV

RETIREMENT APPROVAL

Section 1. APPLICATIONS. Each member is required to apply for retirement. All applications must be made with the Retirement Office no later than two weeks prior to the member's retirement date. The Board will approve all applications during the regular Board Meetings. For all applications received in a timely manner and with a retirement date that precedes the next Board Meeting, the application will be deemed approved and included in the record at the next meeting.

Section 2. WAIVER OF NOTICE PERIOD. A member may request a waiver of the two week notice period between application date and retirement date. The Retirement Director will determine if the waiver of the notice period will be granted. Waivers will be granted for all reasonable requests. For any waivers that are denied, the Retirement Director will immediately inform the Board and the member's bargaining unit of the basis for denial. The member may appeal the Retirement Director's determination to the Board at the earliest time a special meeting may be called. If the Board grants the waiver, it shall be at the later of the date of application or the date of the special meeting where the waiver was granted.