

**Spokane Employees' Retirement System (SERS)
Board Meeting Minutes
May 30, 2018**

The regular monthly meeting was called to order at 12:07 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

Absent: J.D. Morscheck

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

Guests: Jayson Davidson, Brian Loescher, Joe Cavanaugh, Joan Hamilton, Lee Ann Reid, Natalie Hilderbrand, Bob Olsen, Dave Henshaw, Richard Czernik, Melissa Wittstruck, and John Bjork.

Jayson Davidson, Hyas Group, 2018 1st Quarter Investment Performance Report

Mr. Davidson reviewed with the Board the First Quarter 2018 Performance Report and discussed broad economic and market trends impacting the SERS portfolio. Mr. Davidson discussed overall portfolio performance as well as individual investment positions relative to policy benchmarks. Both the SERS portfolio and the policy benchmark were down 0.2% for the quarter.

Mr. Davidson discussed with the Board recent redemption activity from the Jackson Square Large Cap Growth strategy. While the fund has seen approximately \$5 billion in outflows, it maintains over \$15 billion in investable assets and Hyas Group is comfortable maintaining our allocation at this time.

Hyas Group informed the Board that Polar announced a management fee reduction for the Polar Long/Short Fund from 2.0% to 1.5%. No Board action is required. Additionally, Hyas informed the Board that Hotchkis & Wiley has made an additional share class available for their high yield strategy. This share class will be 10 bps less expensive than the current. The transition to the lower cost share class was completed in May.

Hyas Group provided an update on the activity surrounding OrbiMed's founder, Sam Isaly, and his transition out of the firm due to inappropriate workplace behavior. Hyas has been notified that Mr. Isaly will fully exit his duties and ownership with the firm. He will no longer be affiliated with the OrbiMed organization. Hyas Group recommended to keep OrbiMed on watch for the time being.

Mr. Davidson informed the Board of a pending ownership change that will have an impact on one of the available investment options. Frontier Partners is the distribution arm for the Phocas Small Cap Value Fund. The primary owner of Frontier, Bill Forsyth, will be selling the entirety of his stake to the investment management firm, Magellan Financial. This ownership change is not expected to impact the naming convention of the Frontier Phocas Fund or the personnel at Frontier Partners. Hyas Group is not recommending any actions at this time.

Hyas Group spent time discussing pending portfolio allocation and investment decisions and informed the Board of a scheduled due diligence trip to review an opportunistic credit manager and an emerging markets manager. The opportunistic credit manager award would complete the SERS' allocation to Opportunistic Credit. The emerging market manager would serve as the replacement to Berens. Hyas Group and staff will begin a review of a subsequent private real estate fund with an existing manager and expects to present recommendations to the Board later this summer.

Mr. Davidson distributed the information that was prepared to address questions on the risk metrics and risks adjusted returns for the watch status managers. While Hyas discussed the topic briefly, a larger discussion will be deferred to a future meeting.

Castine Strategy Transition

Castine informed Hyas Group that they will be consolidating the Castine Fund I strategy into the Castine Fund II strategy. SERS is invested in the Castine Fund I strategy. The Fund II strategy will have modest additional market exposure and slightly more volatility, but remains a conservative option that Hyas Group and staff would like to maintain in the Absolute Return asset class.

Mike Cavanaugh moved and Jim Tieken seconded the motion to transition from Castine Partners I to Castine Partners II and to keep them in the Absolute Return category of SERS' investments per Hyas Group's recommendation. The motion passed unanimously.

Hyas Group will work with Castine and the custodian to process the change accordingly.

Minutes of the April 25, 2018 Meeting

Candace Mumm moved and Jim Tieken seconded the motion to approve the minutes of the April 25, 2018 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>
Christine L. Kopple	50	05/04/2018	12.0	E
Shirley M. Pippenger	69	06/02/2018	20.7	A
Kenneth M. Brown	63	06/02/2018	29.7	E
Scott W. Thomas	50	07/01/2018	5.1	E
Susan M. Rudder	58	07/10/2018	22.3	ST
Jeffrey B. Lindholm	63	07/14/2018	37.8	E

Mike Cavanaugh moved and Dean Kiefer seconded the motion to approve the service retirements as presented on the May Retirement Transaction Report. The motion passed unanimously.

Withdrawals for May 2018

<i>Name</i>	<i>Years of Service</i>	<i>Termination Date</i>
Nicholas R. Ulrich	0.8	10/27/2017
Amy L. Mullerleile	1.8	02/14/2018

Dean Kiefer moved and Jim Tieken seconded the motion to approve the requests for withdrawal as presented on the May 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>
George S. Volesky	05/02/1987	87	04/29/2018	No Further Benefits

Death information provided to the Board for review.

Expenditure Summary Report – April 2018

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

Jim Tieken moved and Mike Cavanaugh seconded the motion to approve the April 2018 Expenditure Summary Report. The motion passed unanimously.

Schedule of Investments – April 2018

The monthly investment report was presented to the Board for review. The estimated market value of the SERS portfolio on April 30, 2018 was \$305.9 million with an estimated rate of return of 1.1% 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.

Other Business

Mr. Tencick presented to the City's Finance Committee the SERS Actuarial Valuation and the recommended contribution rate increase for 2019 from 9.00% to 9.25%. Following the presentation, Councilmember Burke asked if Mr. Tencick would assist in creating a nuclear free ordinance that she hoped would apply to the City's investments and to SERS' investments. Mr. Tencick will work with her to insure that the ordinance does not conflict with the Board's fiduciary duty.

City Hall Security Update

Ms. Shisler informed the Board and guests about the new City Hall security policy that will be implemented beginning June 4, 2018. Non-employee Board members and guests will have to check in with the Security desk before continuing to the conference room for the Board meeting. The logistics of handling latecomers is still being determined.

There being no other business, the meeting adjourned at 1:26 p.m.

/s/

Phillip Tencick, Retirement Director