

Spokane Employees' Retirement System (SERS)
Board Meeting, 12:00 p.m. August 29, 2018
City Hall - Conference Room Lobby, Tribal

AGENDA

- 1) Hyas Group Quarterly Investment Review
 - a) 2018 2nd Quarter Investment Performance Report
 - Information
 - b) Emerging Markets Manager Search
 - Motion
 - c) Opportunistic Credit Manager Search
 - Motion
 - d) Manager Updates
 - Information

- 2) Minutes of the July 25, 2018 Meeting
 - Motion

- 3) Director's Report
 - a) Retirements
 - Motion
 - b) Withdrawals
 - Motion
 - c) Deaths
 - Information
 - d) Expenditure Summary Report – July 2018
 - Motion
 - e) Schedule of Investments – July 2018
 - Information
 - f) Cash Reconciliation – July 2018
 - Information
 - g) Other Business

- 4) Other Business

- 5) Next Meeting – **Wednesday, September 26th at 1:30 p.m.**

**Spokane Employees' Retirement System (SERS)
Board Meeting Minutes
July 25, 2018**

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

Present: Mike Coster, Jim Tieken, Mike Cavanaugh, Candace Mumm, Dean Kiefer, and Brian Brill

Absent: J. D. Morescheck

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

Guests: Joan Hamilton, Joe Cavanaugh, Natalie Hilderbrand, Bob Olsen, Richard Czernik, Ryan Treffry, and Adam Miles

Minutes of the June 27, 2018 Meeting

Dean Kiefer moved and Jim Tieken seconded the motion to approve the minutes of the June 27, 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>
Marion T. Haine	57	06/29/2018	15.8	E
Gary S. Bussiere	70	07/21/2018	24.1	E
Adranig W. Torosian	50	08/04/2018	25.6	C-15
Michael C. Owen	65	08/29/2018	12.4	E
Christopher P. Galvin	62	10/02/2018	39.4	E

Mike Cavanaugh 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>
Alycia J. Staggs	6.7	04/13/2006
Denis B. Yunin	1.1	05/04/2018
Michael G. Tillotson	1.6	05/19/2018
Rebecca M. Devin	4.3	03/13/2018
Tracy B. Stewart	0.3	06/12/2018
Karla L. Thompson	3.1	06/13/2018
Aric M. Van Tassel	8.3	06/15/2018

Jim Tieken moved and Mike Cavanaugh 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>
Carl D. Lamphier	03/01/2005	77	06/28/2018	E Option Continues

Death information provided to the Board for review.

Expenditure Summary Report – June 2018

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

Jim Tieken moved and Candace Mumm seconded the motion to approve the June 2018 Expenditure Summary Report. The motion passed unanimously.

Schedule of Investments – June 2018

The monthly investment report was presented to the Board for review. The estimated market value of the SERS portfolio on June 30, 2018 was \$308.2 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 transactions, liquidity, and cash position of the plan.

Other Business

Mr. Tencick distributed a handout and led a discussion about breakdown of the SERS membership by union and the percentages of members in each group who are not vested, vested, and eligible to retire.

A second handout and discussion by Mr. Tencick highlighted the US Treasury yield curve and its potential for predicting recessions.

Emerging Markets Equity Primer

Mr. Tencick led a discussion on Emerging Markets Equity.

Candace Mumm moved and Mike Cavanaugh seconded the motion to approve emerging markets equity passive investment vehicle to provide exposure during transition to a new manager, VG Emerging Markets Stock Index Fund Institutional (VEMIX) as a placeholder until the ongoing search is completed. The motion passed unanimously.

Open Meetings and Public Records Training

Mr. Tencick led presentations on the Open Meetings Act and Public Records. Discussion ensued and Certificates of Completion were distributed to the Board members to sign. Staff will file the certificates with the City Clerks' office.

Other Business

Mr. Tencick shared with the Board that Jayson Davidson and Brian Loescher from Hyas Group will be at the August meeting.

There being no other business, the meeting adjourned at 2:30 p.m.

Phillip Tencick, Retirement Director

SERS Retirement Transaction Report

August 2018

Retirements

	Name	Age	Retirement Date	Years of Service	Department	Option
1	Anjanette Hughes	50	08/01/2018	10.4	Probation Services	E
2	Louie W. Aquino	62	08/07/2018	27.8	Solid Waste Disposal	E
3	Steven L. Theodorson	65	08/18/2018	18.9	Street	C-5
4	William A. Hansen	56	08/24/2018	30.0	Fleet Services	E
5	Michael H. Gibbons	63	09/05/2018	40.3	Water	E
6	Patrick J. Kenney	62	09/22/2018	5.1	Asset Management	ST
7	Gary D. Hocking	63	11/02/2018	40.3	Water	E
8	Robert D. Chiappe	53	01/12/2019	21.8	Code Enforcement	E
	Retirements YTD	55				
	2017 Total Retirements	62				

Withdrawals

	Name	Years of Service	Department	Termination Date
1	Courtney A. Shearer	4.3	Police	07/06/2018

Deaths

	Name	Date Retired	Age	Date of Death	Information
1	Jeffrey B. Lindholm	07/14/2018	63	07/27/2018	E Option Continues
2	Ivan E. Utt	01/03/1997	80	08/18/2018	No Further Benefits

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

	2017 ACTUAL	2018 BUDGET	JULY ACTUAL EXPENDITURES	2018 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
OPERATING EXPENDITURES						
Departmental Salaries	272,809.13	290,564.00	21,288.01	148,777.18	141,786.82	51.2%
Departmental Benefits	78,628.12	86,250.00	6,661.34	46,931.26	39,318.74	54.4%
Reserve for Budget Adjustment	-	10,000.00	-	-	10,000.00	0.0%
Administrative Income	(19,374.47)	(10,000.00)	-	(12,062.53)	2,062.53	
Postage/Supplies/Other	4,680.88	9,950.00	534.63	1,370.35	8,579.65	13.8%
State Audit Charges	10,669.62	15,000.00	2,271.11	4,127.38	10,872.62	27.5%
Contractual Services	139,186.91	175,000.00	22,096.63	98,344.62	76,655.38	56.2%
Travel	10,968.76	15,000.00	1,904.93	2,715.15	12,284.85	18.1%
Registration/Schooling	15,980.00	15,000.00	-	7,990.00	7,010.00	53.3%
Other Dues/Subscriptions/Membership	1,886.00	2,500.00	-	160.00	2,340.00	6.4%
Other Miscellaneous Charges	708.66	1,300.00	55.00	389.48	910.52	30.0%
Amortization	17,649.00	-	-	-	-	
TOTAL OPERATING EXPENDITURES	533,792.61	610,564.00	54,811.65	298,742.89	311,821.11	48.9%
INTERFUND EXPENDITURES						
Interfund - Centralized Purchasing	-	378.00	94.50	283.50	94.50	75.0%
Interfund - Centralized Accounting	2,346.92	2,078.00	519.40	1,558.20	519.80	75.0%
Interfund - IT Phones	1,514.36	-	-	-	-	
Interfund - Risk Management	760.00	790.00	-	395.00	395.00	50.0%
Interfund - Worker's Compensation	104.00	109.00	-	54.50	54.50	50.0%
Interfund - Reprographics	7,596.07	4,500.00	393.52	3,493.06	1,006.94	77.6%
Interfund - IT	13,756.33	16,171.00	1,347.58	8,108.11	8,062.89	50.1%
Interfund - IT Replacement	2,772.00	2,066.00	172.17	1,033.02	1,032.98	50.0%
Interfund - My Spokane	435.90	1,532.00	383.00	766.00	766.00	50.0%
TOTAL INTERFUND EXPENDITURES	29,285.58	27,624.00	2,910.17	15,691.39	11,932.61	56.8%
TOTAL ADMINISTRATIVE EXPENDITURES	563,078.19	638,188.00	57,721.82	314,434.28	323,753.72	49.3%

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

	2017 ACTUAL	2018 BUDGET	JULY ACTUAL EXPENDITURES	2018 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
PENSIONS						
Pensions-Annuity Benefit Payments	24,852,639.62	27,000,000.00	2,197,654.97	15,074,280.70	11,925,719.30	55.8%
Pensions-Disability Payments	125,328.48	140,000.00	10,444.04	73,108.28	66,891.72	52.2%
Pensions-Survivor Annuity Benefits Payments	1,913,816.49	2,100,000.00	165,581.95	1,127,145.11	972,854.89	53.7%
TOTAL PENSIONS	<u>26,891,784.59</u>	<u>29,240,000.00</u>	<u>2,373,680.96</u>	<u>16,274,534.09</u>	<u>12,965,465.91</u>	55.7%
Refunds	551,908.36	1,000,000.00	111,079.54	294,120.66	705,879.34	29.4%
TOTAL EXPENSES	<u><u>28,006,771.14</u></u>	<u><u>30,878,188.00</u></u>	<u><u>2,542,482.32</u></u>	<u><u>16,883,089.03</u></u>	<u><u>13,995,098.97</u></u>	54.7%
INVESTMENT EXPENSE*						
Advisory Technical Service	449,836.97	500,000.00	44,160.52	197,828.05	302,171.95	39.6%

* 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, 2018

8/21/2018

				Allocation		
				Target	Current	Diff.
		Type				
Cash Held by Treasurer	Cash		\$ 86,200			
US Bank	Short-term Inv		6,909,903			
Total Cash			6,996,103	0.0%	2.2%	2.2%
Sterling Capital	Total Return		24,150,471			
Total Total Return			24,150,471	10.0%	7.8%	-2.2%
Hotchkis & Wiley	High Yield - Mutual Fund		23,274,825			
Total High Yield			23,274,825	5.0%	7.5%	2.5%
Polar	LLC		6,650,268			
American Beacon	Mutual Fund		398,206			
Castine Capital I	Ltd Partnership		8,092,142			
Post Limited Term High Yield	Ltd Partnership		6,059,838			
Rimrock Low Volatility	Ltd Partnership		9,863,817			
Total Absolute Return			31,064,271	8.0%	10.0%	2.0%
Total Capital Preservation			85,485,670	23.0%	27.5%	4.5%
Hotchkis & Wiley	LC Value - Mutual Fund		16,579,883			
Jackson Square	LC Growth - Mutual Fund		17,285,753			
MFS Heritage	LC Core		19,020,618			
Vanguard S&P 500 Index	LC Core - Mutual Fund		11,044,806			
Total US Large Cap			63,931,060	21.0%	20.5%	-0.5%
Sterling	MC Value		6,360,316			
Vanguard MC Growth	MC Growth - Mutual Fund		4,950,107			
Vanguard MC Index	MC Core - Mutual Fund		4,137,926			
Champlain	SC Core		6,523,782			
Phocas	SC Value - Mutual Fund		4,220,519			
Bridge City	SC Growth		7,166,492			
Vanguard SC Index	SC Core - Mutual Fund		928,957			
Total US Small/Mid Cap			34,288,099	11.0%	11.0%	0.0%
Total US Equities			98,219,159	32.0%	31.6%	-0.4%
Artisan	SMID Value - Mutual Fund		21,790,573			
Euro Pacific	LC Blend - Mutual Fund		21,851,205			
Vanguard International	LC Index - Mutual Fund		-			
Total International Large Cap			43,641,778	15.0%	14.0%	-1.0%
Trivalent	SC Value - Mutual Fund		13,276,801			
Total International Small/Mid			13,276,801	4.0%	4.3%	0.3%
Berens	Ltd Partnership		936,212			
Total Emerging Markets			936,212	3.0%	0.3%	-2.7%
Total International Equities			57,854,791	22.0%	18.6%	-3.4%
Weatherlow Offshore	Ltd Partnership		16,115,395			
Royalty Opportunities I	Ltd Partnership		2,950,595			
Royalty Opportunities II	Ltd Partnership		3,140,966			
Total Long Biased			22,206,956	7.0%	7.1%	0.1%
Metropolitan Real Estate Partners	Ltd Partnership		208,881			
Morrison Street Fund IV	LLC		358,777			
Morrison Street Fund V	LLC		4,378,143			
Morrison Street Debt Opportunties	LP		4,367,764			
Principal (REITs)	REITs		10,303,199			
Morgan Stanley Prime	LLC		7,181,676			
Total Real Estate			26,798,440	9.0%	8.6%	-0.4%
Beach Point	Ltd Partnership		10,620,252			
Total Opportunistic Credit			10,620,252	7.0%	3.4%	-3.6%
OrbiMed II	Ltd Partnership		10,070,704			
Total Special Opportunities			10,070,704	0.0%	3.2%	3.2%
Total Cash and Investments			\$ 311,255,972	100.0%	100.0%	0.0%

Monthly Pension \$ (2,403,679)
As of June 30, 2018 **\$ 307,948,328**

Estimated Rate of Return 1.9%

Abs. Return and Total Return FI	Thesis 2017.1	55,214,742	18.0%	17.7%	-0.3%
High Yield and Opp Credit	Thesis 2017.2	33,895,077	12.0%	10.9%	-1.1%
Equity and Special Situations	Thesis 2017.3	166,144,654	54.0%	53.4%	-0.6%

Cash Recon - Aug 18

Date	Transactions	Sources	Uses	Balance
7/19/2018	Beginning Balance			94,044.91
7/23/2018	Payroll Contributions	713,129.42		807,174.33
7/25/2018	Distribution - Morrison Street V	57,616.61		864,790.94
7/26/2018	Trust Custody Fees		(23,626.12)	841,164.82
7/27/2018	Redemption Proceeds - Berens	8,425,908.50		9,267,073.32
7/30/2018	Distribution - MSDO	124,728.82		9,391,802.14
7/31/2018	July Pension Payments		(2,484,760.50)	6,907,041.64
8/1/2018	Purchase - Vanguard Emerging Markets Index		(6,750,000.00)	157,041.64
8/1/2018	Interest	2,861.37		159,903.01
8/2/2018	Cash Sweep - Interest/Dividends	383.36		160,286.37
8/6/2018	Payroll Contributions	700,111.20		860,397.57
8/8/2018	Redeposit/Reissue Check	649.43		861,047.00
8/10/2018	Purchase - Vanguard Emerging Markets Index		(800,000.00)	61,047.00
8/20/2018	Payroll Contributions	701,113.36		762,160.36
8/21/2018	Ending Balance	10,726,502.07	(10,058,386.62)	762,160.36
	<u>Upcoming</u>			
7/26/2018	Pension Funding	1,700,000.00		
7/31/2018	August Pension Payments		(2,406,796.22)	