

**Spokane Employees' Retirement System (SERS)  
Board Meeting Minutes  
December 5, 2018**

The regular monthly meeting was called to order at 12:17 p.m. in the 5<sup>th</sup> Floor Conference Room at City Hall.

**Present:** Mike Coster, Mike Cavanaugh, Jim Tieken, Candace Mumm, and J.D. Morscheck, Dean Kiefer

**Absent:** Brian Brill

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

**Guests:** Jayson Davidson, Brian Loescher, Joe Cavanaugh, Bob Olson, Adam Miles, Jon Barnhart, Richard Czernik, and John Bjork

**Hyas Group, 2018 3<sup>rd</sup> Quarter Investment Performance Report**

Mr. Davidson reviewed the Third Quarter 2018 performance report with the Board. Mr. Davidson discussed broad economic and market related issues, as well as recent bouts of global market volatility. The Portfolio posted a quarterly return in-line with the policy benchmark and continues to remain above the benchmark year-to-date. The following funds will remain on watch status: MFS Blended Research Core, Jackson Square Large Cap Growth, Vanguard Mid Cap Growth, and OrbiMed Partners. Mr. Davidson did note, however, that the MFS Blended Research Core posted 5-year performance numbers that were above the median peer and was thus in technical compliance as of quarter-end.

Hyas Group recommended placing Sterling Mid Cap Value be put on watch for performance in violation of investment policy parameters.

Jim Tieken moved and Mike Cavanaugh seconded the motion to place Sterling Mid Cap Value on watch status for poor performance. The motion passed unanimously.

Candace Mumm left the meeting at 1:23 p.m.

Hyas Group recommended removing the non-performance related watch status for the OrbiMed suite of products. This watch designation was placed as a result of a senior personnel departure. It was applicable to all OrbiMed products and was placed on top of the performance driven, quantitative watch for the OrbiMed Partners product.

Jim Tieken moved and Dean Kiefer seconded the motion to remove OrbiMed Opportunities I & II from watch status. The motion passed unanimously.

Mr. Davidson presented a Hyas Group comparison of several index fund alternatives. The Board gave consideration to the expenses, tracking error, securities lending and tracking benchmarks associated with each of the alternatives. Hyas Group recommended

replacing the Vanguard products. The lone exception to this transition will be in the Emerging Markets category. The Vanguard option will remain in that category as Hyas felt the index methodology and broader securities exposure for that Fund to be more attractive than the Fidelity alternative.

Mike Cavanaugh moved and Jim Tieken seconded the motion to replace the Vanguard products except the Vanguard Emerging Markets fund with Fidelity Investments. The motion passed unanimously.

Mr. Davidson and the Board engaged in a brief discussion regarding the rationale for continuing to fund the MFS Blended Research product in lieu of a larger allocation to the passive, index option available through Vanguard. Hyas Group will be prepared to provide additional analysis and background for the next meeting and the Board may more formally take up a decision to transition.

Mr. Davidson informed the Board of a recently announced portfolio manager retirement that impacted the Hotchkis & Wiley Large Cap Value Fund. Sheldon Lieberman will officially retire by the end of 2018. Given that this retirement, and the ensuing succession, has been planned for over the past several years, no action was recommended. The portfolio will maintain its remaining three managers, each of which have been with the product for at least 10 years.

Mr. Davidson briefed the Board on several implementation and termination related items that were pending after the second quarter meeting. The American Beacon Flexible Bond Fund has been fully liquidated from the SERS portfolio. Proceeds from the liquidation were reinvested as directed. The ABS Emerging Markets Portfolio Strategic Fund and the Contrarian Capital Fund I and Contrarian Emerging Markets Fund have all been implemented and funded. It should be noted that a portion of the Contrarian Emerging Markets Fund allocation has been funded from the traditional equity categories while a \$3 million redemption from the OrbiMed Partners product is pending. Once the proceeds have been received, the traditional equity categories will be rebalanced.

For future meetings, Hyas Group will look to develop a summary document that outlines the watch status managers, action timing and rationale for the watch decisions.

#### **Minutes of the October 31, 2018 Meeting**

Jim Tieken moved and Mike Cavanaugh seconded the motion to approve the minutes of the October 31, 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>
Terry S. Savage	63	11/05/2018	18.0	ST
Brenda L. Corbett	66	12/05/2018	22.3	ST
Paul A. Traynor	62	01/08/2019	25.5	E
Shawn C. Pray	58	01/03/2019	29.4	A
Shao-Zen Chang	67	02/02/2019	16.7	D

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

**Withdrawals for November 2018**

<i>Name</i>	<i>Years of Service</i>	<i>Termination Date</i>
Jonathan C. Williams	8.9	02/04/2016
John P. Brennan	1.3	09/22/2017
Emily E. Maiani	1.9	02/16/2018
Jocelyn Q. Sullivan	0.4	04/20/2018
Melody A. Reinken	0.7	05/01/2018
Timothy G. Shell	0.7	09/07/2018
Jesse D. Jones	0.6	09/07/2018
Raymond E. Lunceford	1.2	09/20/2018
Tina J. Franklin	2.6	10/05/2018

Jim Tieken moved and Mike Cavanaugh seconded the motion to approve the requests for withdrawal as presented on the November 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>
Carol K. Taylor	06/04/2010	85	10/17/2018	No Further Benefits
Peggy A. Edwards	11/04/2003	80	10/25/2018	No Further Benefits
Evelyn L. Lund	01/01/2011	91	10/25/2018	No Further Benefits

Death information provided to the Board for review.

Expenditure Summary Report – October 2018

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

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

Schedule of Investments – October 2018

The monthly investment report was presented to the Board for review. The estimated market value of the SERS portfolio on October 31, 2018 was \$295.5 million with an estimated rate of return of -4.6% 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 1:46 p.m.

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**Phillip Tencick, Retirement Director**