

**Spokane Employees' Retirement System (SERS)**  
**Board Meeting Minutes**  
**February 27, 2019**

The regular monthly meeting was called to order at 12:06 p.m. in the Council Briefing Center at City Hall.

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

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

**Guests:** Jayson Davidson, Joe Cavanaugh, Adam Miles, Bob Olsen, Richard Czernik, and John Bjork.

Dean Kiefer arrived at 12:15 p.m.

**Hyas Group, 2018 4th Quarter Investment Performance Report**

Mr. Davidson presented the Fourth Quarter 2018 Performance Report to the Board. The Portfolio was hit sharply by the sell-off and performed poorly on a relative basis across the majority of active management strategies. There were few positive investment stories for the quarter were few. The performance shortfalls resulted in negative longer-term performance versus policy and put us behind most peers. Mr. Davidson did communicate that most of the portfolio managers have rebounded in the first quarter of 2019 and he is optimistic about posting numbers that will help the longer track record.

The following funds remained on watch status: MFS Blended Research Core, Jackson Square Large Cap Growth, Vanguard Mid Cap Growth, and OrbiMed Partners. Hyas Group recommended adding the Hotchkis & Wiley Diversified Value Fund and the Frontier Phocas Small Cap Value Fund to the watch list for performance in violation of policy parameters. Hyas Group also recommended adding a qualitative watch status for the Vanguard Mid Cap Growth Fund. Mr. Davidson presented a Hyas Group memo documenting recent changes to the sub-advisor structure and the wholesale turnover of managers since the original funding.

Mike Cavanaugh moved and Jim Tieken seconded the motion to place on watch status due to performance reasons Hotchkis & Wiley Diversified Value and Frontier Phocas Small Cap Value, and to add watch status for qualitative reasons to the Vanguard Mid Cap Growth Fund. The motion passed unanimously.

Mr. Davidson informed the Board that TCW, the parent company for MetWest, has announced the retirement of the Director of Credit Research, Jamie Farnham. While this is certainly a senior level departure, Mr. Farnham is not one of the four named portfolio

managers for the MetWest Total Return Fund and does not have any direct investment responsibilities for the product. While this departure is notable, Hyas Group did not recommend any action.

#### Investment Policy Statement Review

The Board engaged in the annual review of the Investment Policy Statement. Hyas and Staff recommended adjustments to the benchmark structure for the real estate asset class. The changes would be reflected on next quarter's performance report.

Candace Mumm moved and Jim Tieken seconded the motion to approve the Investment Policy Statement with the changes as recommended. The motion passed unanimously.

#### Large Cap Blend Manager Review

Mr. Davidson presented an analysis comparing the MFS Blended Research Core Fund to its large cap core index alternative the Fidelity S&P 500 Index Fund. The MFS Blended Research Core Fund has not been able to outperform the passive alternative. Transitioning to the index fund would reduce fees and essentially eliminate active risk for this mandate.

J. D. Morscheck moved and Mike Cavanaugh seconded the motion to replace MFS Blended Research Core Equity with Fidelity 500 Index. The motion passed unanimously.

The MFS Fund will remain on watch (as per earlier discussion until it is removed). Additionally, Mr. Davidson and the Board engaged in a broader discussion regarding active vs. passive investing as it pertains to the US large cap equity asset class. Hyas Group will be prepared to discuss the prospects of moving from the current active Large Cap Growth and Value managers to a passive alternative. Hyas Group will present analysis in that regard at the next quarterly investment meeting.

#### Other Business

Mr. Davidson informed the Board that the transition from Vanguard Indexes to Fidelity indexes took place in January as approved. The First Quarter 2019 report will reflect this change.

For future reports, Hyas Group will look to provide information on the asset class fee ranking for each of the SERS fund options.

Mr. Davidson asked the Board to participate in the Hyas Group client survey. Discussion ensued and Hyas will work with Staff to verify the email addresses for the Board members.

#### **Minutes of the January 30, 2019 Meeting**

Mike Cavanaugh moved and Jim Tieken seconded the motion to approve the minutes of the January 30, 2019 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>
John T. McLaughlin	67	02/10/2019	7.5	ST
Leroy E. Eadie	51	02/13/2019	25.1	ST
Nicholas B. Codd	65	04/02/2019	39.2	E

Candace Mumm moved and Mike Cavanaugh seconded the motion to approve the service retirements as amended on the February Retirement Transaction Report. The motion passed unanimously.

Ms. Shisler informed the Board of Mr. Vance Peterson's rescission of his retirement application that was previously approved in February. Mr. Peterson chose to rescind his application due to his dual member status and the rules DRS has regarding a cap on the years of service between both plans and the effect on his monthly annuity.

**Withdrawals for February 2019**

<i>Name</i>	<i>Years of Service</i>	<i>Termination Date</i>
Claude P. Angeli	4.2	05/31/2018
Katherine A. Bitz	0.4	07/06/2018
Michael L. Graham	0.9	07/31/2018
Dawn M. Kinder (corrected)	2.7	12/26/2018
Steven E. Riggs	4.2	01/11/2019
Pamela J. Marske	8.9	01/24/2019

Candace Mumm pointed out the misspelling of Ms. Kinder's last name.

Jim Tieken moved and Candace Mumm seconded the motion to approve the requests for withdrawal as amended on the February 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>
Gregory A. Smith	02/02/2013	71	12/25/2018	Contribution Balance Paid Out
Patricia C. Stanton	01/03/1996	87	01/23/2019	No Further Benefits
Judith M. Quinlivan	07/03/2002	68	02/07/2019	No Further Benefits
Dennis R. Williams	01/08/2008	73	01/25/2019	D Option Continues

Death information provided to the Board for review.

Expenditure Summary Report – December 2018 and January 2019

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

Jim Ticken moved and Mike Cavanaugh seconded the motion to approve the December 2018 and January 2019 Expenditure Summary Reports. The motion passed unanimously.

Schedule of Investments – January 2019

The monthly investment report was presented to the Board for review. The estimated market value of the SERS portfolio on January 31, 2019 was \$293.6 million with an estimated monthly rate of return of 8.3%.

Monthly Cash Reconciliation

The monthly cash reconciliation report for February 2019 was presented to provide the Board with additional insight into the ongoing liquidity and cash position of the plan.

Other Business

Mr. Tencick updated the Board on the status of Senate Bill 5240 (SB5240). The Bill currently seems to be stalled. March 1, 2019 is the deadline for any Bill to pass the Ways & Means committee and the agenda does not list SB5240.

Mr. Tencick also gave an update on the Spokane Regional Emergency Communications (SREC) regarding a city employee being offered a position by the new entity. Without a formal policy in place, the move would be treated the same as if any member left employment with the City and was hired by the County. The member would be considered a dual member with service time in SERS and PERS both.

**Upcoming Board Election**

Mike Coster's term on the Board runs through June 30, 2019. Mike Coster informed the Board of his intent to run again for the Board position.

**Other Business**

Mr. Tencick revisited the meeting time for the SERS Board meetings by suggesting the first Wednesday of each month for the Board meetings. Discussion ensued and Candace Mumm asked if a Doodle poll had been sent to gather the dates and times that would work for the Board members. Mr. Tencick will send a survey out to find which time will work the best for the members of the Board.

There being no other business, the meeting adjourned at 1:53 p.m.

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**Phillip Tencick, Retirement Director**