

Spokane Employees' Retirement System (SERS)
Board Meeting Minutes
August 28, 2019

The regular monthly meeting was called to order at 12:03 p.m. in the Council Briefing Center at City Hall.

Present: Mike Coster, Mike Cavanaugh, Candace Mumm, Brian Brill, and J.D. Morscheck

Absent: Dean Kiefer and Jim Tieken

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

Guests: Jayson Davidson, Brian Loescher, Joe Cavanaugh, Dave Hanshaw, Natalie Hilderbrand, Jon Barnhart, David Lewis, and John Bjork

Hyas Group, 2019 2nd Quarter Investment Performance Report

Mr. Davidson presented the Second Quarter 2019 Performance Report. He discussed the strong quarter on a relative and absolute basis for the vast majority of the managers in the SERS portfolio, and the portfolio itself. Mr. Davidson also discussed the increase in global market volatility that has taken place since the end of the quarter. The following funds remained on watch status for performance in violation of investment policy parameters: Jackson Square Large Cap Growth, Vanguard Mid Cap Growth, OrbiMed Partners, Hotchkis and Wiley Diversified Value, Sterling Mid Cap Value, and Frontier Phocas Small Cap Value. Vanguard Mid Cap Growth is also on watch for qualitative reasons associated with some fundamental changes to the underlying manager structure and the Post Limited Term High Yield will remain on watch for a key personnel departure.

Candace Mumm moved and Mike Cavanaugh seconded the motion to place the Hotchkis and Wiley High Yield Fund on watch for performance in violation of investment policy parameters. The motion passed unanimously.

Mr. Loescher informed the Board that Bridge City Capital Management contacted Hyas Group asking for consideration to revise the "most favored nations" clause they have in place with SERS under the terms of the agreement. The current clause would put Bridge City in an untenable business position when adding mandates with tiered fees, as they are currently doing. Hyas Group recommended that the Board work with Bridge City to find a workable solution. This may require a revision to the existing agreement.

Mr. Davidson presented a Large Cap Growth Manager Search Report and the Board reviewed alternatives to replace the Jackson Square Large Cap Growth Fund.

J.D. Morscheck moved and Candace Mumm seconded the motion to terminate Jackson Square. The motion was amended by J.D. Morscheck to go from Jackson Square to a passive investment. Discussion ensued and J.D. Morscheck withdrew the motion.

Mike Cavanaugh moved and Brian Brill seconded the motion to terminate Jackson Square and replace the funding with the MFS Large Cap Growth Fund. The motion passed with Mike Coster, Mike Cavanaugh, Candace Mumm, and Brian Brill voting yes and J.D. Morscheck voting no. Hyas Group will work with Staff to facilitate this change.

Active Risk Primer

Mr. Tencick led a discussion on Active Risk. Measures of risk, the persistence of outperformance, and methods to mitigate risk were presented.

Minutes of the July 31, 2019 Meeting

Candace Mumm moved and Mike Cavanaugh seconded the motion to approve the minutes of the July 31, 2019 meeting as amended. 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>
Cindy J. Kinzer	54	08/16/2019	10.6	E
Karen L. Gaines	62	09/07/2019	17.4	E
Grant Wencel (vested)	62	11/01/2019	5.1	E

Mr. Tencick presented the service retirements, noting Mr. Wencel's age was listed incorrectly. Mike Cavanaugh moved and Candace Mumm seconded the motion to approve the service retirements as amended on the August Retirement Transaction Report. The motion passed unanimously.

Withdrawals for August 2019

<i>Name</i>	<i>Years of Service</i>	<i>Termination Date</i>
Amelia K. Alberts	0.3	12/11/2018
Micah D. Carter	0.9	06/05/2019

Mike Cavanaugh moved and Brian Brill seconded the motion to approve the requests for withdrawal as presented on the August 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>
Patricia J. Oakshott	06/06/2001	88	08/12/2019	No Further Benefits

Death information provided to the Board for review.

Expenditure Summary Report – July 2019

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

Mike Cavanaugh moved and J.D. Morscheck seconded the motion to approve the July 2019 Expenditure Summary Report. The motion passed unanimously.

Schedule of Investments – July 2019

The monthly investment report was presented to the Board for review. The estimated market value of the SERS portfolio on July 31, 2019 was \$307 million with an estimated rate of return of 0.2% 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.

Multiple Employer Plan Amendments

Mike Cavanaugh moved and Candace Mumm seconded the motion to defer this topic to the September meeting. The motion passed unanimously.

There being no other business, the meeting adjourned at 1:56 p.m.

/s/

Phillip Tencick, Retirement Director