

Spokane Employees' Retirement System (SERS)
Board Meeting, 1:00 p.m. April 1, 2020
Conference Call-In Only

AGENDA

1. Minutes of the March 4, 2020 Meeting
 - Motion
2. Director's Report
 - a. Retirements
 - Motion
 - b. Withdrawals
 - Motion
 - c. Deaths
 - Information
 - d. Expenditure Summary Report – February 2020
 - Motion
 - e. Schedule of Investments – February 2020
 - Information
 - f. Cash Reconciliation – March 2020
 - Information
 - g. Other Business
3. Covid-19 Update
 - Information
4. Other Business
5. Next Meeting - **Wednesday, May 6, 2020 at 1:00 p.m.**

****Please note:** The April SERS Board meeting will be held via conference call. To join the conference call, please dial: 978.990.5000 and use access code: 708045#.

Spokane Employees' Retirement System (SERS)
Board Meeting Minutes
March 4, 2020

The regular monthly meeting was called to order at 1:02 p.m. in the Council Briefing Center at City Hall.

Present: Mike Coster, Joe Cavanaugh, Michael Cathcart, Dean Kiefer, and J.D. Morscheck

Absent: Brian Brill and Jim Tieken

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

Guests: Brian Loescher, Ted Grigsby, Natalie Hilderbrand, Dave Hanshaw, Richard Czernik, Jon Barnhart, Duane Studer, and John Bjork

Hyas Group, 2019 4th Quarter Investment Performance Report

Ted Grigsby reviewed the Fourth Quarter 2019 Performance Report with the Board. Hyas Group discussed the state of the economy and the strong market performance last year. Also discussed were the recent interest rate cut by the Federal Reserve and the potential short and long-term impact on fixed income and equity markets. It was not recommended to make any tactical moves to derisk the portfolio. The following funds will remain on watch status: Hotchkis & Wiley High Yield Fund, OrbiMed Partners, Hotchkis and Wiley Diversified Value, Sterling Mid Cap Value, and Frontier Phocas Small Cap Value. All funds on watch showed relative strength throughout 2019 and either outperformed their benchmark or performed in the top quartile of their peer group, apart from Hotchkis & Wiley High Yield. Hyas had previously discussed presenting alternatives for the OrbiMed Partners product, however it performed extremely well in 2019 beating its relative benchmark by 20.45%. Also discussed was exploring the possibility of increasing exposure to additional asset categories, such as Emerging Market Debt, to diversify against a historically low interest rate environment.

Post Limited Term High Yield was on watch status due to a senior leadership transition at the firm. This transition has been completed with highly experienced senior staff now in place. Hyas Group continues to have a high degree of confidence in the firm/team, and performance continues to meet or exceed its relative benchmark over short and longer-term time periods. Hyas Group recommended removing from watch status.

Joe Cavanaugh moved and Dean Kiefer seconded the motion to remove Post Limited Term High Yield from watch status. The motion passed unanimously.

Hyas Group touched briefly on SERS' decision to submit for a partial (25%) redemption to Morrison Street Debt Opportunities Fund at an attractive premium. This provided the opportunity for SERS to realize gains imbedded in the current portfolio and provide liquidity to fund Morrison Street Fund VI. It was also noted that Evanston Capital was seeking to complete a management led buyout of the remaining interest in the firm from TA Associates. The Hyas Group supports this effort and believes it is in the best interest of the firm and its investors.

The Board reviewed the Investment Policy Statement. The date was the only modification to the updated Investment Policy Statement.

Joe Cavanaugh moved and Dean Kiefer seconded the motion to accept the Investment Policy Statement as presented. The motion passed unanimously.

Mid Cap Growth Search

Brian Loescher presented a Mid Cap Growth Manager Search Report, which offered four alternatives to the Vanguard Mid Growth Fund. The four alternatives included Wellington Mid Cap Opps CIT, TimeSquare Mid Cap CIT, MFS Mid Cap Growth R6 and Westfield Mid Cap CIT. Each option was reviewed, discussing both the qualitative and quantitative components of each. The Hyas Group and staff recommended hiring Westfield Mid Cap to replace Vanguard Mid Growth due to their balanced exposure to cyclical and secular growth and their commitment to risk management. Hyas Group will follow up with Westfield to provide the required CIT documentation.

Joe Cavanaugh moved and Dean Kiefer seconded the motion to replace Vanguard Mid Cap Growth with Westfield Mid Cap CIT as recommended by Hyas Group. The motion passed with J.D. Morscheck voting nay.

Minutes of the January 29, 2020 Meeting

Dean Kiefer moved and Joe Cavanaugh seconded the motion to approve the minutes of the January 29, 2020 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>
Paul D. Charbonneau	65	03/03/2020	30.8	E
Craig A. Moss	61	03/03/2020	21.5	D
Allen L. Pope	65	03/03/2020	31.4	E
Keith E. Fisher	66	04/04/2020	29.5	E
Marvin D. Tucker (vested)	50	06/01/2020	18.2	C-20

J.D. Morscheck moved and Dean Kiefer seconded the motion to approve the service retirements as amended on the March Retirement Transaction Report. The motion passed unanimously.

Withdrawals for March 2020

<i>Name</i>	<i>Years of Service</i>	<i>Termination Date</i>
Ryan M. Brett	3.2	09/27/2019
Steven A. Amundson	0.8	12/28/2019

Dean Kiefer moved and Joe Cavanaugh seconded the motion to approve the requests for withdrawal as amended on the March Retirement Transaction Report. The motion passed unanimously.

Vesting

<i>Name</i>	<i>Department</i>	<i>Years of Service</i>
Michael L. Greene	Golf	13.1
Benjamin T. Stuckart	Council	8.0
Matt E. Gibson	Public Facilities District	20.7
Theresa M. Sanders	Mayor	10.5
Nicole M. Bond	CD/HS Operations	3.6

Deaths

<i>Name</i>	<i>Date Retired</i>	<i>Age</i>	<i>Date of Death</i>	<i>Information</i>
Travis Wilbourn	07/07/2012	69	01/31/2020	D Option Continues

Vesting and Death information provided to the Board for review.

Expenditure Summary Report – December 2019 and January 2020

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

Joe Cavanaugh moved and Dean Kiefer seconded the motion to approve the December 2019 and January 2020 Expenditure Summary Reports. The motion passed unanimously.

Schedule of Investments – January 2020

The monthly investment report was presented to the Board for review. The estimated market value of the SERS portfolio on January 31, 2020 was \$314.4 million with an estimated monthly rate of return of -0.5%.

Monthly Cash Reconciliation

The monthly cash reconciliation report for February 2020 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 recent changes to the SECURE Act. The changes to the Act that will affect SERS the most is the change in the Required Minimum Distribution age from 70 ½ to 72 and anyone who is vested and reaches the RMD would have to begin receiving distributions.

Upcoming Board Election

Joe Cavanaugh's term on the Board runs through July 5, 2020. Joe Cavanaugh informed the Board of his intent to run again for the Board position.

There being no other business, the meeting adjourned at 2:41 p.m.

Phillip Tencick, Retirement Director

SERS Retirement Transaction Report

April 2020

Retirements

	Name	Age	Retirement Date	Years of Service	Department	Option
1	Michele Y. Vazquez	58	01/01/2020	1.8 (Portability)	Engineering Services Advanced	ST
2	George G. Robb	72	03/20/2020	21.4	Wastewater Treatment	E
3	Rama D. Allen	57	04/04/2020	20.9	Solid Waste Management	D
4	Dean L. Earls		04/04/2020	40.0	Stormwater Engineering	*
5	Michael V. Cash	54	05/02/2020	27.2	Services Advanced	C-10
6	Bruce A. Brurud	61	09/02/2020	23.1	Wastewater Treatment	D
Retirements YTD		16				
2019 Total Retirements		69				

Withdrawals

	Name	Years of Service	Department	Termination Date
1	Jake K. Burgess	1.8	Sewer Maintenance	02/11/2020

Deaths

	Name	Date Retired	Age	Date of Death	Information
1	Dorothy C. Frome	06/05/1999	76	03/04/2020	No Further Benefits
2	Priscilla D. Garland	Active	44	03/04/2020	Beneficiary Withdrawal
3	Molly L. Goldschmidt	Active	36	02/08/2020	Beneficiary Withdrawal

SERS Schedule of Cash and Investments
February 29, 2020

		Type		Allocation		
				Target	Current	Diff.
3/26/2020						
Cash Held by Treasurer	Cash		\$ 69,987			
US Bank	Short-term Inv		15,805			
	Total Cash		85,792	0.0%	0.0%	0.0%
Sterling Capital	Total Return		26,325,475			
	Total Total Return		26,325,475	10.0%	8.8%	-1.2%
Hotchkis & Wiley	High Yield - Mutual Fund		13,379,803			
	Total High Yield		13,379,803	5.0%	4.5%	-0.5%
Polar	LLC		7,186,376			
Castine Capital II	Ltd Partnership		7,768,638			
Post Limited Term High Yield	Ltd Partnership		6,480,381			
Rimrock Low Volatility	Ltd Partnership		10,209,482			
	Total Absolute Return		31,644,877	8.0%	10.6%	2.6%
Total Capital Preservation			71,435,947	23.0%	23.9%	0.9%
Hotchkis & Wiley	LC Value - Mutual Fund		14,607,968			
MFS Growth	LC Growth - Mutual Fund		16,276,734			
Fidelity S&P 500 Index	LC Core - Mutual Fund		28,345,660			
	Total US Large Cap		59,230,362	21.0%	19.8%	-1.2%
Sterling	MC Value		4,481,933			
Vanguard MC Growth	MC Growth - Mutual Fund		4,358,116			
Fidelity MC Index	MC Core - Mutual Fund		4,181,223			
Champlain	SC Core		6,248,155			
Phocas	SC Value - Mutual Fund		3,589,831			
Bridge City	SC Growth		5,509,388			
Fidelity SC Index	SC Core - Mutual Fund		855,731			
	Total US Small/Mid Cap		29,224,377	11.0%	9.8%	-1.2%
Total US Equities			88,454,739	32.0%	29.5%	-2.5%
Artisan	SMID Value - Mutual Fund		20,818,968			
Euro Pacific	LC Blend - Mutual Fund		21,024,236			
Fidelity International	LC Index - Mutual Fund		-			
	Total International Large Cap		41,843,204	15.0%	14.0%	-1.0%
Trivalent	SC Value - Mutual Fund		11,577,959			
	Total International Small/Mid		11,577,959	4.0%	3.9%	-0.1%
Vanguard EM Index	EM - Mutual Fund		427,691			
ABS Emerging Markets	Ltd Partnership		8,371,844			
	Total Emerging Markets		8,799,535	3.0%	2.9%	-0.1%
Total International Equities			62,220,698	22.0%	20.8%	-1.2%
Weatherlow Offshore	Ltd Partnership		17,037,381			
Royalty Opportunities I	Ltd Partnership		1,936,087			
Royalty Opportunities II	Ltd Partnership		2,533,589			
	Total Long Biased		21,507,057	7.0%	7.2%	0.2%
Metropolitan Real Estate Partners	Ltd Partnership		160,996			
Morrison Street Fund V	LLC		2,272,843			
Morrison Street Debt Opportunties	LP		4,097,494			
Morgan Stanley Prime	LLC		7,476,289			
Principal (REITs)	REITs		11,927,023			
	Total Real Estate		25,934,645	9.0%	8.7%	-0.3%
Contrarian Capital Fund I	Ltd Partnership		8,580,905			
Beach Point	Ltd Partnership		11,570,328			
	Total Opportunistic Credit		20,151,233	7.0%	6.7%	-0.3%
Contrarian EM Credit	LLC		5,118,193			
OrbiMed II	Ltd Partnership		4,690,319			
	Total Special Opportunities		9,808,512	0.0%	3.3%	3.3%
Total Cash and Investments			\$ 299,512,831	100.0%	100.0%	0.0%
	Monthly Contributions		1,617,728			
	Monthly Pension		\$ (2,574,192)			
	As of January 31, 2020		\$ 314,397,186			
	Estimated Rate of Return		-4.4%			
Abs. Return and Total Return FI	Thesis 2017.1		57,970,352	18.0%	19.4%	1.4%
Equity and Special Situations	Thesis 2017.3		160,483,949	54.0%	53.6%	-0.4%

SPOKANE EMPLOYEES' RETIREMENT SYSTEM - 6100
2020 EXPENDITURE SUMMARY REPORT
FEBRUARY 29, 2020

	2019 ACTUAL	2020 BUDGET	FEBRUARY ACTUAL EXPENDITURES	2020 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
OPERATING EXPENDITURES						
Departmental Salaries	308,884.99	329,274.00	24,234.52	45,841.42	283,432.58	13.9%
Departmental Benefits	61,457.99	63,101.00	5,039.48	10,081.25	53,019.75	16.0%
Reserve for Budget Adjustment	-	10,000.00	-	-	10,000.00	0.0%
Administrative Income	(21,009.35)	(10,000.00)	-	-		
Postage/Supplies/Other	1,217.16	5,200.00	98.61	98.61	5,101.39	1.9%
State Audit Charges	11,146.55	15,000.00	159.49	159.49	14,840.51	1.1%
Contractual Services	133,696.37	175,000.00	348.00	348.00	174,652.00	0.2%
Travel	3,489.45	15,000.00	-	-	15,000.00	0.0%
Registration/Schooling	810.00	16,000.00	-	-	16,000.00	0.0%
Other Dues/Subscriptions/Membership	2,273.80	2,500.00	160.00	160.00	2,340.00	6.4%
Other Miscellaneous Charges	3,135.88	2,300.00	160.12	215.12	2,084.88	9.4%
Amortization	17,649.00	-	-	-	-	
TOTAL OPERATING EXPENDITURES	522,751.84	623,375.00	30,200.22	56,903.89	576,471.11	9.1%
INTERFUND EXPENDITURES						
Interfund - Office Performance Mgmt Services	4,189.36	389.00	-	389.00	-	100.0%
Interfund - Centralized Purchasing	1,251.65	516.00	-	129.00	387.00	25.0%
Interfund - Centralized Accounting	2,016.40	1,917.00	-	479.25	1,437.75	25.0%
Interfund - Risk Management	584.00	586.00	146.50	146.50	439.50	25.0%
Interfund - Worker's Compensation	122.00	134.00	33.50	33.50	100.50	25.0%
Interfund - Reprographics	9,376.27	5,000.00	1,134.88	1,134.88	3,865.12	22.7%
Interfund - IT	12,896.37	39,237.00	3,269.75	3,269.75	35,967.25	8.3%
Interfund - IT Replacement	1,965.00	1,827.00	152.25	152.25	1,674.75	8.3%
Interfund - My Spokane	609.90	580.00	145.00	145.00	435.00	25.0%
TOTAL INTERFUND EXPENDITURES	33,010.95	50,186.00	4,881.88	5,879.13	44,306.87	11.7%
TOTAL ADMINISTRATIVE EXPENDITURES	555,762.79	673,561.00	35,082.10	62,783.02	620,777.98	9.3%

SPOKANE EMPLOYEES' RETIREMENT SYSTEM - 6100
2020 EXPENDITURE SUMMARY REPORT
FEBRUARY 29, 2020

	2019 ACTUAL	2020 BUDGET	FEBRUARY ACTUAL EXPENDITURES	2020 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
PENSIONS						
Pensions-Annuity Benefit Payments	27,788,707.57	30,000,000.00	2,380,128.67	4,746,560.81	25,253,439.19	15.8%
Pensions-Disability Payments	124,164.02	140,000.00	9,548.30	19,096.60	120,903.40	13.6%
Pensions-Survivor Annuity Benefits Payments	2,142,992.75	2,300,000.00	170,454.16	339,351.83	1,960,648.17	14.8%
TOTAL PENSIONS	<u>30,055,864.34</u>	<u>32,440,000.00</u>	<u>2,560,131.13</u>	<u>5,105,009.24</u>	<u>27,334,990.76</u>	15.7%
Refunds	544,437.91	1,000,000.00	14,061.18	15,930.99	984,069.01	1.6%
TOTAL EXPENSES	<u><u>31,156,065.04</u></u>	<u><u>34,113,561.00</u></u>	<u><u>2,609,274.41</u></u>	<u><u>5,183,723.25</u></u>	<u><u>28,939,837.75</u></u>	15.2%
INVESTMENT EXPENSE*						
Advisory Technical Service	446,741.55	500,000.00	37,871.62	37,871.62	462,128.38	7.6%

** investment expenses are netted against investment income in the statement of changes of plan net assets to arrive at a net investment income amount.*

Cash Recon - Mar

Date	Transactions	Sources	Uses	Balance
2/27/2020	Beginning Balance			2,088,508.56
2/27/2020	Sale - MFS Large Cap Growth	500,000.00		2,588,508.56
2/28/2020	Pension Payments		(2,574,192.31)	14,316.25
3/2/2020	Payroll Contributions	795,119.42		809,435.67
3/2/2020	Interest	1,487.81		810,923.48
3/16/2020	Payroll Contributions	800,363.36		1,611,286.84
3/17/2020	Transition - Vanguard Mid Cap to Westfield	3,269,017.68	(3,269,017.68)	1,611,286.84
3/20/2020	Sale - Hotchkis & Wiley High Yield	1,200,000.00		2,811,286.84
3/24/2020	Distribution - Royalty Opps	24,930.51		2,836,217.35
3/25/2020	Ending Balance	6,590,918.78	(5,843,209.99)	2,836,217.35
	<u>Upcoming</u>			
3/31/2020	March Pension Payments		(2,640,087.86)	
3/31/2020	Payroll Contributions	775,000.00		