

**Spokane Employees' Retirement System (SERS)**

**Board Meeting, 1:00 p.m. June 3, 2020**

**WebEx Meeting**

**AGENDA**

1. Brian Loescher, Hyas Group, 2020 1<sup>st</sup> Quarter Investment Performance Report
  - a. Performance Report
    - Information
  - b. Frontier Phocas Fund Liquidation
    - Motion
  - c. Portfolio Construction Review
    - Information
2. Minutes of the May 6, 2020 Meeting
  - Motion
3. Minutes of the May 20, 2020 Special Meeting
  - Motion
4. Director's Report
  - a. Retirements
    - Motion
  - b. Withdrawals
    - Motion
  - c. Deaths
    - Information
  - d. Expenditure Summary Reports – April 2020
    - Motion
  - e. Schedule of Investments – April 2020
    - Information
  - f. Cash Reconciliation – May 2020
    - Information
  - g. Investment Consultant RFP
    - Information
  - h. Other Business
5. Upcoming Board Election (Joe Cavanaugh's term)
  - Information
6. Other Business
7. Next Meeting - **Wednesday, July 1, 2020 at 1:00 p.m.**

**\*\*Please note:** The June SERS Board meeting will be held via [WebEx Meeting](https://spokanecity.webex.com/spokanecity/j.php?MTID=m0f60ffc71e6e258a9bf8e1c8172e2447).  
( <https://spokanecity.webex.com/spokanecity/j.php?MTID=m0f60ffc71e6e258a9bf8e1c8172e2447> )

Meeting dial-in number: 1-408-418-9388  
Meeting number (access code): 960 044 971  
Meeting password: SERS

**Spokane Employees' Retirement System (SERS)**  
**Board Meeting Minutes**  
**May 6, 2020**

The regular monthly meeting was called to order at 1:01 p.m. via conference call.

**Present:** Mike Coster, Jim Tieken, Joe Cavanaugh, Michael Cathcart, Dean Kiefer, and Brian Brill

**Absent:** J.D. Morscheck

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

**Guests:** Bill Dowd, Natalie Hilderbrand, Shae Blackwell, and Zach Cziryak

**Bill Dowd, SageView Consulting – 2019 Actuarial Valuation**

Mr. Dowd presented the December 31, 2019 Actuarial Valuation.

The actuarial funded status as of December 31, 2019 was 62.4%, down from 63.8% at the end of 2018. The total Actuarially Determined Contribution (ADC) rate, including employer and employee contributions, was 19.92%.

**Contribution Rate**

Joe Cavanaugh moved and Jim Tieken seconded the motion to follow the recommendation by SageView Consulting to increase contribution rate from 9.75% to 10.00% effective on or before January 1, 2021. The motion passed unanimously.

**Ad-Hoc Increase**

In accordance with the SERS Board policy, SageView Consulting recommended not granting an ad-hoc pension increase since the current funding ratio is below the minimum 90% threshold.

Jim Tieken moved and Dean Kiefer seconded the motion to follow SageView Consulting's recommendation to not grant an ad-hoc pension increase. The motion passed unanimously.

**Minutes of the April 1, 2020 Meeting**

Joe Cavanaugh moved and Jim Tieken seconded the motion to approve the minutes of the April 1, 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>
Heather L. Trautman	50	05/01/2020	23.2	E
Cheryl L. Miller	61	05/02/20	14.3	ST

Dean Kiefer moved and Joe Cavanaugh seconded the motion to approve the service retirements as amended on the May Retirement Transaction Report. The motion passed unanimously.

**Withdrawals for May 2020**

<i>Name</i>	<i>Years of Service</i>	<i>Termination Date</i>
Charles R. Fechner	0.5	09/20/2019
Shea M. Courtney	1.2	12/19/2019
Catherine A. Ost	2.3	03/04/2020
Thomas S. Bartridge	0.2	03/10/2020

Jim Tieken moved and Dean Kiefer seconded the motion to approve the request for withdrawal as presented on the May Retirement Transaction Report. The motion passed unanimously.

Ms. Shisler informed the Board of the temporary change to the process for making application to retire. With the Stay Home, Stay Healthy order that is in place and the inability to meet with employees who are interested in making retirement application, Ms. Shisler is utilizing FedEx to send the application and associated documents to the employee to complete. Notification is being sent at that time to the department of the employee's retirement.

**Vesting**

<i>Name</i>	<i>Department</i>	<i>Years of Service</i>
Angeline R. Chirowamangu	Accounting	8.6
Adam W. Papini	Legal	19.7

**Deaths**

<i>Name</i>	<i>Date Retired</i>	<i>Age</i>	<i>Date of Death</i>	<i>Information</i>
Mary M. Shane	11/03/1999	74	03/16/2020	No Further Benefits
Gregory G. Shields	08/02/2013	69	03/22/2020	No Further Benefits
David B. Tatro	11/03/2007	77	03/27/2020	No Further Benefits
Travis H. Cox	11/21/2001	68	04/11/2020	No Further Benefits

Vesting and death information provided to the Board for review.

Expenditure Summary Report – March 2020

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

Jim Tieken moved and Brian Brill seconded the motion to approve the March 2020 Expenditure Summary Reports. The motion passed unanimously.

Schedule of Investments – March 2020

The monthly investment report was presented to the Board for review. The estimated market value of the SERS portfolio on March 31, 2020 was \$260.9 million with an estimated monthly rate of return of -12.8%.

Monthly Cash Reconciliation

The monthly cash reconciliation report for April 2020 was presented to provide the Board with additional insight into the ongoing liquidity and cash position of the plan. Cash positions were higher during the month to provide liquidity for pension payments and reduce market risk.

Other Business

Mr. Tencick updated the Board that the Emergency Meeting Requirement for Open Meetings will be coming to an end. The SERS Board had previously delayed an investment consultant RFP and benchmarking discussion. The next regularly scheduled Board meeting will have Hvas Group in attendance and it would not be appropriate for this discussion to happen at that time. Mr. Tencick recommended holding a special meeting instead.

There being no other business, the meeting adjourned at 2:02 p.m.

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**Phillip Tencick, Retirement Director**

**Spokane Employees' Retirement System (SERS)**  
**Special Board Meeting Minutes**  
**May 20, 2020**

The special meeting was called to order at 1:02 p.m. via WebEx conference call.

**Present:** Mike Coster, Joe Cavanaugh, Michael Cathcart, Dean Kiefer, and Brian Brill

**Absent:** J.D. Morscheck and Jim Tieken

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

**Guests:** Natalie Hilderbrand, Melissa Wittstruck and Duane Studer

Michael Cathcart joined the call at 1:10 p.m.

**Investment Consultant Benchmarking**

Mr. Tencick presented a slide show discussing how to set up the framework for benchmarking of the investment consultant using data that will be provided by the upcoming investment consultant RFP.

Dean Kiefer moved and Joe Cavanaugh seconded the motion to issue the investment consultant RFP to firms that are capable of providing services to the City's defined contribution plan in addition to the SERS plan. An eligible firm must have at least \$750 million in assets under advisement for both government defined benefit plans and government defined contribution plans. The motion passed unanimously.

**Investment Consultant RFP**

Mr. Tencick shared with the Board a draft RFP based on the one that was used in the previous search for Investment Consulting services. Discussion ensued and suggestions were made by the Board. Mr. Tencick will incorporate the changes and email out a revised copy to the Board for review. The final RFP will be issued the week of May 25<sup>th</sup>, following the Memorial Day holiday.

There being no other business, the meeting adjourned at 1:55 p.m.

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**Phillip Tencick, Retirement Director**

# SERS Retirement Transaction Report

June 2020

## Retirements

	<b>Name</b>	<b>Age</b>	<b>Retirement Date</b>	<b>Years of Service</b>	<b>Department</b>	<b>Option</b>
1	Kenneth W. Johnson	68	05/16/2020	15.8	Water	E
2	Robert N. Storm	63	05/16/2020	20.9	Water	ST
3	Robert B. Turner	58	05/20/2020	25.7	Street	E
4	Terrence W. Clark	65	05/29/2020	10.2	Stormwater	ST
5	Timothy E. Morgan	64	06/02/2020	36.1	Solid Waste	E
6	Daniel R. Kegley	60	06/02/2020	29.1	Water	E
7	Vernon W. Jones	66	06/03/2020	12.0	Engineering Svc	ST
8	Patrick J. Dalton	66	06/20/2020	12.2	Legal	E
9	Chris J. Hill	59	06/27/2020	32.1	Stormwater	ST
10	Rhoda J. Davis	61	06/27/2020	13.0	Library	ST
11	Cynthia M. Wigen	64	06/27/2020	14.7	Library	ST
12	Clara F. Strom	63	06/30/2020	9.4	Library	ST
13	Ron L. Howerton	60	07/03/2020	35.1	Street	ST
14	Steven R. Pilcher (vested)	64	08/01/2020	9.2	Planning Svc	ST
	Retirements YTD	25				
	2019 Total Retirements	69				

## Withdrawals

	<b>Name</b>	<b>Years of Service</b>	<b>Department</b>	<b>Termination Date</b>
1	Kara W. Heatherly	7.7	Integrated Capital Mgmt	03/19/2020
2	Cory T. Day	1.6	Solid Waste Disposal	03/21/2020

## Deaths

	<b>Name</b>	<b>Date Retired</b>	<b>Age</b>	<b>Date of Death</b>	<b>Information</b>
1	Kim E. Guyor	01/04/2006	70	04/01/2020	No Further Benefits
2	Ruth Thomas	04/04/1987	86	05/18/2020	No Further Benefits

SPOKANE EMPLOYEES' RETIREMENT SYSTEM - 6100  
 2020 EXPENDITURE SUMMARY REPORT  
**APRIL 30, 2020**

	2019 ACTUAL	2020 BUDGET	APRIL ACTUAL EXPENDITURES	2020 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
<b>OPERATING EXPENDITURES</b>						
Departmental Salaries	308,884.99	329,274.00	24,234.50	94,310.42	234,963.58	28.6%
Departmental Benefits	61,457.99	63,101.00	5,043.07	20,167.39	42,933.61	32.0%
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	338.92	513.86	4,686.14	9.9%
State Audit Charges	11,146.55	15,000.00	236.70	498.60	14,501.40	3.3%
Contractual Services	133,696.37	175,000.00	28,019.31	37,382.31	137,617.69	21.4%
Travel	3,489.45	15,000.00	109.09	109.09	14,890.91	0.7%
Registration/Schooling	810.00	16,000.00	-	5,495.00	10,505.00	34.3%
Other Dues/Subscriptions/Membership	2,273.80	2,500.00	-	160.00	2,340.00	6.4%
Other Miscellaneous Charges	3,135.88	2,300.00	239.99	510.11	1,789.89	22.2%
Amortization	17,649.00	-	-	-	-	
<b>TOTAL OPERATING EXPENDITURES</b>	<b>522,751.84</b>	<b>623,375.00</b>	<b>58,221.58</b>	<b>159,146.78</b>	<b>474,228.22</b>	<b>25.5%</b>
<b>INTERFUND EXPENDITURES</b>						
Interfund - Office Performance Mgmt Services	4,189.36	389.00	-	389.00	-	100.0%
Interfund - Centralized Purchasing	1,251.65	516.00	129.00	258.00	258.00	50.0%
Interfund - Centralized Accounting	2,016.40	1,917.00	479.25	958.50	958.50	50.0%
Interfund - Risk Management	584.00	586.00	-	146.50	439.50	25.0%
Interfund - Worker's Compensation	122.00	134.00	-	33.50	100.50	25.0%
Interfund - Reprographics	9,376.27	5,000.00	-	2,152.65	2,847.35	43.1%
Interfund - IT	12,896.37	39,237.00	3,269.75	9,809.25	29,427.75	25.0%
Interfund - IT Replacement	1,965.00	1,827.00	152.25	456.75	1,370.25	25.0%
Interfund - My Spokane	609.90	580.00	-	145.00	435.00	25.0%
<b>TOTAL INTERFUND EXPENDITURES</b>	<b>33,010.95</b>	<b>50,186.00</b>	<b>4,030.25</b>	<b>14,349.15</b>	<b>35,836.85</b>	<b>28.6%</b>
<b>TOTAL ADMINISTRATIVE EXPENDITURES</b>	<b>555,762.79</b>	<b>673,561.00</b>	<b>62,251.83</b>	<b>173,495.93</b>	<b>510,065.07</b>	<b>25.8%</b>

SPOKANE EMPLOYEES' RETIREMENT SYSTEM - 6100  
 2020 EXPENDITURE SUMMARY REPORT  
**APRIL 30, 2020**

	2019 ACTUAL	2020 BUDGET	APRIL ACTUAL EXPENDITURES	2020 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
<b>PENSIONS</b>						
Pensions-Annuity Benefit Payments	27,788,707.57	30,000,000.00	2,407,959.65	9,546,615.44	20,453,384.56	31.8%
Pensions-Disability Payments	124,164.02	140,000.00	9,548.30	38,193.20	101,806.80	27.3%
Pensions-Survivor Annuity Benefits Payments	2,142,992.75	2,300,000.00	172,962.58	685,276.99	1,614,723.01	29.8%
<b>TOTAL PENSIONS</b>	<u>30,055,864.34</u>	<u>32,440,000.00</u>	<u>2,590,470.53</u>	<u>10,270,085.63</u>	<u>22,169,914.37</u>	31.7%
Refunds	544,437.91	1,000,000.00	70,848.46	152,261.45	847,738.55	15.2%
<b>TOTAL EXPENSES</b>	<u><u>31,156,065.04</u></u>	<u><u>34,113,561.00</u></u>	<u><u>2,723,570.82</u></u>	<u><u>10,595,843.01</u></u>	<u><u>23,527,717.99</u></u>	31.1%
<b>INVESTMENT EXPENSE*</b>						
Advisory Technical Service	446,741.55	500,000.00	37,775.83	86,607.28	413,392.72	17.3%

\* 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  
April 30, 2020

5/27/2020

	Type		Allocation		
			Target	Current	Diff.
Cash Held by Treasurer	Cash	\$ 33,467			
US Bank	Short-term Inv	1,119,887			
<b>Total Cash</b>		<b>1,153,354</b>	<b>0.0%</b>	<b>0.4%</b>	<b>0.4%</b>
Sterling Capital	Total Return	26,158,981			
<b>Total Total Return</b>		<b>26,158,981</b>	<b>10.0%</b>	<b>9.5%</b>	<b>-0.5%</b>
Hotchkis & Wiley	High Yield - Mutual Fund	10,467,257			
<b>Total High Yield</b>		<b>10,467,257</b>	<b>5.0%</b>	<b>3.8%</b>	<b>-1.2%</b>
Polar	LLC	7,418,234			
Castine Capital II	Ltd Partnership	6,025,890			
Post Limited Term High Yield	Ltd Partnership	6,241,697			
Rimrock Low Volatility	Ltd Partnership	9,246,149			
<b>Total Absolute Return</b>		<b>28,931,970</b>	<b>8.0%</b>	<b>10.5%</b>	<b>2.5%</b>
<b>Total Capital Preservation</b>		<b>66,711,562</b>	<b>23.0%</b>	<b>24.3%</b>	<b>1.3%</b>
Hotchkis & Wiley	LC Value - Mutual Fund	12,238,648			
MFS Growth	LC Growth - Mutual Fund	16,686,984			
Fidelity S&P 500 Index	LC Core - Mutual Fund	28,029,655			
<b>Total US Large Cap</b>		<b>56,955,287</b>	<b>21.0%</b>	<b>20.7%</b>	<b>-0.3%</b>
Sterling	MC Value	3,921,533			
Vanguard MC Growth	MC Growth - Mutual Fund	-			
Westfield MC Growth	MC Growth	3,250,499			
Fidelity MC Index	MC Core - Mutual Fund	3,849,225			
Champlain	SC Core	5,939,855			
Phocas	SC Value - Mutual Fund	3,000,173			
Bridge City	SC Growth	5,087,399			
Fidelity SC Index	SC Core - Mutual Fund	762,078			
<b>Total US Small/Mid Cap</b>		<b>25,810,762</b>	<b>11.0%</b>	<b>9.4%</b>	<b>-1.6%</b>
<b>Total US Equities</b>		<b>82,766,049</b>	<b>32.0%</b>	<b>30.1%</b>	<b>-1.9%</b>
Artisan	SMID Value - Mutual Fund	18,093,417			
Euro Pacific	LC Blend - Mutual Fund	19,543,305			
Fidelity International	LC Index - Mutual Fund	-			
<b>Total International Large Cap</b>		<b>37,636,722</b>	<b>15.0%</b>	<b>13.7%</b>	<b>-1.3%</b>
Trivalent	SC Value - Mutual Fund	10,496,250			
<b>Total International Small/Mid</b>		<b>10,496,250</b>	<b>4.0%</b>	<b>3.8%</b>	<b>-0.2%</b>
Vanguard EM Index	EM - Mutual Fund	385,451			
ABS Emerging Markets	Ltd Partnership	7,590,787			
<b>Total Emerging Markets</b>		<b>7,976,238</b>	<b>3.0%</b>	<b>2.9%</b>	<b>-0.1%</b>
<b>Total International Equities</b>		<b>56,109,210</b>	<b>22.0%</b>	<b>20.4%</b>	<b>-1.6%</b>
Weatherlow Offshore	Ltd Partnership	16,828,838			
Royalty Opportunities I	Ltd Partnership	1,475,898			
Royalty Opportunities II	Ltd Partnership	1,867,635			
<b>Total Long Biased</b>		<b>20,172,371</b>	<b>7.0%</b>	<b>7.3%</b>	<b>0.3%</b>
Metropolitan Real Estate Partners	Ltd Partnership	161,008			
Morrison Street Fund V	LLC	1,893,575			
Morrison Street Debt Opportunties	LP	3,811,562			
Morgan Stanley Prime	LLC	7,447,753			
Principal (REITs)	REITs	10,582,080			
<b>Total Real Estate</b>		<b>23,895,978</b>	<b>9.0%</b>	<b>8.7%</b>	<b>-0.3%</b>
Contrarian Capital Fund I	Ltd Partnership	6,848,236			
Beach Point	Ltd Partnership	10,021,581			
<b>Total Opportunistic Credit</b>		<b>16,869,817</b>	<b>7.0%</b>	<b>6.1%</b>	<b>-0.9%</b>
Contrarian EM Credit	LLC	3,372,549			
OrbiMed II	Ltd Partnership	4,749,503			
<b>Total Special Opportunities</b>		<b>8,122,052</b>	<b>0.0%</b>	<b>3.0%</b>	<b>3.0%</b>
<b>Total Cash and Investments</b>		<b>\$ 274,647,039</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>
	Monthly Contributions	1,616,491			
	Monthly Pension	\$ (2,661,319)			
	As of March 31, 2020	<b>\$ 260,893,021</b>			
	Estimated Rate of Return	5.7%			
<b>Abs. Return and Total Return FI</b>	Thesis 2017.1	<b>55,090,951</b>	<b>18.0%</b>	<b>20.1%</b>	<b>2.1%</b>
<b>Equity and Special Situations</b>	Thesis 2017.3	<b>146,997,311</b>	<b>54.0%</b>	<b>53.5%</b>	<b>-0.5%</b>

## Cash Recon - May

Date	Transactions	Sources	Uses	Balance
<b>4/30/2020</b>	<b>Beginning Balance</b>			<b>3,738,079.62</b>
4/30/2020	Distribution - Morrison Street MSDO	40,722.63		<b>3,778,802.25</b>
4/30/2020	April Pension Payments		(2,659,343.61)	<b>1,119,458.64</b>
5/1/2020	Interest	428.49		<b>1,119,887.13</b>
5/4/2020	Wire - City Operating Account		(250,000.00)	<b>869,887.13</b>
5/7/2020	Distribution - Royalty Opps II	839,738.70		<b>1,709,625.83</b>
5/8/2020	Return/Reissue Payment	710.42	(710.42)	<b>1,709,625.83</b>
5/11/2020	Dividends - Westfield MidCap Growth	498.83		<b>1,710,124.66</b>
5/11/2020	Payroll Contributions	811,091.42		<b>2,521,216.08</b>
5/21/2020	Commission Recapture	31.77		<b>2,521,247.85</b>
5/26/2020	Payroll Contributions	814,620.86		<b>3,335,868.71</b>
<b>5/27/2020</b>	<b>Ending Balance</b>	<b>2,507,843.12</b>	<b>(2,910,054.03)</b>	<b>3,335,868.71</b>
	<u>Upcoming</u>			
5/29/2020	May Pension Payments		(2,646,719.78)	
6/8/2020	Payroll Contributions	800,000.00		