

Spokane Employees' Retirement System (SERS)
Board Meeting, 1:00 p.m. November 4, 2020
WebEx Meeting

AGENDA

- 1) Minutes of the October 7, 2020
 - Motion

- 2) Director's Report
 - a) Retirements
 - Motion
 - b) Withdrawals
 - Motion
 - c) Vesting
 - Information
 - d) Deaths
 - Information
 - e) Expenditure Summary Report – September 2020
 - Motion
 - f) Schedule of Investments – September 2020
 - Information
 - g) Cash Reconciliation – October 2020
 - Information
 - h) Other Business
 - Select Committee on Pension Policy Portability Study
 - Information
 - Wells Small Cap Value Transition
 - Information
 - Election Impacts
 - Information

- 3) Other Business

- 4) Next Meeting – **Wednesday, December 2nd at 1:00 p.m.**

****Please note:** The November Board meeting will be held via [WebEx Meeting](https://spokanecity.webex.com/spokanecity/j.php?MTID=m96d1d1a68febfa81828c7522139a21c1).
<https://spokanecity.webex.com/spokanecity/j.php?MTID=m96d1d1a68febfa81828c7522139a21c1>
Meeting dial-in number: 1-408-418-9388
Meeting number (access code): 146 319 8001
Meeting password: SERS

**Spokane Employees' Retirement System (SERS)
Board Meeting Minutes
October 7, 2020**

The meeting was called to order at 1:04 p.m. via WebEx conference call.

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

Absent: Brian Brill

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

Guests: Natalie Hilderbrand, Teri Stripes, Stephanie Bezuidenhout, Maja Een, and Laura Albanese

Minutes of the September 2, 2020 Meeting

Joe Cavanaugh moved and Dean Kiefer seconded the motion to approve the minutes of the August 5, 2020 meeting as amended. The motion passed unanimously.

Director's Report

Service Retirements

Name	Age	Retirement Date	Years of Service	Department
Scott K. Windsor	59	09/15/2020	22.9	Solid Waste
Mark A. Johnson	62	09/19/2020	17.8	Water
William 'Mike' Threlfall	67	09/19/2020	23.3	Workers' Compensation
Rebecca L. Stewart	50	10/01/2020	13.4	Legal
Randy J. Penaluna	59	10/01/2020	11.9	Advanced Wastewater Treatment
Monte R. Irby	50	10/10/2020	15.4	Advanced Wastewater Treatment
Charles H. Conklin III	62	11/01/2020	6.0	Solid Waste Disposal
Edward A. Phare	68	11/07/2020	23.6	Street
Scott K. Windsor	59	09/15/2020	22.9	Solid Waste

Jim Tieken moved and Dean Kiefer seconded the motion to approve the service retirements as presented on the October Retirement Transaction Report. The motion passed unanimously.

Withdrawals for October 2020

<i>Name</i>	<i>Years of Service</i>	<i>Termination Date</i>
Alex R. Mann	0.24	Planning Services
Jake M. Reed	1.80	Fleet Services
Charlie E. Wolff	2.48	Mayor
Riley B. Smith	0.34	Council
Michael W. Adaszewski	0.37	Water

Jim Tieken moved and Dean Kiefer seconded the motion to approve the requests for withdrawal as presented on the October 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>
Darlene Ahrendt	05/03/2016	76	09/01/2020	No Further Benefits
Aurla R. Bolles	05/16/1998	87	09/06/2020	No Further Benefits

Death information provided to the Board for review.

Expenditure Summary Report – August 2020

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

Joe Cavanaugh moved and Jim Tieken seconded the motion to approve the August 2020 Expenditure Summary Report. The motion passed unanimously.

Schedule of Investments – August 2020

The monthly investment report was presented to the Board for review. The estimated market value of the SERS portfolio on July 31, 2020 was \$292.7 million with an estimated rate of return of 6.0% 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.

Other Business

Mr. Tencick updated the Board on the portfolio construction review. At the end of October 2020, 65-day notice would need to be provided to Weatherlow for any distributions, which was discussed at the September meeting. In reviewing the risk exposure and where to place the proceeds, the decision was made to not make any allocation mostly due to current market pricing and the subsequent rebalancing. The diversification provided in the Weatherlow fund is a better option at this time. In reviewing the Special Opportunities funds, there are no funds facing a liquidity window before the December meeting.

Mr. Tencick shared that the select committee on pension policy was tasked by the Legislature to conduct a study of the systems involved with managing portability. We have completed the survey and a report is scheduled for presentation at the select committee's October meeting. We are confident that we are within the mandates of the RCWs statues and if there are any recommendations, Mr. Tencick will report back to the Board with that information. Mike Coster asked for the report to be distributed once it is available.

Jim Tieken revisited, from the September meeting, the recommendation of the liquidation of the monies from the Frontier Phocas fund to Wells Fargo Small Value fund. Jim Tieken moved and Joe Cavanaugh seconded the motion. The motion passed unanimously.

Joe Cavanaugh requested that documents and reports from the consultants be distributed before the meeting in time for review. Joe Cavanaugh moved and Jim Tieken seconded the motion when the outside consultant has documents and proposals for distribution, to have them no less than 5 days prior to the meeting for review. The motion passed unanimously.

There being no other business, the meeting adjourned at 1:22 p.m.

Phillip Tencick, Retirement Director

SERS Retirement Transaction Report

November 2020

Retirements

	Name	Age	Retirement Date	Years of Service	Department	Option
1	Paul D. Trautman	51	11/01/2020	25.1	CD/HS Operations	E
2	Donna J. Stambaugh	64	11/01/2020	0.8 Portable	Treasurer	ST
3	Michelle L. Knie	51	11/03/2020	11.8	Municipal Court	E
4	Harold R. Folk	75	11/03/2020	14.4	Police	E
5	Curtis L. Borders	60	11/14/2020	23.9	Street	E
	Retirements YTD	64				
	2019 Total Retirements	69				

Withdrawals

	Name	Years of Service	Department	Termination Date
1	Danielle V. Cossey	1.6	Council	03/05/2020
2	Kristi D. Flannery	3.6	Combined Communications Center	06/11/2020
3	Keely M. Yates	2.0	Library	09/04/2020

Vesting

	Name	Department	Years of Service
1	Jeffrey G. Elkins	Advanced Wastewater Treatment	15.2

Deaths

	Name	Date Retired	Age	Date of Death	Information
1	Bernice G. Brown	12/04/2003	91	10/04/2020	No Further Benefits

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

	2019 ACTUAL	2020 BUDGET	SEPTEMBER ACTUAL EXPENDITURES	2020 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
OPERATING EXPENDITURES						
Departmental Salaries	308,884.99	329,274.00	24,234.53	227,331.74	101,942.26	69.0%
Departmental Benefits	61,457.99	63,101.00	5,036.51	46,464.31	16,636.69	73.6%
Reserve for Budget Adjustment	-	10,000.00	-	-	10,000.00	0.0%
Administrative Income	(21,009.35)	(10,000.00)	(3,431.70)	(14,214.20)		
Postage/Supplies/Other	1,217.16	5,200.00	214.08	3,325.82	1,874.18	64.0%
State Audit Charges	11,146.55	15,000.00	2,190.34	6,136.70	8,863.30	40.9%
Contractual Services	133,696.37	175,000.00	-	107,333.31	67,666.69	61.3%
Travel	3,489.45	15,000.00	-	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	-	261.40	2,238.60	10.5%
Other Miscellaneous Charges	3,135.88	2,300.00	55.00	1,004.23	1,295.77	43.7%
Amortization	17,649.00	-	-	-	-	
TOTAL OPERATING EXPENDITURES	522,751.84	623,375.00	28,298.76	383,247.40	235,913.40	61.5%
INTERFUND EXPENDITURES						
Interfund - Office Performance Mgmt Services	4,189.36	389.00	-	389.00	-	100.0%
Interfund - Centralized Purchasing	1,251.65	516.00	-	387.00	129.00	75.0%
Interfund - Centralized Accounting	2,016.40	1,917.00	-	1,437.75	479.25	75.0%
Interfund - Risk Management	584.00	586.00	-	146.50	439.50	25.0%
Interfund - Worker's Compensation	122.00	134.00	-	100.50	33.50	75.0%
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	26,158.00	13,079.00	66.7%
Interfund - IT Replacement	1,965.00	1,827.00	152.25	1,218.00	609.00	66.7%
Interfund - My Spokane	609.90	580.00	-	435.00	145.00	75.0%
TOTAL INTERFUND EXPENDITURES	33,010.95	50,186.00	3,422.00	32,424.40	17,761.60	64.6%
TOTAL ADMINISTRATIVE EXPENDITURES	555,762.79	673,561.00	31,720.76	415,671.80	253,675.00	61.7%

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

	2019 ACTUAL	2020 BUDGET	SEPTEMBER ACTUAL EXPENDITURES	2020 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
PENSIONS						
Pensions-Annuity Benefit Payments	27,788,707.57	30,000,000.00	2,484,363.50	21,818,762.51	8,181,237.49	72.7%
Pensions-Disability Payments	124,164.02	140,000.00	9,548.30	85,934.70	54,065.30	61.4%
Pensions-Survivor Annuity Benefits Payments	2,142,992.75	2,300,000.00	179,245.92	1,567,038.60	732,961.40	68.1%
TOTAL PENSIONS	<u>30,055,864.34</u>	<u>32,440,000.00</u>	<u>2,673,157.72</u>	<u>23,471,735.81</u>	<u>8,968,264.19</u>	72.4%
Refunds	544,437.91	1,000,000.00	33,202.14	397,342.28	602,657.72	39.7%
TOTAL EXPENSES	<u><u>31,156,065.04</u></u>	<u><u>34,113,561.00</u></u>	<u><u>2,738,080.62</u></u>	<u><u>24,284,749.89</u></u>	<u><u>9,824,596.91</u></u>	71.2%
INVESTMENT EXPENSE*						
Advisory Technical Service	446,741.55	500,000.00	5,974.51	274,600.60	225,399.40	54.9%

** 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
September 30, 2020

10/29/2020	Type		Allocation		
			Target	Current	Diff.
Cash Held by Treasurer	Cash	\$ 84,198			
US Bank	Short-term Inv	1,999,883			
	Total Cash	2,084,081	0.0%	0.7%	0.7%
Sterling Capital	Total Return	27,282,811			
	Total Total Return	27,282,811	10.0%	9.0%	-1.0%
Hotchkis & Wiley	High Yield - Mutual Fund	14,529,065			
	Total High Yield	14,529,065	5.0%	4.8%	-0.2%
Polar	LLC	7,773,514			
Castine Capital II	Ltd Partnership	-			
Post Limited Term High Yield	Ltd Partnership	6,577,825			
Rimrock Low Volatility	Ltd Partnership	9,860,306			
	Total Absolute Return	24,211,645	8.0%	8.0%	0.0%
Total Capital Preservation		68,107,602	23.0%	22.4%	-0.6%
Hotchkis & Wiley	LC Value - Mutual Fund	13,210,240			
MFS Growth	LC Growth - Mutual Fund	18,061,121			
Fidelity S&P 500 Index	LC Core - Mutual Fund	32,622,965			
	Total US Large Cap	63,894,326	21.0%	21.0%	0.0%
Sterling	MC Value	4,405,090			
Westfield MC Growth	MC Growth	3,250,000			
Fidelity MC Index	MC Core - Mutual Fund	4,507,728			
Champlain	SC Core	6,801,180			
Bridge City	SC Growth	5,839,704			
Fidelity SC Index	SC Core - Mutual Fund	4,031,839			
	Total US Small/Mid Cap	28,835,541	11.0%	9.5%	-1.5%
Total US Equities		92,729,867	32.0%	30.5%	-1.5%
Artisan	SMID Value - Mutual Fund	20,619,385			
Euro Pacific	LC Blend - Mutual Fund	24,131,697			
Fidelity International	LC Index - Mutual Fund	-			
	Total International Large Cap	44,751,082	15.0%	14.7%	-0.3%
Trivalent	SC Value - Mutual Fund	13,328,862			
	Total International Small/Mid	13,328,862	4.0%	4.4%	0.4%
Vanguard EM Index	EM - Mutual Fund	460,949			
ABS Emerging Markets	Ltd Partnership	9,324,630			
	Total Emerging Markets	9,785,579	3.0%	3.2%	0.2%
Total International Equities		67,865,523	22.0%	22.3%	0.3%
Weatherlow Offshore	Ltd Partnership	18,795,788			
Royalty Opportunities I	Ltd Partnership	1,299,145			
Royalty Opportunities II	Ltd Partnership	997,886			
	Total Long Biased	21,092,819	7.0%	6.9%	-0.1%
Metropolitan Real Estate Partners	Ltd Partnership	152,878			
Morrison Street Fund V	LLC	1,318,705			
Morrison Street Fund VI		1,820,000			
Morrison Street Debt Opportunities	LP	3,673,369			
Morgan Stanley Prime	LLC	7,241,721			
Principal (REITs)	REITs	11,277,688			
	Total Real Estate	25,484,361	9.0%	8.4%	-0.6%
Contrarian Capital Fund I	Ltd Partnership	7,382,893			
Beach Point	Ltd Partnership	11,631,089			
	Total Opportunistic Credit	19,013,982	7.0%	6.3%	-0.7%
Contrarian EM Credit	LLC	4,141,741			
OrbiMed II	Ltd Partnership	5,488,375			
	Total Special Opportunities	9,630,116	0.0%	3.2%	3.2%
Total Cash and Investments		\$ 303,924,270	100.0%	100.0%	0.0%
	Monthly Contributions	1,627,020			
	Monthly Pension	\$ (2,709,028)			
	As of August 31, 2020	\$ 309,904,973			
	Estimated Rate of Return	-1.6%			
Abs. Return and Total Return FI Equity and Special Situations	Thesis 2017.1	51,494,456	18.0%	16.9%	-1.1%
	Thesis 2017.3	170,225,506	54.0%	56.0%	2.0%

Cash Recon - Oct

Date	Transactions	Sources	Uses	Balance
10/1/2020	Beginning Balance			1,999,838.12
10/1/2020	Redeposit/Reissue Pension Payment	1,125.71	(1,125.71)	1,999,838.12
10/1/2020	Interest	45.07		1,999,883.19
10/5/2020	Contribution - Sterling Core Fixed Income		(1,900,000.00)	99,883.19
10/13/2020	Payroll Contributions	809,565.98		909,449.17
10/14/2020	Redeposit/Reissue Pension Payment	845.72	(845.72)	909,449.17
10/19/2020	Distribution - Morrison Street V	46,254.22		955,703.39
10/20/2020	Commission Recapture	291.14		955,994.53
10/26/2020	Payroll Contributions	801,073.36		1,757,067.89
10/27/2020	Trust Fees		(23,912.32)	1,733,155.57
10/27/2020	Sale - MFS Growth Fund	1,100,000.00		2,833,155.57
10/28/2020	Ending Balance	2,759,201.20	(1,925,883.75)	2,833,155.57
	<u>Upcoming</u>			
10/30/2020	Sale - Fidelity Small Cap Index	\$TBD		
10/30/2020	Purchase - Wells Small Cap Value		(\$TBD)	
10/31/2020	October Pension Payments		(2,732,544.23)	