

**Spokane Employees' Retirement System (SERS)
Board Meeting Minutes
February 24, 2010**

Bill Todd called the regular monthly meeting to order at 12:36 p.m. in the 5th Floor Conference Room at City Hall.

Present: Bill Todd, Steve Sather, Tom Brown, Mike Coster, Jon Snyder and Jerry McFarlane

Absent: Dave Walker

Staff: Leo Griffin and Christine Ellingson

Guests: Jayson, Davidson, Joe Cavanaugh, Mike Cavanaugh, Dave Hanshaw, Pam Dolan and John Bjork

Jayson Davidson, Hyas Group – 2009 4th Quarter Investment Performance Report

Mr. Davidson reviewed the fourth quarter, 2009 and longer-term investment performance. SERS investment performance for the fourth quarter of 2009 was 3.26%. For the year ended December 31, 2009, SERS earned 21.99% compared to the policy benchmark of 28.11%. Although the portfolio underperformed the policy benchmark, mainly due to SERS' defensive position, the SERS investments outperformed the 2009 Northern Trust Public Plans median return of 20.3%; SERS beat that median by 1.7%. Over three years, SERS investment performance was (0.30%) compared to the policy benchmark of (1.88%); SERS beat the three-year policy benchmark by 1.58% and our three-year investment performance is considered top quartile when compared to other governmental pension plans nationwide.

Mr. Griffin discussed a document containing various returns for other governmental pension plans. SERS 2009 performance was towards the top.

Mr. Davidson recommended that we remove the MetWest High Yield Fund from the watch list as he is sufficiently comfortable that the recent firm ownership change should not disrupt the management of the fund.

Steve Sather moved and Jerry McFarlane seconded a motion to remove the Met West High Yield Fund from the watch list. The motion passed unanimously.

Although recent performance improvements were noted, SERS will maintain the watch status on the Hotchkis & Wiley Core Value Fund. Additionally, the watch status on the Santa Barbara Large Cap Growth Fund will also be maintained. Mr. Davidson recommended adding the Essex Small/Micro Cap Fund to the watch list for performance reasons. 2009 performance for this fund was well below policy

benchmarks and coupled with the significant underperformance in 2008, the fund is violating longer-term policy criteria.

Steve Sather moved and Tom Brown seconded a motion to place Essex Micro-Small Cap Growth Fund on watch. The motion passed unanimously.

Manager candidate – Rimrock Low Volatility Ltd.

Mr. Davidson noted that the Rimrock Low Volatility Fund is best described as a multi-strategy relative value fixed income mandate. The fund is expected to produce consistent high single-digit to low double-digit returns. The risk adjusted return on this fund is exceptional. There is a one-year lock-up with quarterly liquidity. This fund focuses on purchasing attractively priced fixed income securities (bonds) across all sectors of the bond market with a focus on short-duration securities and the fund adds further diversification to the SERS portfolio. Mr. Davison recommended a \$4 million allocation to the Rimrock Low Volatility Fund pending Mr. Griffin's scheduled onsite due diligence meeting which is scheduled for early March.

Steve Sather moved and Tom Brown seconded a motion to approve funding of a \$4 million allocation in Rimrock Low Volatility Ltd., pending an onsite visit by the Retirement Director. The motion passed unanimously.

Minutes of the January 27, 2010 Meeting

Steve Sather moved and Mike Coster seconded the motion to approve the minutes of the January 27, 2010 meeting as distributed. The motion passed unanimously.

Service Retirements

Name	Age	Retirement Date	Years of Service	Option	30-day Notice
Myron E. Guffey	56	2/6/2010	20.5	D	N
Patrick E. Kelley	50	2/9/2010	15.4	E	N
Dwayne C. Jantz	62	2/10/2010	30.0	ST	N
Stephen L. Watkins	62	3/6/2010	29.6	E	Y
Deborah E. Watkins	59	3/6/2010	16.6	E	Y

Steve Sather moved and Tom Brown seconded the motion to approve the service retirements as presented on the February Retirement Transaction Report. The motion passed unanimously.

Withdrawals for February 2010

Name	Termination Date
Crystal Fairbanks	12/9/2009
Barry Russell	12/15/2009
Brandon Bischoff	1/8/2010

Steve Sather moved and Tom Brown seconded the motion to approve the requests for withdrawal as presented on the February Retirement Transaction Report. The motion passed unanimously.

Vesting Rights

Name	Department	Years of Service
Michael E. Pogue	Fleet Services	13.6
Christopher T. Glenn	Water	10.7

Deaths

Name	Date of Death	Age	Information
Terry L. Judd	12/19/2009	58	No further benefits
Richard L. Schram	2/14/2010	78	Option 'D' continues
Mary V. Faris	1/28/2010	92	No further benefits

Vesting and death information was provided to the Board as information only.

Director's Report

Schedule of Administrative Expenses – 2009

The 2009 Schedule of Administrative Expenses was presented to the Board and discussed.

Mike Coster moved and Jerry McFarlane seconded the motion to approve the 2009 Schedule of Administrative Expenses. The motion passed unanimously.

Expenditure Summary Report – January 2010

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

Jerry McFarlane moved and Tom Brown seconded the motion to approve the January 2010 Expenditure Summary Report. The motion passed unanimously.

Schedule of Investments – January 2010

The monthly investment report was presented to the Board for review.

Upcoming Board Election

Mr. Griffin informed the Board that Mike Coster's term expires this year.

Next Board Meeting

The next Board meeting is scheduled for Wednesday, March 31, 2010 at 1:30 p.m.

There being no other business, the meeting adjourned at 1:45 p.m.

/s/

Leo F. Griffin, Retirement Director