

**Spokane Employees' Retirement System (SERS)**  
**Board Meeting Minutes**  
**May 26, 2010**

Bill Todd called the regular monthly meeting to order at 12:40 p.m. in the 5<sup>th</sup> Floor Conference Room at City Hall.

**Present:** Bill Todd, Steve Sather, Mike Coster, Dave Walker, Jon Snyder and Jerry McFarlane

**Absent:** Tom Brown

**Staff:** Leo Griffin, Diana Hart, Christine Ellingson and Tim Szambelan

**Guests:** Jayson Davidson, Bill Dowd, Bill Reid, Joe Cavanaugh, Mike Cavanaugh, Pam Dolan, Jason Faulkner, Tammy Erickson, Jennifer Blake, Tim Dunivant, Joan Hamilton and John Bjork

**Open Session**

**Jayson Davidson, Hyas Group – 2010 1st Quarter Investment Performance Report**

Jayson Davidson presented the March 31, 2010 investment performance report. The SERS portfolio was up 3.7% for the first quarter of 2010 compared to the policy benchmark, which was up 3.9%. For the twelve months ended March 31, 2010, the SERS portfolio was up 33.9% compared to a policy index benchmark of 46.0%. Even though the returns over the trailing 12 months have fallen short of the policy benchmark, they are expected to be very competitive when compared to pension fund peer groups.

Mr. Davidson further reported that although recent performance improvements were noted, Hyas will maintain the watch status on the Hotchkis & Wiley Core Value Fund and the Essex Small/Micro Fund. Additionally, Hyas will maintain the watch status on the Santa Barbara Large Cap Growth Fund and will continue to evaluate the most appropriate timing for replacing this manager. The recent market pull back may create an opportunity to replace Santa Barbara with a less conservative Large Growth manager.

Mr. Griffin's onsite visits with the managers of the Rimrock Low Volatility Fund and the Post Limited Term High Yield Fund were discussed. Mr. Davidson confirmed the Board's intent to allocate \$4 million to the Rimrock Low Volatility Fund pending the completion of the documents. Additionally, Mr. Davidson presented a summary

report of Hyas' onsite meeting with Post Advisory Group, LLC. Hyas recommends funding the Post Low Volatility Fund with an allocation of \$4 million.

Steve Sather moved and Jerry McFarlane seconded the motion to fund the Post Limited Term High Yield Fund with an allocation of \$4 million. The motion passed unanimously.

Hyas recommended a reduction of the current REIT allocation by \$4 million and that those assets be transferred into the S&P 500 Index Fund. The Board concurred with the decision.

Mr. Davidson presented a proposed change in terms, as proposed by the General Partner for the Legacy Real Estate Fund III product. He informed the Board that Legacy has not confirmed that they will be officially moving forward with the offer to allow certain investors to forgo future capital commitments in exchange for a penalty. Hyas will work with staff in the event Legacy asks for formal documentation and action. Hyas recommended that SERS remain an investor in Legacy Fund III.

Mike Coster moved and Jon Snyder seconded the motion to agree to the changes that Legacy is proposing and SERS would continue to remain an investor. The motion passed unanimously.

Hyas Group will provide a revised draft of the SERS Investment Policy for the Board's review at the next quarterly meeting.

#### **Bill Dowd and Bill Reid, SageView Consulting – 2009 Actuarial Valuation Report**

Mr. Dowd and Mr. Reid presented the December 31, 2009 Actuarial Valuation. The Board was informed that five employees, in 2009, elected to purchase prior service time during the six-month Buy Back window. The overall impact on the contributions and funded status was determined to be immaterial. The actuarial funded status at December 31, 2009 was 73.1%, as compared to 65.5% at December 31, 2008.

SageView recommended that the Board not grant an ad-hoc increase, as the funded ratio is less than 90%. This is in accordance with Board policy.

The City of Spokane conducted a Voluntary Retirement Incentive Program (VRIP) during 2009. There were 33 SERS members who elected to participate in the VRIP. The net impact on the annual required contribution is an increase of approximately \$78,000 per year.

### **Minutes of the April 28, 2010 Meeting**

Steve Sather moved and Mike Coster seconded the motion to approve the minutes of the April 28, 2010 meeting as distributed. The motion passed unanimously.

### **Service Retirements**

<b>Name</b>	<b>Age</b>	<b>Retirement Date</b>	<b>Years of Service</b>	<b>Option</b>	<b>30-day Notice</b>
Candace E. Schumacher	64	5/8/2010	8.8	ST	N
David W. Chandler	57	6/12/2010	2.8 Portability	E	N
Wilfred D. Simpson	64	7/7/2010	35.2	D	Y

Dave Walker moved and Steve Sather seconded the motion to approve the service retirements as presented on the May Retirement Transaction Report. The motion passed unanimously.

### **Withdrawals for May 2010**

<b>Name</b>	<b>Termination Date</b>
Donald J. Nelson (vested)	12/12/1991
Justin C. Hager	12/30/2009
Lori A. Swain – Beneficiary of James Swain	DOD 4/30/2010
Tracy J. Swain – Beneficiary of James Swain	DOD 4/30/2010
Jody L. Pugh – Beneficiary of James Swain	DOD 4/30/2010

Mike Coster moved and Steve Sather seconded the motion to approve the requests for withdrawal as presented on the May Retirement Transaction Report. The motion passed unanimously.

### **Deaths**

<b>Name</b>	<b>Date of Death</b>	<b>Age</b>	<b>Information</b>
Dolly Richendrfer	4/3/2010	61	No further benefits
James Swain	4/30/2010	67	No further benefits
Robert W. Devereaux	5/8/2010	78	'E' option continues

The report was provided to the Board as information only.

**Director's Report****Expenditure Summary Report – April 2010**

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

Dave Walker moved and Jon Snyder seconded the motion to approve the April 2010 Expenditure Summary Report. The motion passed unanimously.

**Schedule of Investments – April 2010**

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

**Other Business****Closed Session**

Disability Retirement Request

**Open Session**

Disability Retirement Request

Steve Sather moved and Jerry McFarlane seconded the motion that the applicant be referred to a SERS Board doctor. The motion passed unanimously.

There being no other business, the meeting adjourned at 2:30 p.m.

/s/

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**Leo F. Griffin, Retirement Director**