

Spokane Employees' Retirement System (SERS)
Board Meeting, 1:00 p.m. October 5, 2022
WebEx Meeting

AGENDA

- 1) SageView Consulting – Actuarial Experience Study
 - a) 2022 Valuation Assumptions
 - Motion
 - b) Beneficiary Options A & B Discussion
 - Information

- 2) Minutes of the September 7, 2022
 - Motion

- 3) Director's Report
 - a) Retirements
 - Motion
 - b) Withdrawals
 - Motion
 - c) Vesting
 - Information
 - d) Deaths
 - Information
 - e) Expenditure Summary Report – August 2022
 - Motion
 - f) Schedule of Investments – August 2022
 - Information
 - g) Cash Reconciliation – September 2022
 - Information
 - h) Other Business

- 4) Other Business
 - a) Board Member Search
 - Motion

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

Join from the meeting link

<https://spokanecity.webex.com/spokanecity/j.php?MTID=mae66e2a5feb1508e5024b5d16ea86988>

Meeting dial-in number: 1-408-418-9388

Meeting number (access code): 2493 865 9024

Spokane Employees' Retirement System (SERS)
Board Meeting Minutes
September 7, 2022

The regular meeting was called to order at 1:20 p.m.

Present: Jim Tieken, Joe Cavanaugh, Richard Czernik, Brian Brill, and Jonathan Bingle

Absent: J.D. Morscheck

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

Guests: Jayson Davidson, Tom Breaden, Jon Barnhart, Dave Hanshaw, Natalie Hilderbrand, Daniel Ramos III, Lauren Albanese, and Joe Ebisa

Hyas Group, 2022 2nd Quarter Investment Performance Report

Hyas Group reviewed the Second Quarter 2022 Performance Report and discussed absolute and relative performance for the portfolio as well as expectations going forward. From an economic and market perspective, the broad themes impacting markets have remained generally the same since the Board last met. Inflation, the central bank's response to inflation, and the corresponding impact on growth are driving market activity across the world. Price pressure has not shown any material signs of lessening and it is expected that the Federal Reserve will maintain its aggressive monetary actions to try and tamp down inflation. Again, whether they can do this without any more severe recessionary consequences remains the question. Portfolio performance for the quarter, at -11.1%, lagged the policy benchmark by 0.8% and placed in the 65th percentile of peers. Marginal underperformance relative to policy benchmarks occurred in most categories, with larger shortfalls coming in Long Biased and Opportunistic Credit.

Hyas Group briefly discussed the timing to initiate a new asset allocation study. They will be engaging in this project over the next several months and expect to be able to present results at the next Board meeting. They will work with staff to gather necessary portfolio detail and actuarial assumptions.

The Hotchkis & Wiley High Yield and the Rimrock Low Volatility, the two managers on watch at the end of the quarter, will remain on watch. Hyas Group recommended placing the Sterling Mid Cap Value Fund on watch for performance in violation of policy parameters. While recent performance for the fund has been strong, performance for the prescribed policy period came in slightly below benchmarks.

Richard Czernik moved, and Jonathan Bingle seconded the motion to place Sterling Midcap Value on watch. The motion passed unanimously.

Minutes of the August 3, 2022 Meeting

Joe Cavanaugh moved, and Jonathan Bingle seconded the motion to approve the minutes of the August 3, 2022 meeting as presented. The motion passed unanimously.

Director's Report

Service Retirements

| Name | Age | Retirement Date | Years of Service | Department |
|------------------------|------------|------------------------|-------------------------|----------------------|
| David L. Beardslee | 65 | 10/28/2022 | 41.0 | Street |
| Ronald J. Dowers | 66 | 10/07/2022 | 29.6 | Solid Waste Disposal |
| Kenneth R. Jenness | 52 | 09/10/2022 | 19.8 | Development Services |
| John D. Larribeau | 70 | 10/01/2022 | 14.5 | Fleet Services |
| Jeffrey J. Weinfurtner | 65 | 12/02/2022 | 25.0 | Police Records |

Richard Czernik moved, and Jonathan Bingle seconded the motion to approve the service retirements as presented on the September Retirement Transaction Report. The motion passed unanimously.

Withdrawals for September 2022

| <i>Name</i> | <i>Years of Service</i> | <i>Termination Date</i> |
|-------------------|-------------------------|-------------------------|
| Melanie S. Mick | 0.8 | Finance |
| Michael G. Probst | 7.9 | Information Technology |
| Allen L. Jones | 0.6 | Accounting |

Richard Czernik moved, and Johnathan Bingle seconded the motion to approve the requests for withdrawal as presented on the September Retirement Transaction Report. The motion passed unanimously.

Vesting

| <i>Name</i> | <i>Department</i> | <i>Years of Service</i> |
|------------------------|----------------------------|-------------------------|
| Cassandra N. Berg | CD/HS Operations | 10.9 |
| Joseph P. Conley | Solid Waste Disposal | 13.6 |
| Brandy A. Cote | Mayor | 7.7 |
| Michael D. Elston | Public Defender | 3.2 Portability |
| Brittany A. Garwood | Public Facilities District | 25.5 |
| Jacob A. Hensley | Finance | 9.9 |
| Kenneth L. Knutson | Street | 7.1 |
| Meghann R. Steinolfson | Human Resources | 7.5 |

Deaths

| <i>Name</i> | <i>Date Retired</i> | <i>Age</i> | <i>Date of Death</i> | <i>Information</i> |
|--------------------|---------------------|------------|----------------------|---------------------|
| Loran A. Thompson | 02/16/2008 | 76 | 07/16/2022 | No Further Benefits |
| Velda M. Berry | 05/11/2001 | 95 | 08/08/2022 | No Further Benefits |
| Myron E. Guffey | 02/06/2010 | 68 | 08/10/2022 | D Option Continues |
| Lisa G. Porter | 05/02/2017 | 63 | 08/16/2022 | No Further Benefits |
| Bertram I. Nelson | 12/31/2004 | 72 | 08/20/2022 | No Further Benefits |
| Edward G. Ellefsen | 01/12/1994 | 78 | 08/22/2022 | No Further Benefits |

Vesting and death information provided to the Board for review.

Expenditure Summary Report – July 2022

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

Richard Czernik moved, and Jonathan Bingle seconded the motion to approve the July 2022 Expenditure Summary Report. The motion passed unanimously.

Schedule of Investments – July 2022

The monthly investment report was presented to the Board for review. The estimated market value of the SERS portfolio on July 31, 2022 was \$324 million with an estimated rate of return of 4.8% 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

Ms. Shisler updated the Board that the retirement calculations that were to be recalculated due to the settlement of the Local 270 contract have been completed and the retro payments and new pension amounts are scheduled to be included with the October pension payroll.

Ms. Shisler inquired about the updated mandate from Governor Inslee regarding access to the Board meetings and if the Board desired to continue the WebEx portion as well as in-person. Discussion ensued, and Joe Cavanaugh moved with Jonathan Bingle seconding the motion to discontinue using WebEx to allow for remote access to the SERS Board meetings after the October meeting. The motion passed unanimously.

2023 Budget

The 2023 Budget was presented to the Board and discussed.

Jonathan Bingle moved, and Richard Czernik seconded the motion to adopt the 2023 Budget as presented. The motion passed unanimously.

SERS Board Member Search

A candidate for the open Board Member was interviewed before the Board Meeting. The Board discussed the necessary next steps required before submitting for City Council appointment. A formal recommendation will be presented at the next meeting.

There being no other business, the meeting adjourned at 2:12 p.m.

Phillip Tencick, Retirement Director

DRAFT

SERS Retirement Transaction Report

October 2022

Retirements

| | Name | Age | Retirement Date | Years of Service | Department | Option |
|---|------------------------|------------|------------------------|-------------------------|-------------------|---------------|
| 1 | Timothy A. LaForce | 63 | 10/04/2022 | 7.9 | Water | E |
| 2 | Cynthia M. Brazington | 63 | 12/07/2022 | 19.2 | Accounting | E |
| | Retirements YTD | 68 | | | | |
| | 2021 Total Retirements | 66 | | | | |

Withdrawals

| | Name | Years of Service | Department | Termination Date |
|---|-----------------------|-------------------------|------------------------|-------------------------|
| 1 | Sheldon K. Ahrendt | 2.52 | Parks & Recreation | 07/09/2021 |
| 2 | Matthew J. Cavanagh | 0.03 | Solid Waste Management | 02/17/2022 |
| 3 | Kristin M. Smith | 0.35 | Human Resources | 06/29/2022 |
| 4 | Melissa A. Eggers | 0.10 | Mayor | 07/07/2022 |
| 5 | Shiloh L. Deitz | 2.23 | IT Fund | 07/30/2022 |
| 6 | Karin J. Janssen | 4.23 | Engineering Services | 07/30/2022 |
| 7 | Christopher L. Bailey | 0.80 | Solid Waste Management | 08/06/2022 |
| 8 | Michael C. Ormsby | 5.19 | Legal | 08/06/2022 |
| 9 | Gregory J. Parker | 0.11 | Library | 08/21/2022 |

Vesting

| | Name | Department | Years of Service |
|---|--------------------|-----------------------|-------------------------|
| 1 | Carly E. Cortright | Neighborhood Services | 19.4 |
| 2 | Tessa C. Delbridge | Mayor | 5.3 Portability |
| 3 | Nathan P. Gwinn | Planning Services | 8.5 |
| 4 | Jenna R. Ittner | Police | 9.3 |
| 5 | John T. Terhaar | Asset Management | 7.8 |
| 6 | Kyle P. Twohig | Engineering Services | 9.3 |
| 7 | Eric S. Zaas | Solid Waste Disposal | 7.1 |

Deaths

| | Name | Date Retired | Age | Date of Death | Information |
|---|-----------------|---------------------|------------|----------------------|---------------------|
| 1 | Janice L. Hall | 07/17/2011 | 83 | 09/12/2022 | No Further Benefits |
| 2 | Larry D. Winner | 07/02/2002 | 77 | 09/17/2022 | E Option Continues |

SPOKANE EMPLOYEES' RETIREMENT SYSTEM - 6100
 2022 EXPENDITURE SUMMARY REPORT
AUGUST 31, 2022

| | 2021 ACTUAL | 2022 BUDGET | AUGUST ACTUAL EXPENDITURES | 2022 ACTUAL YTD EXPENDITURES | VARIANCE | PERCENTAGE USED |
|--|-------------------|-------------------|----------------------------------|------------------------------------|-------------------|--------------------|
| OPERATING EXPENDITURES | | | | | | |
| Departmental Salaries | 311,200.63 | 311,479.00 | 23,432.00 | 190,790.86 | 120,688.14 | 61.3% |
| Departmental Benefits | 88,085.00 | 96,560.00 | 7,615.49 | 61,522.38 | 35,037.62 | 63.7% |
| Reserve for Budget Adjustment | - | 10,000.00 | - | - | 10,000.00 | 0.0% |
| Administrative Income | (15,225.22) | (10,000.00) | | (8,511.14) | | |
| Postage/Supplies/Other | 3,133.07 | 4,950.00 | 41.41 | 1,540.09 | 3,409.91 | 31.1% |
| State Audit Charges | 12,432.82 | 15,000.00 | 3,018.85 | 6,658.06 | 8,341.94 | 44.4% |
| Contractual Services | 131,620.94 | 175,000.00 | - | 110,822.68 | 64,177.32 | 63.3% |
| Travel | - | 15,000.00 | - | 766.46 | 14,233.54 | 5.1% |
| Registration/Schooling | 500.00 | 16,000.00 | - | 575.00 | 15,425.00 | 3.6% |
| Other Dues/Subscriptions/Membership | 1,898.55 | 2,500.00 | - | 1,418.73 | 1,081.27 | 56.7% |
| Other Miscellaneous Charges | 3,212.30 | 3,200.00 | 110.00 | 565.97 | 2,634.03 | 17.7% |
| Amortization | 17,649.00 | - | - | - | - | |
| TOTAL OPERATING EXPENDITURES | 554,507.09 | 639,689.00 | 34,217.75 | 366,149.09 | 275,028.77 | 57.2% |
| INTERFUND EXPENDITURES | | | | | | |
| Interfund - Centralized Purchasing | 313.32 | 9,733.00 | 2,433.25 | 7,299.75 | 2,433.25 | 75.0% |
| Interfund - Centralized Accounting | 1,764.00 | 2,136.00 | 534.00 | 1,602.00 | 534.00 | 75.0% |
| Interfund - My Spokane | 885.25 | 1,125.00 | - | 843.75 | 281.25 | 75.0% |
| Interfund - Risk Management | 607.00 | 571.00 | 142.75 | 428.25 | 142.75 | 75.0% |
| Interfund - Worker's Compensation | 134.00 | 123.00 | 30.75 | 92.25 | 30.75 | 75.0% |
| Interfund - Reprographics | 3,898.68 | 5,262.00 | 709.38 | 2,761.24 | 2,500.76 | 52.5% |
| Interfund - IT | 38,532.25 | 46,237.00 | 3,854.36 | 26,988.33 | 19,248.67 | 58.4% |
| Interfund - IT Replacement | 3,003.00 | 3,305.00 | 275.42 | 1,927.94 | 1,377.06 | 58.3% |
| TOTAL INTERFUND EXPENDITURES | 49,137.50 | 68,492.00 | 7,979.91 | 41,943.51 | 26,548.49 | 61.2% |
| TOTAL ADMINISTRATIVE EXPENDITURES | 603,644.59 | 708,181.00 | 42,197.66 | 408,092.60 | 301,577.26 | 57.6% |

SPOKANE EMPLOYEES' RETIREMENT SYSTEM - 6100
 2022 EXPENDITURE SUMMARY REPORT
AUGUST 31, 2022

| | 2021 ACTUAL | 2022 BUDGET | AUGUST ACTUAL EXPENDITURES | 2022 ACTUAL YTD EXPENDITURES | VARIANCE | PERCENTAGE USED |
|---|-----------------------------|-----------------------------|----------------------------------|------------------------------------|-----------------------------|--------------------|
| PENSIONS | | | | | | |
| Pensions-Annuity Benefit Payments | 30,993,999.10 | 33,500,000.00 | 2,750,616.78 | 21,625,763.74 | 11,874,236.26 | 64.6% |
| Pensions-Disability Payments | 114,579.60 | 135,000.00 | 9,548.30 | 76,386.40 | 58,613.60 | 56.6% |
| Pensions-Survivor Annuity Benefits Payments | 2,147,772.56 | 2,500,000.00 | 186,941.00 | 1,491,125.77 | 1,008,874.23 | 59.6% |
| TOTAL PENSIONS | <u>33,256,351.26</u> | <u>36,135,000.00</u> | <u>2,947,106.08</u> | <u>23,193,275.91</u> | <u>12,941,724.09</u> | 64.2% |
| Refunds | 741,018.82 | 1,000,000.00 | 66,075.85 | 911,763.60 | 88,236.40 | 91.2% |
| TOTAL EXPENSES | <u><u>34,601,014.67</u></u> | <u><u>37,843,181.00</u></u> | <u><u>3,055,379.59</u></u> | <u><u>24,513,132.11</u></u> | <u><u>13,331,537.75</u></u> | 64.8% |
| INVESTMENT EXPENSE* | | | | | | |
| Advisory Technical Service | 557,485.34 | 565,000.00 | 65,320.33 | 311,003.62 | 253,996.38 | 55.0% |

** 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
August 31, 2022

9/28/2022

| | Type | | Allocation | | |
|--|--------------------------------|---|------------------------------|------------------------------|------------------------------|
| | | | Target | Current | Diff. |
| Cash Held by Treasurer US Bank | Cash Short-term Inv | \$ 194,439 933,988 | | | |
| Total Cash | | 1,128,427 | 0.0% | 0.4% | 0.4% |
| Sterling Capital | Total Return | 24,617,734 | | | |
| Total Total Return | | 24,617,734 | 10.0% | 7.8% | -2.2% |
| Hotchkis & Wiley | High Yield - Mutual Fund | 14,686,022 | | | |
| Total High Yield | | 14,686,022 | 5.0% | 4.7% | -0.3% |
| PIMCO Dynamic | Absolute Return | 5,588,944 | | | |
| Polar | LLC | 8,756,862 | | | |
| Post Limited Term High Yield | Ltd Partnership | 6,611,683 | | | |
| Rimrock Low Volatility | Ltd Partnership | 10,368,933 | | | |
| Total Absolute Return | | 31,326,422 | 8.0% | 9.9% | 1.9% |
| Total Capital Preservation | | 71,758,605 | 23.0% | 22.8% | -0.2% |
| Hotchkis & Wiley | LC Value - Mutual Fund | 16,429,306 | | | |
| MFS Growth | LC Growth - Mutual Fund | 14,210,522 | | | |
| Fidelity S&P 500 Index | LC Core - Mutual Fund | 34,542,312 | | | |
| Total US Large Cap | | 65,182,140 | 21.0% | 20.7% | -0.3% |
| Sterling | MC Value | 5,960,797 | | | |
| Westfield MC Growth | MC Growth | 4,749,492 | | | |
| Fidelity MC Index | MC Core - Mutual Fund | 2,773,262 | | | |
| Champlain | SC Core | 7,571,361 | | | |
| Bridge City | SC Growth | 7,200,297 | | | |
| Allspring (FKA: Wells Fargo) | SC Value - Mutual fund | 5,058,393 | | | |
| Fidelity SC Index | SC Core - Mutual Fund | 484,440 | | | |
| Total US Small/Mid Cap | | 33,798,042 | 11.0% | 10.7% | -0.3% |
| Total US Equities | | 98,980,182 | 32.0% | 31.4% | -0.6% |
| Artisan | SMID Value - Mutual Fund | 23,357,435 | | | |
| Euro Pacific | LC Blend - Mutual Fund | 19,139,993 | | | |
| Fidelity International | LC Index - Mutual Fund | - | | | |
| Total International Large Cap | | 42,497,428 | 15.0% | 13.5% | -1.5% |
| Trivalent | SC Value - Mutual Fund | 11,157,695 | | | |
| Total International Small/Mid | | 11,157,695 | 4.0% | 3.5% | -0.5% |
| Vanguard EM Index | EM - Mutual Fund | 459,595 | | | |
| ABS Emerging Markets | Ltd Partnership | 9,351,891 | | | |
| Total Emerging Markets | | 9,811,486 | 3.0% | 3.1% | 0.1% |
| Total International Equities | | 63,466,609 | 22.0% | 20.1% | -1.9% |
| Weatherlow Offshore | Ltd Partnership | 20,295,248 | | | |
| Royalty Opportunities I | Ltd Partnership | 576,277 | | | |
| Royalty Opportunities II | Ltd Partnership | 296,357 | | | |
| Total Long Biased | | 21,167,882 | 7.0% | 6.7% | -0.3% |
| Metropolitan Real Estate Partners | Ltd Partnership | 70,317 | | | |
| Morrison Street Fund VI | LP | 6,285,714 | | | |
| Morrison Street Income Fund | LP | 2,784,487 | | | |
| Morgan Stanley Prime | LLC | 9,211,270 | | | |
| Principal (REITs) | REITs | 13,129,708 | | | |
| Total Real Estate | | 31,481,496 | 9.0% | 10.0% | 1.0% |
| Contrarian Capital Fund I | Ltd Partnership | 9,967,294 | | | |
| Beach Point | Ltd Partnership | 13,619,764 | | | |
| Total Opportunistic Credit | | 23,587,058 | 7.0% | 7.5% | 0.5% |
| Contrarian EM Credit | LLC | 4,696,647 | | | |
| OrbiMed II | Ltd Partnership | 156,569 | | | |
| Total Special Opportunities | | 4,853,216 | 0.0% | 1.5% | 1.5% |
| Total Cash and Investments | | \$ 315,295,048 | 100.0% | 100.0% | 0.0% |
| | Monthly Contributions | 2,707,279 | | | |
| | Monthly Pension | \$ (3,013,182) | | | |
| | As of July 31, 2022 | \$ 323,824,631 | | | |
| | Estimated Rate of Return | -2.5% | | | |
| Abs. Return and Total Return FI Equity and Special Situations | Thesis 2017.1 Thesis 2017.3 | 55,944,156 167,300,007 | 18.0% 54.0% | 17.7% 53.1% | -0.3% -0.9% |

Cash Recon - Sep

| Date | Transactions | Sources | Uses | Balance |
|------------------|-----------------------------------|---------------------|-----------------------|---------------------|
| 8/30/2022 | Beginning Balance | | | 3,944,277.40 |
| 8/31/2022 | August Pension Payments | | (3,016,102.28) | 928,175.12 |
| 8/31/2022 | Redeposit Pension Payment | 2,920.36 | | 931,095.48 |
| 9/1/2022 | Reissue Pension Payment | | (1,968.24) | 929,127.24 |
| 9/1/2022 | Interest | 2,892.14 | | 932,019.38 |
| 9/2/2022 | Redeposit/Reissue Pension Payment | 798.30 | (798.30) | 932,019.38 |
| 9/12/2022 | Payroll Contributions | 1,551,245.56 | | 2,483,264.94 |
| 9/26/2022 | Payroll Contributions | 937,486.58 | | 3,420,751.52 |
| 9/27/2022 | Ending Balance | 2,495,342.94 | (3,018,868.82) | 3,420,751.52 |
| | <u>Upcoming</u> | | | |
| 9/30/2021 | September Pension Payments | | (3,103,925.62) | |