

Spokane Employees' Retirement System (SERS)
Board Meeting, 1:00 p.m. January 3, 2024
Council Briefing Center

AGENDA

Closed Session

- 1) Disability Retirement
 - Discussion

Open Session

- 1) Disability Motion
 - Motion
- 2) Election of Chairperson
 - Motion
- 3) Minutes of the December 6, 2023
 - Motion
- 4) Director's Report
 - a. Withdrawals
 - Motion
 - b. Deaths
 - Information
 - c. Expenditure Summary Report – November 2023
 - Motion
 - d. Schedule of Investments – November 2023
 - Information
 - e. Monthly Cash Reconciliation
 - Information
 - f. Other Business
- 5) Other Business
- 6) Next Meeting – **Wednesday February 7, 2024 at 1:00 p.m.**

**Spokane Employees' Retirement System (SERS)
Board Meeting Minutes
December 6, 2023**

The meeting was called to order at 1:07 p.m. in the Council Briefing Center at City Hall.

Present: Jim Tieken, Joe Cavanaugh, Richard Czernik, Jonathan Bingle

Absent: Brian Brill, Brian Myers

Staff: Christine Shisler, Donald Brown, Lisa Laney, Tim Szambelan

Guests: Jayson Davidson, Tom Breaden, Natalie Hilderbrand, Jon Barnhart

Jonathan Bingle joined via telephone conference call at 1:25 p.m.

Third Quarter 2023 Performance Review

Mr. Davidson reviewed the Third Quarter 2023 Performance Report and discussed general market and economic conditions. There is a somewhat similar pattern to last quarter, with surprising U.S. economic resilience in the face of ever-higher interest rates and increasing geo-political turmoil. The U.S. jobs market remained strong in September, adding a well over expected 336,000 jobs during the month. It cooled in October, but the unemployment rate remains low at 3.9%. In spite of any job market strength, the Federal Reserve appears to be comfortable with their progress on the inflation front and no additional interest rate hikes seem eminent. Hvas Group expects markets to continue to digest the unfolding interest rate and geopolitical situations and trade in a narrow range. The Third Quarter earnings cycle has concluded with not much appearing to unsettle markets. In this backdrop, both equity and fixed income markets sold off and the SERS Portfolio performed in line with expectations during the quarter. The portfolio was down 1.9% and the policy benchmark was down 2%. This leaves SERS with a 5.6% return year-to-date relative to the benchmark's 4.2%. The Private Credit and Real Estate categories were the biggest contributors to positive relative performance.

At quarter-end, there were three managers on watch for performance in violation of underlying policy benchmarks. The Hotchkis & Wiley High Yield Fund, Sterling Mid Cap Value Fund, and the Contrarian Emerging Markets Fund remain in violation of policy parameters and will remain on watch. Each of these options posted strong performance numbers relative to benchmarks during the quarter. SERS also held the MFS Large Growth Fund on qualitative watch as a result of the recently announced departure of one

of the senior portfolio managers on the strategy. Hyas Group will look to hold this watch status, and revisit during the First Quarter of next year.

Hyas Group updated the Board on the approved transition for the BlackRock High Yield Bond Fund to the less expensive Commingled Investment Trust (CIT) vehicle. The Hyas Group analytics team continues to work with staff and the custodian on completing the necessary trust paperwork. We are expecting the change to take place during the first quarter of next year.

Hyas Group informed the Board of a recently received capital call for the Morrison Street Fund VII. Hyas Group will work with staff to raise the capital to satisfy this call.

Minutes of the November 8, 2023 Meeting

Joe Cavanaugh moved, and Richard Czernik seconded the motion to approve the minutes of the November 8, 2023 meeting as amended. The motion passed unanimously.

Director’s Report

Service Retirements

Name	Age	Retirement Date	Years of Service	Department
Lori A. Kinnear	70	12/01/2023	11.8	City Council
Barbara K. Fortney	68	12/02/2023	36.5	Police
Kelle R. Vigeland	61	01/01/2024	5.4 Portability	Solid Waste Disposal
Greg S. Edgerton	65	01/05/2024	40.0	Advanced Wastewater Treatment
Frederick L. Howell	64	01/06/2024	34.0	Sewer Maintenance
Lura L. Robson	65	01/20/2024	25.0	Water
Daniel E. Wong	58	01/20/2024	35.5	Advanced Wastewater Treatment
Thomas M. Smith (changed date)	70	02/03/2024	12.5	Development Services Center

Richard Czernik moved, and Joe Cavanaugh seconded the motion to approve the service retirements as presented on the December Retirement Transaction Report. The motion passed unanimously.

Withdrawals for December 2023

<i>Name</i>	<i>Years of Service</i>	<i>Department</i>
Jazmyn A. Clark	6.4	Public Defender
Kara A. Odegard	2.6	Council
Jordan R. Baumgartner	0.1	Solid Waste Management
Dakota H. Ralph	2 days	Street
Ted A. Boucher	0.6	Community Justice Services
Kimberly L. Brown	4.4	Police Property
Johnnie L. Perkins	2.3	Mayor
Justin M. Dominguez	4.2	Advanced Wastewater Treatment
Donnley Kiluwe	0.4	Street
Gregory E. Chute	1.6	Street

Richard Czernik moved, and Joe Cavanaugh seconded the motion to approve the requests for withdrawal as presented on the December Retirement Transaction Report. The motion passed unanimously.

Vesting

<i>Name</i>	<i>Department</i>	<i>Years of Service</i>
Gao Moua	Library	21.1
Andrew C. Johnson	Solid Waste Management	0.2 Portability

Deaths

<i>Name</i>	<i>Date Retired</i>	<i>Age</i>	<i>Date of Death</i>	<i>Information</i>
Terry L. Dearing	09/03/1997	66	09/16/2023	No Further Benefits

Vesting and death information provided to the Board for review.

Expenditure Summary Report – October 2023

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

Joe Cavanaugh moved, and Richard Czernik seconded the motion to approve the October 2023 Expenditure Summary Report. The motion passed unanimously.

Schedule of Investments – October 2023

The monthly investment report was presented to the Board for review. The estimated market value of the SERS portfolio on October 31, 2023, was \$302.8 million with an estimated rate of return of -3.3% 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

Joe Cavanaugh moved, and Jonathan Bingle seconded the motion to contract with Hyas for Outside Chief Investment Officer (OCIO) services. The motion passed unanimously.

Closed Session

Richard Czernik moved, and Joe Cavanaugh seconded the motion to move into closed session at 1:43 p.m. The motion passed unanimously.

Richard Czernik moved, and Joe Cavanaugh seconded the motion to move to open session at 1:53 p.m. The motion passed unanimously.

Open Session

Disability Motion

Joe Cavanaugh moved, and Richard Czernik seconded the motion to waive the notification to apply for a disability retirement within 90 days of separation requirement for an employee (12293). The motion passed unanimously.

There being no other business, the meeting adjourned at 1:58 p.m.

Christine Shisler, Interim Retirement Director

SERS Retirement Transaction Report

January 2024

Retirements

No retirement applications made since last meeting

Retirements YTD	0
2023 Total Retirements	36

Withdrawals

	Name	Years of Service	Department	Termination Date
1	Sarah D. Pratt	1.6	Combined Communications Center	12/23/2021
2	Joshua P. Weigelt	8.4	Parking Meter Revenue Fund	10/02/2022
3	Tracy A. Trejos	0.2	Library	11/01/2023
4	Sean D. Hiatt	0.1	Library	05/13/2023
5	Ian R. Fielder	0.1	Public Safety Personnel Fund	06/01/2023
6	Harry D. Daniels-Schatz	80 hours	Police - Records	05/26/2023
7	Alan J. Pocan	24 hours	Solid Waste Management	05/12/2023

Deaths

	Name	Date Retired	Age	Date of Death	Information
1	Virginia L. Herbig	11/19/2019	89	11/02/2023	No Further Benefits
2	Martha J. Stevens	06/11/1998	86	12/01/2023	No Further Benefits
3	Martha J. Stevens	06/04/2002	86	12/01/2023	No Further Benefits
4	Leon E. Sproule	09/08/2021	75	12/06/2023	No Further Benefits

SPOKANE EMPLOYEES' RETIREMENT SYSTEM - 6100
2023 EXPENDITURE SUMMARY REPORT
November 30, 2023

	2022 ACTUAL	2023 BUDGET	NOVEMBER ACTUAL EXPENDITURES	2023 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
OPERATING EXPENDITURES						
Departmental Salaries	327,889.58	342,544.48	15,416.00	205,407.11	137,137.37	60.0%
Departmental Benefits	97,465.19	95,262.14	4,864.14	57,288.04	37,974.10	60.1%
Reserve for Budget Adjustment	-	10,000.00	-	-	10,000.00	0.0%
Administrative Income	(15,225.22)	(10,000.00)	-	(19,021.94)		
Postage/Supplies/Other	2,332.92	7,250.00	50.71	1,733.89	5,516.11	23.9%
State Audit Charges	14,099.28	-	-	-	-	
Contractual Services	153,666.56	175,000.00	-	123,336.79	51,663.21	70.5%
Travel	2,256.29	15,000.00	1,493.23	9,218.13	5,781.87	61.5%
Registration/Schooling	575.00	16,000.00	-	7,220.00	8,780.00	45.1%
Other Dues/Subscriptions/Membership	1,610.73	2,500.00	-	2,243.00	257.00	89.7%
Other Miscellaneous Charges	3,845.29	5,200.00	-	3,082.80	2,117.20	59.3%
Amortization	17,649.00	-	-	13,236.75		
TOTAL OPERATING EXPENDITURES	606,164.62	658,756.62	21,824.08	403,744.57	259,226.86	61.3%
INTERFUND EXPENDITURES						
Interfund - Centralized Purchasing	7,027.44	2,001.00	-	2,001.00	-	100.0%
Interfund - Centralized Accounting	2,737.00	4,912.00	-	4,912.00	-	100.0%
Interfund - My Spokane	965.83	1,291.00	-	958.75	332.25	74.3%
Interfund - Risk Management	571.00	537.00	-	537.00	-	100.0%
Interfund - Worker's Compensation	123.00	118.00	-	118.00	-	100.0%
Interfund - Reprographics	11,049.94	6,781.00	645.86	7,969.68	(1,188.68)	117.5%
Interfund - IT	46,111.71	21,884.00	1,824.62	18,264.34	3,619.66	83.5%
Interfund - IT Replacement	3,305.04	2,961.00	246.75	2,467.50	493.50	83.3%
TOTAL INTERFUND EXPENDITURES	71,890.96	40,485.00	2,717.23	37,228.27	3,256.73	92.0%
TOTAL ADMINISTRATIVE EXPENDITURES	678,055.58	699,241.62	24,541.31	440,972.84	262,483.59	63.1%

SPOKANE EMPLOYEES' RETIREMENT SYSTEM - 6100
2023 EXPENDITURE SUMMARY REPORT
November 30, 2023

	2022 ACTUAL	2023 BUDGET	NOVEMBER ACTUAL EXPENDITURES	2023 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
PENSIONS						
Pensions-Annuity Benefit Payments	32,696,265.95	35,500,000.00	2,821,270.51	30,797,184.19	4,702,815.81	86.8%
Pensions-Disability Payments	114,579.60	135,000.00	8,115.76	103,598.76	31,401.24	76.7%
Pensions-Survivor Annuity Benefits Payments	2,246,951.76	2,500,000.00	203,512.69	2,152,932.35	347,067.65	86.1%
TOTAL PENSIONS	<u>35,057,797.31</u>	<u>38,135,000.00</u>	<u>3,032,898.96</u>	<u>33,053,715.30</u>	<u>5,081,284.70</u>	86.7%
Refunds	1,210,280.26	1,000,000.00	173,689.27	1,319,560.24	(319,560.24)	132.0%
TOTAL EXPENSES	<u><u>36,946,133.15</u></u>	<u><u>39,834,241.62</u></u>	<u><u>3,231,129.54</u></u>	<u><u>34,814,248.38</u></u>	<u><u>5,024,208.05</u></u>	87.4%
INVESTMENT EXPENSE*						
Advisory Technical Service	499,603.98	600,000.00	67,270.40	391,596.72	208,403.28	65.3%

* 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
November 30, 2023

12/28/2023

				Allocation		
				Target	Current	Diff.
		Type				
Cash Held by Treasurer	Cash		\$ 211,597			
US Bank	Short-term Inv		295,617			
Total Cash			507,214	0.0%	0.2%	0.2%
Sterling Capital	Total Return		34,219,600			
Loomis Sayles Core-Plus	Total Return-Mutual Fund		25,346,091			
Fidelity Core	FI - Mutual Fund		-			
Total Total Return			59,565,691	17.0%	18.4%	1.4%
BlackRock	High Yield - Mutual Fund		6,262,484			
Hotchkis & Wiley	High Yield - Mutual Fund		16,218,887			
Total High Yield			22,481,371	8.0%	7.0%	-1.0%
Post Limited Term High Yield	Ltd Partnership		333,550	est hold back		
PIMCO Dynamic	Absolute Return		5,838,513			
Rimrock Low Volatility	Ltd Partnership		530,389	est hold back		
Polar	LLC		9,327,589			
Total Absolute Return			16,030,041	5.0%	5.0%	0.0%
Total Capital Preservation			98,584,317	30.0%	30.5%	0.5%
Hotchkis & Wiley	LC Value - Mutual Fund		10,239,578			
Fidelity S&P 500 Index	LC Core - Mutual Fund		33,914,617			
MFS Growth	LC Growth - Mutual Fund		10,627,720			
Total US Large Cap			54,781,915	16.0%	16.9%	0.9%
Sterling	MC Value		5,091,544			
Fidelity MC Index	MC Core - Mutual Fund		2,990,477			
Westfield MC Growth	MC Growth		4,908,646			
Fidelity SC Index	SC Core - Mutual Fund		485,709			
Champlain	SC Core		7,963,506			
Bridge City	SC Growth		7,231,428			
Allspring (FKA: Wells Fargo)	SC Value - Mutual fund		-			
Total US Small/Mid Cap			28,671,310	8.0%	8.9%	0.9%
Total US Equities			83,453,225	24.0%	25.8%	1.8%
Artisan	SMID Value - Mutual Fund		20,747,011			
Euro Pacific	LC Blend - Mutual Fund		14,260,267			
Fidelity International	LC Index - Mutual Fund		-			
Total International Large Cap			35,007,278	10.0%	10.8%	0.8%
Trivalent	SC Value - Mutual Fund		15,717,044			
Total International Small/Mid			15,717,044	5.0%	4.9%	-0.1%
Vanguard EM Index	EM - Mutual Fund		6,432,060			
ABS Emerging Markets	Ltd Partnership		9,853,461			
Total Emerging Markets			16,285,521	5.0%	5.0%	0.0%
Total International Equities			67,009,843	20.0%	20.7%	0.7%
Weatherlow Offshore	Ltd Partnership		21,236,881			
Royalty Opportunities I	Ltd Partnership		730,034			
Royalty Opportunities II	Ltd Partnership		244,487			
Total Long Biased			22,211,402	9.0%	6.9%	-2.1%
Metropolitan Real Estate Partners	Ltd Partnership		-			
Morrison Street Fund VI	LP		628,405			
Morrison Street Fund VII	LP		1,603,950			
Morrison Street Income Fund	LP		2,521,589			
Morgan Stanley Prime	LLC		7,820,668			
Principal (REITs)	REITs		7,333,871			
Total Real Estate			19,908,483	7.0%	6.2%	-0.8%
Contrarian Capital Fund I	Ltd Partnership		11,337,854			
Beach Point	Ltd Partnership		14,521,914			
Total Private Credit			25,859,768	8.0%	8.0%	0.0%
Contrarian EM Credit	LLC		6,375,444			
OrbiMed II	Ltd Partnership		-			
Total Master Ltd Partnerships			6,375,444	2.0%	2.0%	0.0%
Total Cash and Investments			\$ 323,402,482	100.0%	100.0%	0.0%
			Monthly Contributions	2,089,105		
			Monthly Pension	\$ (3,266,168)		
			As of October 31, 2023	\$ 307,095,985		
			Estimated Rate of Return	5.7%		

SERS Cash Reconciliation-December 2023

Date	Transactions	Sources	Uses	Balance
11/30/2023	Ending Balance			\$ 284,496.41
12/1/2023	Interest	11,120.20		295,616.61
12/4/2023	Payroll Contributions	1,094,435.84		1,390,052.45
12/7/2023	Redeposit of Pension Check	2,603.71		1,392,656.16
12/7/2023	Reissue of Pension Check		(2,603.71)	1,390,052.45
12/11/2023	Redeposit of Pension Checks	2,865.08		1,392,917.53
12/12/2023	Reissue of Pension Check		(764.02)	1,392,153.51
12/15/2023	Transfer from Royalty Opportunities II Distribution	16,088.00		1,408,241.51
12/15/2023	Transfer to Morrision Street VI Capital Call		(780,000.00)	628,241.51
12/18/2023	Payroll Contributions	1,048,608.74		1,676,850.25
12/19/2023	Redeposit of Pension Check	1,087.05		1,677,937.30
12/19/2023	Reissue of Pension Check		(72.47)	1,677,864.83
12/28/2023	Ending Balance			1,677,864.83
Upcoming				
12/29/2023	Payroll Contributions	1,047,569.80		\$ 2,725,434.63
12/29/2023	Transfer from Artisan for December Pension	500,000.00		\$ 3,225,434.63
12/29/2023	December Pension Payments		(3,096,244.25)	\$ 129,190.38