

Spokane Employees' Retirement System (SERS)
Board Meeting Minutes
March 6, 2024

The regular monthly meeting was called to order at 12:00 p.m.

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

Staff: Christine Shisler, Donald Brown, Lisa Dyson, and Tim Szambelan

Guests: Jayson Davidson, Tom Breaden, Mayor Lisa Brown, Alex Scott, Mike Piccolo, Natalie Hilderbrand, Dave Hanshaw, Jon Barnhart, Kris Redmond, Ryan Couch, Jackie Treat, and Ted Kummet

Jonathan Bingle joined via telephone.

Hyas Group, 4th Quarter Investment Performance Report

2023 4th Quarter Performance Report

Hyas Group presented the Fourth Quarter Performance Report and discussed general market conditions as well as expectations for 2024. The U.S. economy again posted strong growth numbers; for the quarter, the advance estimate came in at 3.3%, ahead of expectations. Markets continued to react favorably to the prospect of a Federal Reserve engineered soft landing, where inflation continues its decline without impacting economic growth too severely. While markets are projecting several rate cuts in 2024, expectations have been softened markedly, as Federal Reserve leadership continues to express caution and inflation numbers appear to be somewhat stuck above targets. Hyas Group is expecting stock markets to trade in a narrow range around their new record closing levels and, with valuations at historic highs, and are approaching equity markets with caution. Interest rates should come down as we move through 2024, but most of the interest rate decline expectations have been priced in; and recent, strong jobs report numbers have dampened some expectations as referenced.

From a global trade perspective, Mr. Davidson noted that conflict in the Middle East and the continued war between Russia and Ukraine could disrupt energy markets and global supply chains. This could put upward pressure on prices and strain global economic growth.

The portfolio enjoyed a solid quarter, posting an 8% return and just ahead of the benchmark's 7.9% mark. Relative performance for the year remains exceptional with the portfolio's 14% return just shy of 2% ahead of the benchmark. Overall, the Capital Preservation and the Domestic Equity categories have been, basically, flat to their respective benchmarks. The Long Biased and Real Estate categories have been additive

to relative performance; but the biggest contributors have come from the Private Credit category.

At quarter-end, there were three managers on watch for performance in violation of underlying policy benchmarks, Hotchkis & Wiley High Yield, Sterling Mid Cap Value and Contrarian Emerging Markets. The Hotchkis & Wiley High Yield Fund remained in violation of policy parameters at quarter end. The Contrarian Emerging Markets Fund posted strong relative return numbers for the quarter and the year and Hyas Group remains comfortable with its placement in the SERS portfolio. Additionally, the Sterling Fund moved back into compliance with policy parameters as a result its solid quarterly numbers. At this juncture, Hyas Group recommended holding the watch status on all three of the aforementioned managers.

Mr. Davidson notified the Board that Sterling has informed Hyas Group that that it is being sold by its parent company, Truist Financial Corporation (a regional bank headquartered in North Carolina), to Guardian Capital Group (an asset manager headquartered in Canada) and a Hyas Group memorandum on the topic was distributed. The transaction is expected to close in the second quarter of 2024. Like other challenged regional banks, Truist Financial has been working to reduce costs and offload non-core businesses. While consolidation in the asset management industry has been elevated over the recent past, this particular transaction does not appear to be overly disconcerting. Hyas Group does, however, consider a change in ownership is a material event and recommended both of the Portfolio's Sterling products be placed on qualitative watch. This will add a second watch dimension to the Sterling Mid Cap Value Fund which is already on watch for quantitative reasons.

Joe Cavanaugh moved and Richard Czernik seconded the motion to place the Sterling Total Return Bond Fund and the Sterling Mid Cap Value Fund on watch for qualitative reasons related to the pending sale. The motion passed unanimously.

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 is comfortable with the transition and ongoing operations for the Fund and recommended removing that fund from watch status.

Richard Czernik moved and Brian Myers seconded the motion to remove the MFS Growth Fund from watch, as per Hyas Group's recommendation. The motion passed unanimously.

Additionally, the Champlain Small Cap Fund has continued to struggle versus its benchmark and is now in violation of performance related investment policy criteria. Hyas Group recommended placing the Fund on watch.

Richard Czernik moved and Joe Cavanaugh seconded the motion to place the Champlain Small Cap Fund on quantitative watch, as per Hyas Group's recommendation. The motion passed unanimously.

Investment Policy Statement

Hyas Group provided an update on the SERS transition to Hyas Group OCIO model and expected changes to the portfolio and Investment Policy. The Board reviewed the proposed Investment Policy Statement to incorporate this new management model and we discussed any expected, notable changes to the overall allocation.

Joe Cavanaugh moved and Brian Brill seconded the motion to approved the Investment Policy statement as presented with Hyas Group changes. The motion passed unanimously.

In concert with the approved Investment Policy Statement and the pending OCIO transition, the Board requested that Hyas Group revisit the current, approved allocation targets. In particular, the Board is interested in reassessing a slightly more aggressive equity allocation in its future OCIO implementation process. In particular, the Board requested that we provide allocations and expected risk parameters of portfolios that are estimated to produce long-term annualized returns of 7.75% and 8.00%.

Joe Cavanaugh moved and Richard Czernik seconded the motion for Hyas to compile information regarding if the rate of return were changed to 7.75% or 8%. The motion passed unanimously.

Minutes of the February 7, 2024 Meeting

Joe Cavanaugh moved and Brian Brill seconded the motion to approve the minutes of the February 7, 2024 meeting as amended.

Director's Report

Service Retirements

<i>Name</i>	<i>Age</i>	<i>Retirement Date</i>	<i>Years of Service</i>	<i>Option</i>
Stephanie L. O'Byrne	65	03/01/2024	35.1	Parks & Recreation
Dina M. Schultz	54	03/01/2024	23.2	Police
Zane E. Miller	54	03/01/2024	7.1	Solid Waste
Jeremy J. Atwood	52	03/01/2024	20.8	Combined Communications Center
Murray 'Dean' Giles	63	03/22/2024	10.4	Development Services Center
Wendy S. Ammann	64	03/30/2024	21.1	Police
Jeffrey G. Elkins	50	04/01/2024	15.2	Advanced Wastewater Treatment
John T. Terhaar	65	04/01/2024	7.4	Asset Management Fund Operations
Christopher R. Lacroix	64	04/02/2024	33.5	Solid Waste
John R. Lewis	65	04/02/2024	34.4	Parks & Recreation
Rita D. Evans	63	04/02/2024	25.6	Water

John S. Grimes	68	04/02/2024	30.0	Solid Waste
Samuel H. Song	50	05/01/2024	9.7	Parks & Recreation

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

Withdrawals for March 2023

<i>Name</i>	<i>Years of Service</i>	<i>Termination Date</i>
Ann R. Gannon	1.5	06/30/2013
Alexis M. Rose-Perkins	3.2	11/04/2021
Joseph P. Putman	3.3	06/09/2022
Jeremy Z. Naccarato- Edwards	0.9	08/25/2023
Kimberley A. McCollim	1.1	01/02/2024
Thomas Siewert	0.4	01/08/2024

Richard Czernik moved and Jonathan Bingle seconded the motion to approve the request for withdrawals as presented on the March Transaction Report. The motion passed unanimously.

Vesting

<i>Name</i>	<i>Department</i>	<i>Years of Service</i>
	Combined Communications Center	
Jon M. Adams		12.2
Lynn M. Morse	Parking Enforcement	14.1
Karen J. Stratton	Council	18.4
Alan C. Wagner	Library	8.8
Michael L. Vander Giessen	Prosecutor's Office	1.9 (portability)

Deaths

<i>Name</i>	<i>Date Retired</i>	<i>Age</i>	<i>Date of Death</i>	<i>Information</i>
Marvin W. Murphy	11/04/1994	83	01/08/2024	No Further Benefits
Druzena M. Pounds	01/26/2023	90	02/05/2024	No Further Benefits

Vesting and Death information provided to the Board for review.

Expenditure Summary Report – December 2023, January 2024

The December 2023 and January 2024 Expenditure Summary Reports were presented to the Board and discussed.

Joe Cavanaugh moved and Richard Czernik seconded the motion to approve the December 2023 and January 2024 Expenditure Summary Reports. The motion passed unanimously.

Schedule of Investments – January 2024

The monthly investment report was presented to the Board for review. The estimated market value of the SERS portfolio on January 31, 2024 was \$343 million with an estimated monthly rate of return of -0.4%.

Monthly Cash Reconciliation

The monthly cash reconciliation reports for February 2024 was presented to provide the Board with additional insight into the ongoing liquidity and cash position of the plan.

Upcoming Board Election – Tieken

Jim Tieken's SERS Board position is up for election, with his term ending June 30, 2024. He has indicated he will be running for re-election.

Other Business

The June 5, 2024 meeting has been moved to 12:00 p.m.

Jim Tieken shared with the Board the result of his meeting with Mayor Brown following the February meeting. He reiterated to the Mayor the Board's decision to appoint Ms. Shisler to the Director position.

Joe Cavanaugh moved and Richard Czernik seconded the motion to adjourn the meeting. The motion passed unanimously.

There being no other business, the meeting adjourned at 1:20 p.m.

/s/

Christine Shisler, Interim Retirement Director