

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

AGENDA

Closed Session

1. Disability Retirement
 - Discussion

Open Session

1. Disability Retirement
 - Motion
2. Minutes of the March 6, 2024 Meeting
 - Motion
3. Director's Report
 - a. Retirements
 - Motion
 - b. Withdrawals
 - Motion
 - c. Deaths
 - Information
 - d. Expenditure Summary Report – March 2024
 - Motion
 - e. Schedule of Investments – March 2024
 - Information
 - f. Cash Reconciliation - March 2024
 - Information
 - g. Other Business
 - July Board Meeting
4. OPMA Training
 - Information
5. Other Business
 - a. Board Election - Tieken
 - Information
 - b. Travel Policy
 - Motion
6. Next Meeting - **Wednesday, May 1, 2024 at 1:00 p.m.**

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.

Christine Shisler, Interim Retirement Director

SERS Retirement Transaction Report

April 2024

Retirements

	Name	Age	Retirement Date	Years of Service	Department	Option
1	Murray "Dean" Giles		Rescinded retirement application			
2	Kelli L. Nygren	64	04/01/2024	7.2	Police	ST
3	Beth A. Gleason (Changed Date)	64	04/06/2024	19.1	Police Records	C5
4	Kenneth J. Hopkins	58	04/12/2024	21.8	Water	E
5	Tamra S. Duncan	67	04/13/2024	33.8	Solid Waste Management	ST
6	Kim A. Goodman	69	04/27/2024	29.5	Engineering Services	ST
7	Carl S. Cline	68	05/02/2024	16.6	Water	E
	Retirements YTD	21				
	2023 Total Retirements	81				

Withdrawals

	Name	Years of Service	Department	Termination Date
1	Victoria R. Utecht	0.3	Police - Dispatch	08/21/2023
2	Zachary W. Rose	1.0	Code Enforcement	09/01/2023
3	Stephen M. Coleman	1.9	Solid Waste Management	09/13/2023
4	Andrew C. Johnson	0.2	Solid Waste Management	10/18/2023
5	Robert D. Dexter	0.2	Library	02/03/2024
6	Martin L. Rosendahl	0.4	Water	02/13/2024

Deaths

	Name	Date Retired	Age	Date of Death	Information
1	Laverta M. Berry	06/05/1993	95	12/23/2023	No Further Benefits
2	Lyndia R. Cossiart	01/09/2000	79	03/09/2024	No Further Benefits

SPOKANE EMPLOYEES' RETIREMENT SYSTEM - 6100
2024 EXPENDITURE SUMMARY REPORT
February 29, 2024

	2023 ACTUAL	2024 BUDGET	FEBRUARY ACTUAL EXPENDITURES	2024 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
OPERATING EXPENDITURES						
Departmental Salaries	307,703.65	387,148.00	20,614.40	35,372.17	351,775.83	9.1%
Departmental Benefits	67,758.43	132,492.64	7,421.42	13,766.23	118,726.41	10.4%
Reserve for Budget Adjustment	-	10,000.00	-	-	10,000.00	
Administrative Income	(24,435.76)	(20,000.00)				
Postage/Supplies/Other	2,197.21	7,250.00	50.31	50.31	7,199.69	0.7%
State Audit Charges					-	
Contractual Services	136,457.84	175,000.00	17,850.00	17,850.00	157,150.00	10.2%
Travel	9,218.13	15,000.00	-	-	15,000.00	0.0%
Registration/Schooling	7,220.00	16,000.00	-	-	16,000.00	0.0%
Other Dues/Subscriptions/Membership	2,393.80	3,000.00	1,495.00	1,495.00	1,505.00	49.8%
Other Miscellaneous Charges	3,252.72	5,200.00	-	-	5,200.00	0.0%
Amortization	17,649.00	-	-	-		
TOTAL OPERATING EXPENDITURES	529,415.02	731,090.64	38,094.67	58,597.25	682,556.93	8.0%
INTERFUND EXPENDITURES						
Interfund - Centralized Purchasing	1,745.00	-	-	-	-	
Interfund - Centralized Accounting	3,624.66	-	-	-	-	
Interfund - My Spokane	958.00	-	-	-	-	
Interfund - Risk Management	537.00	-	-	-	-	
Interfund - Worker's Compensation	118.00	-	-	-	-	
Interfund - Reprographics	11,855.52	-	810.00	810.00	(810.00)	
Interfund - IT	21,287.52	-	-	-	-	
Interfund - IT Replacement	2,961.00	-	-	-	-	
TOTAL INTERFUND EXPENDITURES	43,086.70	-	810.00	810.00	(810.00)	
TOTAL ADMINISTRATIVE EXPENDITURES	572,501.72	731,090.64	38,904.67	59,407.25	681,746.93	8.1%

SPOKANE EMPLOYEES' RETIREMENT SYSTEM - 6100
 2024 EXPENDITURE SUMMARY REPORT
 February 29, 2024

	2023 ACTUAL	2024 BUDGET	FEBRUARY ACTUAL EXPENDITURES	2024 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
PENSIONS						
Pensions-Annuity Benefit Payments	33,622,179.79	36,000,000.00	2,860,068.64	5,689,481.58	30,310,518.42	15.8%
Pensions-Disability Payments	109,613.46	135,000.00	8,115.76	16,231.52	118,768.48	12.0%
Pensions-Survivor Annuity Benefits Payments	2,356,445.04	2,500,000.00	202,157.67	405,657.51	2,094,342.49	16.2%
TOTAL PENSIONS	<u>36,088,238.29</u>	<u>38,635,000.00</u>	<u>3,070,342.07</u>	<u>6,111,370.61</u>	<u>32,523,629.39</u>	15.8%
Refunds	1,378,165.86	1,250,000.00	61,015.46	128,747.99	1,121,252.01	10.3%
TOTAL EXPENSES	<u><u>38,038,905.87</u></u>	<u><u>40,616,090.64</u></u>	<u><u>3,170,262.20</u></u>	<u><u>6,299,525.85</u></u>	<u><u>34,326,628.33</u></u>	15.5%
INVESTMENT EXPENSE*						
Advisory Technical Service	465,177.91	600,000.00	38,201.20	46,304.67	553,695.33	7.7%

* 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
February 29, 2024

3/26/2024

	Type		Allocation		
			Target	Current	Diff.
Cash Held by Treasurer	Cash	\$ 124,596			
US Bank	Short-term Inv	376,655			
Total Cash		501,251	0.0%	0.1%	0.1%
Sterling Capital	Total Return	35,056,881			
Loomis Sayles Core-Plus	Total Return-Mutual Fund	26,078,267			
Fidelity Core	FI - Mutual Fund	-			
Total Total Return		61,135,148	17.0%	17.3%	0.3%
BlackRock	High Yield - Mutual Fund	6,532,630			
Hotchkis & Wiley	High Yield - Mutual Fund	16,795,439			
Total High Yield		23,328,069	8.0%	6.6%	-1.4%
Post Limited Term High Yield	Ltd Partnership	-			
PIMCO Dynamic	Absolute Return	6,002,297			
Rimrock Low Volatility	Ltd Partnership	530,389		est hold back	
Polar	LLC	9,655,042			
Total Absolute Return		16,187,728	5.0%	4.6%	-0.4%
Total Capital Preservation		101,152,196	30.0%	28.7%	-1.3%
Hotchkis & Wiley	LC Value - Mutual Fund	11,158,820			
Fidelity S&P 500 Index	LC Core - Mutual Fund	37,974,279			
MFS Growth	LC Growth - Mutual Fund	12,448,086			
Total US Large Cap		61,581,185	16.0%	17.5%	1.5%
Sterling	MC Value	5,574,806			
Fidelity MC Index	MC Core - Mutual Fund	3,354,022			
Westfield MC Growth	MC Growth	9,198,631			
Fidelity SC Index	SC Core - Mutual Fund	553,620			
Champlain	SC Core	9,021,724			
Bridge City	SC Growth	8,201,494			
Allspring (FKA: Wells Fargo)	SC Value - Mutual fund	-			
Total US Small/Mid Cap		35,904,297	8.0%	10.2%	2.2%
Total US Equities		97,485,482	24.0%	27.7%	3.7%
Artisan	SMID Value - Mutual Fund	20,377,264			
Euro Pacific	LC Blend - Mutual Fund	15,523,066			
Fidelity International	LC Index - Mutual Fund	-			
Total International Large Cap		35,900,330	10.0%	10.2%	0.2%
Trivalent	SC Value - Mutual Fund	16,810,259			
Total International Small/Mid		16,810,259	5.0%	4.8%	-0.2%
Vanguard EM Index	EM - Mutual Fund	6,668,470			
ABS Emerging Markets	Ltd Partnership	10,244,156			
Total Emerging Markets		16,912,626	5.0%	4.8%	-0.2%
Total International Equities		69,623,215	20.0%	19.8%	-0.2%
Weatherlow Offshore	Ltd Partnership	22,712,206			
Royalty Opportunities I	Ltd Partnership	710,279			
Royalty Opportunities II	Ltd Partnership	234,276			
Total Long Biased		23,656,761	9.0%	6.7%	-2.3%
Metropolitan Real Estate Partners	Ltd Partnership	-			
Morrison Street Fund VI	LP	6,678,720			
Morrison Street Fund VII	LP	2,395,530			
Morrison Street Income Fund	LP	2,508,912			
Morgan Stanley Prime	LLC	7,462,311			
Principal (REITs)	REITs	7,707,093			
Total Real Estate		26,752,566	7.0%	7.6%	0.6%
Contrarian Capital Fund I	Ltd Partnership	11,842,988			
Beach Point	Ltd Partnership	15,027,576			
Total Private Credit		26,870,564	8.0%	7.6%	-0.4%
Contrarian EM Credit	LLC	6,831,504			
OrbiMed II	Ltd Partnership	-			
Total Master Ltd Partnerships		6,831,504	2.0%	1.9%	-0.1%
Total Cash and Investments		\$ 352,372,288	100.0%	100.0%	0.0%
	Monthly Contributions	2,304,649			
	Monthly Pension	\$ (3,131,358)			
	As of January 31, 2024	\$ 343,059,879			
	Estimated Rate of Return	3.0%			

SERS Cash Reconciliation-March 2024

Date	Transactions	Sources	Uses	Balance
2/29/2024	Beginning Balance			\$ 368,558.49
3/1/2024	Interest	8,096.15		376,654.64
3/11/2024	Payroll Contributions	1,151,123.38		1,527,778.02
3/18/2024	Distribution-Royalty Opps II	14,395.95		1,542,173.97
3/25/2024	Payroll Contributions	1,155,205.46		2,697,379.43
3/25/2024	Capital Call-Morrison Street VII		(300,000.00)	2,397,379.43
3/26/2024	Final Distribution from Post	342,978.04		2,740,357.47
3/26/2024	From Fidelity S&P 500 for Pension Payments	800,000.00		3,540,357.47
3/27/2027	Ending Balance			3,540,357.47
	<u>Upcoming</u>			
3/29/2024	March Pension Payments			\$ (3,054,037.34)

EFFECTIVE DATE: April 3, 2024

SUBJECT: POLICY ON TRAVEL EXPENSES

1. GENERAL

1.1 The following outlines the Spokane Employees' Retirement System's policy regarding allowable expenses for work related travel, meals, lodging and other like costs.

1.2 This bulletin is divided into the following sections:

Section 1 - GENERAL

Section 2 - STATEMENT OF POLICY

Section 3 - ALLOWABLE EXPENSES FOR OFFICIAL BUSINESS

2. STATEMENT OF POLICY

2.1 It is the policy of Spokane Employees' Retirement System to sponsor attendance at meetings, conferences, and training sessions as far as is financially feasible, and when participation will further the SERS' mission and goals. SERS' sponsorship may include full or partial payment of tuition, registration fees, and travel related expenses as outlined below. Additionally, it is the SERS policy to reimburse costs on a mileage basis for the business use of an employee's private vehicle.

3. ALLOWABLE EXPENSES FOR OFFICIAL BUSINESS

3.1 The Spokane Employees' Retirement System may pay, in full or in part, the direct expenses (i.e. travel, hotel, meals, registration, and other allowable miscellaneous expenses) of SERS staff or Board members on approved travel.

3.2 Payment for meals and lodging will generally be limited to current per diem rates as established by the Federal General Services Administration. Taxes added to daily lodging rates may be claimed as an additional miscellaneous expense. Full payment of actual expenses in excess of per diem rates for lodging and meals at meetings or conferences may be allowed when the travel is required by the Spokane Employees' Retirement System and other arrangements are not practical or available, or when there is a significant advantage to the SERS to do so, but only with prior approval. The reasons for the exception must be documented.

3.3 Meal expenses incurred locally are generally not reimbursable, however, they may be approved upon provision of a cost/benefit analysis justifying the expense.

- 3.4 The cost of coffee and other non-alcoholic beverages and/or light refreshments served at Spokane Employees' Retirement System-sponsored meetings, conferences or training sessions may be reimbursed. The cost of refreshments served during normal day-to-day operational meetings, and other like occurrences, will not be reimbursed.
- 3.5 Travel expenses, including airfare and ground transportation to and from the airport, or actual mileage for use of a personal vehicle for the most direct route to the destination, will be allowable. Mileage will be reimbursed at the current rate published by the Federal General Services Administration. The least costly mode of travel will be utilized unless justification is provided demonstrating a business necessity for an exception. The Spokane Employees' Retirement System will not pay any added expense that is incurred at the employee's preference, or for the employee's convenience.
- 3.6 In compliance with the Americans with Disabilities Act, all SERS staff and Board Members are to be afforded equal opportunity to travel for official business even, when necessary, accommodations result in costs which exceed the most economical rates available.
- 3.7 The Retirement Director or SERS Board Chairperson has full authority to develop administrative procedures and guidelines consistent with this policy, and to approve or deny all expense claims. Travel reimbursements and advances will be provided only for properly authorized travel. All requests must be submitted in accordance with existing procedures.