

**Spokane Employees' Retirement System (SERS)
Board Meeting Minutes
June 5, 2024**

The regular monthly meeting was called to order at 12:02 p.m.

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

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

Guests: Laurie Tish & Ashlee Lent (Moss Adams); Jayson Davidson & Tom Breden (Hyas Group); Matthew Thompson & Dylan Wharton (SAO), Dave Hanshaw, and Jon Barnhart

Closed Session

The meeting was called to order and the Board immediately went into closed session.

Richard Czernik and Jonathan Bingle seconded the motion to move into open session at 12:18pm. The motion passed unanimously.

Moss Adams, December 31, 2023 Audit Report

Moss Adams presented the 2023 SERS independent audit report. The auditors explained how they test critical areas such as the investment assets, investment income, contributions, benefit payments and participant data. Moss Adams issued an unqualified (clean) opinion. They had no negative comments or areas of concern in the management letter, which reflects the continuing diligence of staff.

Hyas Group, 2024 1st Quarter Investment Performance Report

Hyas Group reviewed the First Quarter 2024 Performance Report with the Board and provided updated numbers for quarter-to-date performance during the Second Quarter.

Hyas Group discussed general market conditions as well as expectations for the remainder of the year. The U.S. economy continues to post respectable economic growth numbers and the most recent employment report, which showed some slowing from previous months, still indicates a robust job market. Employers added 175,000 jobs in April and the unemployment rate remains below 4%. Expectations for several Federal Reserve rate cuts this year propelled markets during the First Quarter. These expectations have softened slightly as Federal Reserve leadership has expressed caution and inflation numbers appear to be somewhat stuck above targets. Markets have reacted in kind, with both fixed income and equity markets trading in a fairly narrow range. Additionally, Hyas Group noted that conflict in the Middle East and the continued war between Russia and Ukraine could further disrupt energy markets and global supply chains. This could put upward pressure on prices and strain global economic growth,

which would further impact markets. In this backdrop, the portfolio posted a good relative return quarter at 4.4%, which was .70% ahead of the portfolio benchmark. All broad categories added value relative to their respective benchmarks, with the exception of the Master Limited Partnership category. At quarter-end, there were four managers on watch for performance in violation of underlying policy benchmarks, Hotchkis & Wiley High Yield, Sterling Mid Cap Value, Champlain Small Cap and Contrarian Emerging Markets. As the OCIO group has now taken over responsibility for portfolio management, it will be incumbent upon them to address individual fund performance concerns and prior watch status policy language is no longer applicable. There were also two funds, Sterling Total Return Bond and Sterling Mid Cap Value (also on watch for quantitative reasons), on watch for qualitative reasons related to the previously announced ownership change for Sterling. The same responsibility change under OCIO applies here as well. We are expecting OCIO to address all watch status funds in the coming months, with most being removed from the portfolio allocation.

Hyas Group informed the Board that Morrison Street recently issued a \$468,750 capital call for Fund 7. The call was completed and capital provided in the month of May as requested. Hyas Group also shared that Morrison Street announced a change in ownership. Morrison Street is being acquired by NorthMarq, a larger real estate firm that hitherto did not have an asset management arm. They shared that the Hyas Group did not have any large concerns regarding the transaction and have advised affected clients to consent to the acquisition.

Portfolio Rebalancing Update

Tom Breaden, the head of Hyas Group's analytics team provided a further update on the transition to OCIO management and the expected portfolio changes ahead. He noted that portfolio changes comport with the newly approved Investment Policy and discretionary OCIO management structure are underway. Most adjustments have taken place during the Second Quarter and expect completion early within the Third Quarter. Hyas Group will look to have a representative from OCIO attend the next quarterly meeting to discuss changes and ongoing processes.

Portfolio Comparison Analysis

The Board revisited the discussion regarding the appropriate target return and overall allocation to achieve the return. Specifically, discussing the prospect of increasing the equity and/or alternatives allocation in order to achieve a higher targeted return. Hyas Group shared a couple of allocation scenarios looking at different equity/alternatives to fixed income percentage splits.

Joe Cavanaugh moved and Richard Czernik seconded the motion to table further discussion until the next meeting. The motion passed unanimously.

Minutes of the May 1, 2024 Meeting

Joe Cavanaugh moved and Richard Czernik seconded the motion to approve the minutes of the May 1, 2024 meeting as presented. The motion passed unanimously.

Director's Report
Service Retirements

<i>Name</i>	<i>Age</i>	<i>Retirement Date</i>	<i>Years of Service</i>	<i>Option</i>
Mychael K. Isayev	51	06/01/2024	20.5	E
Michael A. Cannon	63	06/04/2024	32.9	E
Seth A. McIntosh	50	06/21/2024	25.9	ST

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

Withdrawals

<i>Name</i>	<i>Years of Service</i>	<i>Termination Date</i>
Michael D. Brown	0.97	03/09/2024
Keith R. Lentz	0.44	04/02/2024

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

Deaths

<i>Name</i>	<i>Date Retired</i>	<i>Age</i>	<i>Date of Death</i>	<i>Information</i>
Paul R. Peterson	11/06/2017	73	04/27/2024	No Further Benefits

Death information provided to the Board for review.

Expenditure Summary Report – April 2024

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

Richard Czernik moved and Jonathan Bingle seconded the motion to approve the April 2024 Expenditure Summary Report. The motion passed unanimously.

Schedule of Investments – April 2024

The monthly investment report was presented to the Board for review. The estimated market value of the SERS portfolio on April 30, 2024, was \$347.9 million with an estimated rate of return of -2.0% for the month.

Monthly Cash Reconciliation – May 2024

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 and Mr. Bingle shared commentary regarding their visit to the Hyas Conference.

Ms. Shisler also shared her experience with the Wharton Executive Education on Portfolio Concepts and Management. She thanked the Board for giving her the opportunity and is looking forward the education in July at the Wharton's Advanced Investment Management.

Ms. Shisler also updated the Board that the budget process/season has begun. She informed the Board that administration is requesting a biennial budget process. She will begin working on the 2025 and 2026 budgets.

Richard Czernik moved and Jonathan Bingle seconded the motion to adjourn the meeting. The motion passed unanimously.

There being no other business, the Board meeting adjourned at 2:03 p.m.

/s/

Christine Shisler, Interim Retirement Director