

**Spokane Employees' Retirement System (SERS)**  
**Board Meeting Minutes**  
**February 23, 2011**

Bill Todd called the regular monthly meeting to order at 12:40 p.m. in the 5<sup>th</sup> Floor Conference Room at City Hall.

**Present:** Bill Todd, Steve Sather, Tom Brown, Mike Coster, Jon Snyder, Dave Walker and Jerry McFarlane

**Staff:** Leo Griffin, Diana Hart, Christine Ellingson and Tim Szambelan

**Guests:** Jayson Davidson, Matthew Charbonneau, Jason Faulkner, Joan Hamilton, Mike Cavanaugh, John Bjork, Dave Hanshaw and Joe Cavanaugh

**Jayson Davidson, Hyas Group, 2010 4<sup>th</sup> Quarter Investment Performance Report**

Mr. Davidson reviewed the fourth quarter investment performance report. For the year ended December 31, 2010, SERS' investment return was 13.47%, which was slightly under the policy index return of 13.97%. Over three years, the Fund earned 1.40% compared to the policy index, which was 0.60%. SERS' three-year performance is top quartile. Hyas Group will continue to be diligent in their assessment of the current market environment and will recommend changes to the overall portfolio as appropriate.

Although recent performance improvements were noted, Hyas will continue to maintain the watch status on the Hotchkis & Wiley Core Value Fund and the Essex Small/Micro Fund. Additionally, Hyas will maintain the watch status on the Santa Barbara Large Cap Growth Fund and will continue to evaluate the most appropriate timing for replacing this option.

Mr. Davidson informed the Board that the proceeds from the Common Sense Partners liquidation were received in January, less a small portion held back until the completion of their audit. Additionally, Hyas is working diligently, with SERS' CIO, to find acceptable replacement managers in the absolute return asset class. Until a new manager is approved in that asset class, the allocation will remain in the SERS Intermediate Fixed Income bucket, which is currently funded with two short-duration fixed income mutual fund products.

The Board concurred with Hyas Group's recommendation to bring the foreign bond allocation to the implementation target by transferring \$4 million out of the Vanguard Institutional Index and investing it in the PIMCO Global Bond Fund.

Mr. Davidson notified the Board that the outside counsel contract is complete and therefore the review of the OrbiMed Caduceus Capital partnership product and the OrbiMed Royalty Opportunities partnership product are in process. The approved \$5

million for the Caduceus product is expected to come from the International asset class: \$3 million Europacific Growth, \$1 million Artisan International Value and \$1 million from Epoch International Small Cap. This is a revision to the original funding source, which had the \$5 million coming from the Large Cap asset class. The Royalty Opportunities product will continue to be funded from the Large Cap asset class (and specifically the Vanguard Institutional Index) as the capital is called.

Hyas will work with the CIO and the Board to revise the asset class and fund target implementation page that is included in each quarterly performance report. Specifically, the page should reflect that the percentages and over/under weights are reflective of implementation targets, not investment policy targets.

#### **Investment Vehicle Option and Tax Identification Number**

The Board was provided a letter from outside counsel, in draft form, related to the use of on-shore vs. offshore partnership vehicles. Counsel is recommending that SERS invest in on-shore partnerships, as Unrelated Business Taxable Income (UBTI) is not applicable to SERS.

Mike Coster moved and Jon Snyder seconded the motion to fund on-shore partnership vehicles when available. The motion passed unanimously.

Further, outside counsel is recommending that SERS establish its own tax identification number (TIN) separate and apart from the City of Spokane's TIN.

Steve Sather moved and Jerry McFarlane seconded the motion to instruct staff to proceed with securing a separate tax identification number. The motion passed unanimously.

#### **Investment Policy**

Mr. Griffin informed the Board that the legal department has requested the updated investment policy, which the Board approved on August 25, 2010. In the past, the investment policy, as created by the CIO and the investment consultant, has been re-formatted into a prescribed City format. Mr. Griffin requested direction from the Board.

Jon Snyder moved and Steve Sather seconded the motion to keep the Board approved investment policy's format as is. The motion passed unanimously.

The Board directed staff to provide a copy of the current, Board approved investment policy to the legal department and to file a copy with the City Clerk.

#### **Minutes of the January 26, 2011 Meeting**

Steve Sather moved and Tom Brown seconded the motion to approve the minutes of the January 26, 2011 meeting as distributed. The motion passed unanimously.

## **Service Retirements**

<b>Name</b>	<b>Age</b>	<b>Retirement Date</b>	<b>Years of Service</b>	<b>Option</b>	<b>30-day Notice</b>
Cindy M. Gullett	50	01/24/2011	7.9	E	N
Cheryl E. Miller on behalf of Mitch Miller	53	01/25/2011	9.6	E	N
William A. Johns	65	04/01/2011	5.8	E	Y
Russell W. Beseler	62	04/02/2011	12.7	D	Y
Paul V. Haberbusch	55	04/23/2011	14.6	A	Y

Jerry McFarlane moved and Tom Brown seconded the motion to approve the service retirements as presented on the February Retirement Transaction Report. The motion passed unanimously.

## **Withdrawals for February 2011**

<b>Name</b>	<b>Termination Date</b>
Stephen Hallstrom	08/06/2010
Charles Fechner	09/30/2010

Tom Brown moved and Mike Coster seconded the motion to approve the requests for withdrawal as presented on the February Retirement Transaction Report. The motion passed unanimously.

## **Deaths**

<b>Name</b>	<b>Date of Death</b>	<b>Age</b>	<b>Information</b>
Christy Tyson	01/01/2011	63	No further benefits
Ralph R. Walker	01/20/2011	86	No further benefits
Garrett R. Jessee	01/21/2011	62	No further benefits
Mitchell A. Miller	01/24/2011	52	Active Employee – E Option to Spouse
James D. Basden	02/01/2011	81	No further benefits
Evelyn M. Gerkenmeyer	02/03/2011	74	No further benefits
Roger C. Hill	02/03/2011	92	No further benefits

Death information was provided to the Board for review.

## **Director's Report**

### **Schedule of Administrative Expenses – 2010**

The 2010 Schedule of Administrative Expenses was presented to the Board and discussed.

Tom Brown moved and Steve Sather seconded the motion to approve the 2010 Schedule of Administrative Expenses. The motion passed unanimously.

#### **Expenditure Summary Report – January 2011**

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

Steve Sather moved and Jerry McFarlane seconded the motion to approve the January 2011 Expenditure Summary Report. The motion passed unanimously.

#### **Schedule of Investments – January 2011**

The monthly investment report was given to the Board for review.

#### **Cell Phone Policy**

Mr. Griffin will be traveling with Brian Loescher, Hyas Group, to Boston and to Toronto Canada to meet with prospective investment managers. Mr. Griffin is requesting, in advance, the Board's approval for reimbursement of out of country data charges and any business calls made on his cell phone while he is in Canada. The Board discussed that the Director's responsibilities are real time and cannot be delegated.

Mike Coster moved and Tom Brown seconded the motion to approve reimbursement of any international data charges along with specific business calls on the Director's cell phone while he is in Canada. The motion passed unanimously.

Additionally, staff will work on drafting a policy, for the Board's approval, for future cell phone reimbursement when the Director is traveling outside the United States.

#### **Board Education**

Information on upcoming education offered by Wharton was provided to the Board.

#### **Upcoming Board Election**

Steve Sather's term on the Board runs through July 3, 2011. Mr. Sather stated that he will be running for re-election.

There being no other business, the meeting adjourned at 2:10 p.m.

***/s/***

---

**Leo F. Griffin, Retirement Director**