

Spokane Employees' Retirement System (SERS)
Board Meeting Minutes
August 31, 2011

Bill Todd called the regular monthly meeting to order at 12:35 p.m. in the 5th Floor Conference Room at City Hall.

Present: Bill Todd, Mike Coster, Steve Sather, Jon Snyder and Jerry McFarlane

Absent: Dave Walker

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

Guests: Jayson Davidson, Heather Lowe, Joe Cavanaugh, Mike Cavanaugh, Joan Hamilton, Dave Hanshaw, Sean Barley, Curtis Borders, Jim Tieken and John Bjork

Jayson Davidson, Hyas Group, 2011 2nd Quarter Investment Performance Report

Mr. Davidson reviewed the second-quarter investment performance report. For the quarter ended June 30, 2011, SERS' investment return was 0.30%. SERS' one, two, three and four year returns were 21.8%, 16.4%, 3.8% and 2.5% respectively. SERS' performance has outpaced the policy index over the four-year time period and lagged the policy index in the shorter time periods; the investment portfolio will generally lag the policy index when the equity markets move upward quickly and outperform the index in downward markets. Over time, the portfolio is expected to outperform the policy index. SERS also has a number of commitments to limited partnerships and until those dollars are called by the partnerships, the investment itself will not be fully funded which may cause a disparity to the policy index.

Victory

Hyas recommended terminating Victory Capital Management and moving the monies to the Vanguard S&P 500 Institutional Index Fund.

Jerry McFarlane moved and Mike Coster seconded the motion to terminate Victory Capital Management and move the cash to the Vanguard S&P 500 Institutional Index Fund. The motion passed unanimously.

Funds on Watch

Hyas Group recommended maintaining the watch status on Santa Barbara Large Cap Growth, the Hotchkis & Wiley Core Value Fund, and the Essex Small/Micro Fund. At the next quarterly meeting, Hyas will present a Manager Search for the small growth and small value asset classes.

Polar Altairis

Mr. Brian Loescher of the Hyas Group and Mr. Leo Griffin of SERS made a site visit to Polar Securities in Toronto, Canada in March, 2011. At that time, the Altairis fund was closed; however, an opening occurred in July, 2011. Altairis is a broadly diversified absolute return strategy, investing in small to mid-cap North American companies. The investment strategy minimizes industry and factor exposure with the objective of producing consistent absolute returns with low volatility and with low correlation to the equity market. Hyas Group recommended a \$5 million investment in Polar Altairis split equally from the PIMCO Low Duration Fund and Vanguard Short-Term Index Fund.

Mike Coster moved and Jon Snyder seconded the motion for a \$5 million investment in Polar Altairis funded 50% from the PIMCO Low Duration Fund and 50% from the Vanguard Short-Term Index Fund. The motion passed unanimously.

Minutes of the July 27, 2011 Meeting

Steve Sather moved and Jon Snyder seconded the motion to approve the minutes of the July 27, 2011 meeting as distributed. The motion passed unanimously.

Service Retirements

| Name | Age | Retirement Date | Years of Service | Option | 30-day Notice |
|--------------------|------------|------------------------|-------------------------|---------------|----------------------|
| Betty R. Bischoff | 61 | 09/03/2011 | 21.6 | E | N |
| David K. Rains | 55 | 09/07/2011 | 24.2 | ST | N |
| Thomas A. Makela | 63 | 09/09/2011 | 29.6 | ST | Y |
| Kathleen M. Konek | 50 | 09/11/2011 | 8.8 | ST | Y |
| Thomas M. Craig | 62 | 09/17/2011 | 34.1 | E | N |
| Dennis E. Woodfill | 67 | 09/17/2011 | 18.5 | D | N |
| Jan S. Shrum | 50 | 09/17/2011 | 22.9 | D | Y |
| Tan V. Tran | 68 | 10/08/2011 | 17.4 | B | Y |

Jerry McFarlane moved and Steve Sather seconded the motion to approve the service retirements as presented on the August Retirement Transaction Report. The motion passed unanimously.

Withdrawal for August 2011

| Name | Termination Date |
|----------------|-------------------------|
| Jennifer Gower | 08/24/2007 |

Steve Sather moved and Jerry McFarlane seconded the motion to approve the request for withdrawal as presented on the August Retirement Transaction Report. The motion passed unanimously.

Deaths

| Name | Date of Death | Age | Information |
|-------------------|----------------------|------------|---------------------|
| Giovanni Pelle | 08/05/2011 | 87 | No further benefits |
| Lawrence Tennison | 08/09/2011 | 59 | No further benefits |

Death information was provided to the Board for review.

Director's Report

Expenditure Summary Report – July 2011

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

Mike Coster moved and Jon Snyder seconded the motion to approve the July 2011 Expenditure Summary Report. The motion passed unanimously.

Schedule of Investments – July 2011

The monthly investment report was presented to the Board for review. The market value of the SERS portfolio on July 31, 2011 was \$237.9 million.

SageView Contract

Mr. Griffin recommended a new contract with SageView Consulting for actuarial services to expire December 31, 2014.

Steve Sather moved and Jon Snyder seconded the motion to enter into a new contract to expire on December 31, 2014 with SageView Consulting.

There being no other business, the meeting adjourned at 1:45 p.m.

/s/

Leo F. Griffin, Retirement Director