

**Spokane Employees' Retirement System (SERS)
Board Meeting Minutes
April 25, 2012**

Bill Todd called the regular monthly meeting to order at 1:30 p.m. in the 5th Floor Conference Room at City Hall.

Present: Bill Todd, Jon Snyder, Jerry McFarlane, Mike Coster, Dean Kiefer and Brian Brill

Absent: Steve Sather

Staff: Leo Griffin, Christine Ellingson, Donald Brown and Tim Szambelan

Guests: Bill Dowd, Joan Hamilton, Joe Cavanaugh, Dean Vercruysse and John Bjork

Bill Dowd, SageView Consulting – 2011 Actuarial Valuation

Mr. Dowd presented the December 31, 2011 Actuarial Valuation. The actuarial funded status at December 31, 2011 was 68.8%, as compared to 72.2% at December 31, 2010. The decrease in the funded status is primarily attributable to actuarial smoothed losses from 2008 exceeding actuarial smoothed gains from 2009 and 2010. In 2011, the Plan earned less than the actuarial assumed rate of return, which also contributed to the decrease in the funded ratio. SERS uses a five-year actuarial smoothing technique coupled with a 90% - 110% corridor. SageView will present the results of the five-year Experience Study at the May Board meeting with a recommendation on the contribution rate.

Ad-Hoc

SageView recommended that the Board not grant an ad-hoc increase, as the funded ratio is less than 90%. This is in accordance with Board policy.

Mike Coster moved and Jon Snyder seconded a motion for no ad hoc adjustment to retirees in accordance with Board policy. The motion passed unanimously.

Interest Rate on Employee Contributions

This topic was deferred to the May Board Meeting.

Minutes of the March 28, 2012 Meeting

Jon Snyder moved and Brian Brill seconded the motion to approve the minutes of the March 28, 2012 meeting as distributed. The motion passed unanimously.

Service Retirements

Name	Age	Retirement Date	Years of Service	Option	30-day Notice
Lynn A. Russell	60	05/02/2012	35.0	ST	Y
Judy M. Moss	61	05/02/2012	30.2	ST	N
Joseph F. Wizner	57	05/03/2012	21.9	D	Y
Joyce M. Easley	62	05/12/2012	17.2	ST	N
Judith K. Killian	65	07/07/2012	32.8	ST	Y
Dale L. Strom	63	07/07/2012	35.0	ST	Y

Jon Snyder moved and Mike Coster seconded the motion to approve the service retirements as presented on the April Retirement Transaction Report. The motion passed unanimously.

Withdrawal for April 2012

Name	Termination Date
John Aaron	03/20/2012

Jerry McFarlane moved and Dean Kiefer seconded the motion to approve the request for withdrawal as presented on the April Retirement Transaction Report. The motion passed unanimously.

Deaths

Name	Date of Death	Age	Information
Stanley J. Grindy	04/10/2012	65	No Further Benefit

Death information was provided to the Board for review.

Notice of Election for SERS Employee Board Member – May 8, 2012

Mr. Griffin informed the Board that Bill Todd and Tim Dunivant are running for the employee member position on the SERS Board. The election will be held May 8, 2012.

Director's Report

Expenditure Summary Report – March 2012

The Expenditure Summary Report was presented to the Board and discussed. Mr. Griffin informed the Board that administrative expenses, through the first quarter ended March 31, 2012, are 15.6% less than the same period last year.

Mike Coster moved and Jon Snyder seconded the motion to approve the March 2012 Expenditure Summary Report. The motion passed unanimously.

Schedule of Investments – March 2012

The monthly investment report was presented to the Board for review. The market value (MV) of the SERS portfolio on March 31, 2012 was \$241 million.

Estate Planning Seminar

The Board was informed that the Estate Planning Seminar will be on Tuesday, May 15, 2012 at 5:30 p.m. in City Council Chambers. A notification to SERS employees will be distributed in early May.

2013 Budget

Mr. Griffin presented the 2013 budget. In the proposed budget, Mr. Griffin recommended a \$96,000 (14.7%) reduction in operating expenditures. However, that reduction will be offset by an increase in non-cash expenditures for depreciation in the amount of \$59,000 for the PeopleSoft software implementation; capitalized software amounting to \$353,000 will be depreciated over six years beginning in 2013. Expenditure reductions would come from reduced labor costs due to a reorganization in the department and a reduction in travel and education for staff and board members along with other miscellaneous reductions.

Mr. Snyder stated that he would prefer not to reduce the travel and education budget to \$0 as presented in the draft budget. Mr. Todd inquired about the travel budgets of other departments and Mr. Snyder replied that he was not aware of other departments reducing their travel budget to zero. Board member discussion ensued about the need for a budget that includes board member education and related travel along with investment due diligence travel for the Director. In the past few years, three of the board members have attended investments' education at the Wharton School and have found it beneficial in carrying out their oversight duties for the \$240 million SERS portfolio. Mr. Brill recommended leaving enough money in the budget for the Director to continue his due diligence related travel for future investments and two board members attending education. Mr. Griffin stated that the Director's travel has averaged \$6,200 per year over the past three years and is primarily attributable to due diligence on the limited partnership alternative investments as a result in the change in the asset allocation. Board related travel has ranged from \$1,600 to \$5,200 during the same time period. The Board will revisit the travel and education budget when it acts on approving the budget.

Contractual services expenditures vary from year to year and the 2013 budget includes \$200,000 for items such as audit and external legal fees along with actuarial costs. Given that the actuary will be presenting the Experience Study in May, 2012, which could result in a change to the contribution rate and a possible change in future benefits, it was decided to keep the contractual services budget at \$200,000. Although \$119,000 was spent in this category in 2011, legal and actuarial fees may increase if studies are performed related to possible benefit changes.

Mr. Griffin presented the remainder of the 2013 SERS budget. The Interfund transfer expenditures' budget includes an expected \$23,000 (38%) reduction that is mostly related to the elimination of the Accountant position, which was part of Centralized Accounting. In addition, Mr. Griffin recommended an increase in pension annuity payments of \$1.2 million or 7%. These are contractual claims against the System and are based on the projected number of retirees during 2013.

There being no other business, the meeting adjourned at 3:01 p.m.

/s/

Leo F. Griffin, Retirement Director