

Spokane Employees' Retirement System (SERS)
Board Meeting Minutes
August 29, 2012

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, Jon Snyder, Brian Brill, Mike Coster, Dean Kiefer, and Jerry McFarlane

Absent: Steve Sather

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

Guests: Jayson Davidson, Joe Cavanaugh, Dave Hanshaw, Joan Hamilton and John Bjork

Jayson Davidson, Hyas Group, 2012 2nd Quarter Investment Performance Report

Mr. Davidson briefed the Board on the portfolio returns for the second quarter of 2012. While the portfolio posted a negative return for the quarter itself, he noted that growth in assets for the year has been quite strong at approximately 8% YTD. He informed the Board that the watch status on the Hotchkis & Wiley Core Value Fund will remain in effect. The Santa Barbara Fund will remain on watch until it is removed from the portfolio. Hyas Group continues to recommend that SERS hold the Hotchkis product and will continue to monitor its progress and provide updates at the next quarterly report meeting.

Mr. Davidson communicated recent executive level changes at Vanguard. The firm's current CIO Gus Sauter is retiring and being replaced by Tim Buckley. No actions were recommended as a result of the change. He also discussed the recent purchase of TCW by private equity firm Carlyle. TCW is the parent of MetWest, thus this ownership change could have implications for the MetWest High Yield Bond Fund. Mr. Davidson stated that one of Hyas Group's analysts met onsite with MetWest personnel during last week and they would be passing on any pertinent information to Mr. Griffin.

The Board was briefed that Post has announced the "soft close" of their Limited Term High Yield strategy. This close means they do not intend to take on any new client assets and does not impact existing clients' ability to add to current positions. Hyas Group views this move by Post as a positive and is not recommending any actions as a result.

The Board was notified of Landmark's decision to allow the Fund to liquidate its position in the Landmark Value Strategies product at the end of this month without penalty. Staff will monitor this redemption to ensure that the assets are reinvested

accordingly. The intent is to reinvest \$1 million of the proceeds into the MetWest High Yield Bond Fund and to split the remainder equally between the Vanguard Short-term Bond Index Fund and the Pimco Low Duration Bond Fund.

An amended draft of the SERS Investment Policy Statement was distributed to the Board. Mr. Davidson and Mr. Griffin will plan a formal review and approval of the amended document at the next Board meeting.

Large Cap Growth Manager Search Report

Mr. Davidson presented the Hyas Group Large Cap Growth Manager Search Report. Hyas Group recommended replacing the Santa Barbara Large Cap Growth Fund with the Delaware Pooled Large Cap Growth Equity Fund. Once approved, the transition will take place as soon as administratively feasible and it is expected the transaction could occur within a week. Both Mr. Griffin and the Hyas Group have met with a representative from Delaware Investments in person.

Jon Snyder moved and Jerry McFarlane seconded the motion to terminate the Santa Barbara Large Cap Growth Fund and replace it with the Delaware Pooled Large Cap Growth Equity Fund, as recommended by Hyas Group. The motion passed unanimously.

Minutes of the July 26, 2012 Meeting

Mike Coster moved and Jon Snyder seconded the motion to approve the minutes of the July 26, 2012 meeting as distributed. The motion passed unanimously.

Service Retirements

Name	Age	Retirement Date	Years of Service	Option	30-day Notice
Michael H. Adolfae	68	08/18/2012	5	D	N
Sallye S. Prenger	63	09/05/2012	8.8	ST	N
Daniel D. Trude	55	10/02/2012	24.6	ST	Y

Jon Snyder moved and Dean Kiefer seconded the motion to approve the retirements as presented on the August Retirement Transaction Report. The motion passed unanimously.

Withdrawals for August 2012

Name	Termination Date
Angelina L. Jensen	05/22/2012

Jon Snyder moved and Dean Kiefer seconded the motion to approve the requests for withdrawal as presented on the August Retirement Transaction Report. The motion passed unanimously.

Deaths

Name	Date of Death	Age	Information
Eva J. Monigold	07/07/2012	75	No Further Benefits
Florence F. Hood	07/27/2012	101	No Further Benefits
Everett W. Cox	08/06/2012	82	No Further Benefits

Death information was provided to the Board for review.

Director's Report

Expenditure Summary Report – July 2012

The Expenditure Summary Report was presented to the Board and discussed. Mr. Griffin notified the Board that year-to-date expenditures were running 10.8% below the same time period last year.

Jerry McFarlane moved and Jon Snyder seconded the motion to approve the July 2012 Expenditure Summary Report. The motion passed unanimously.

2013 Budget

The 2013 Budget was presented to the board and discussed.

Mike Coster moved and Jon Snyder seconded the motion to adopt the 2013 Budget as presented. The motion passed unanimously.

Schedule of Investments – July 2012

The monthly investment report was presented to the Board for review. The market value of the SERS portfolio on July 31, 2012 was \$232 million.

Other Business

Mr. Griffin reported that he expects the actuary to have another round of plan re-design scenarios completed in September. The information will be presented to the Mayor and to the Board.

The Board discussed and approved a letter to be sent to the Mayor and City Council members, which includes an actuarial update on SERS.

There being no other business, the meeting adjourned at 2:16 p.m.

/s/

Leo F. Griffin, Retirement Director