

**Spokane Employees' Retirement System (SERS)  
Board Meeting Minutes  
December 5, 2012**

Bill Todd called the regular monthly meeting to order at 12:36 p.m. in the 5<sup>th</sup> Floor Conference Room at City Hall.

**Present:** Bill Todd, Jon Snyder, Mike Coster, Steve Sather, Dean Kiefer and Brian Brill

**Absent:** Jerry McFarlane

**Staff:** Leo Griffin, Christine Shisler, Donald Brown and Tim Szambelan

**Guests:** Council Member Mike Fagan, Jayson Davidson, Joan Hamilton, Joe Cavanaugh, Mike Cavanaugh, Jim Tieken, Bob Olsen, Dave Hanshaw, Richard Czernik, Lori Butz, Ed Humphries, John Bjork, and Bill Dowd (via telephone)

**Open Session**

**Jayson Davidson, Hyas Group – 2012 3rd Qtr Investment Performance Report**

Mr. Davidson presented the third quarter performance report. The portfolio was up 9.7% year-to-date through September 30, 2012 and was up 4.6% during the third quarter. The quarter was notable in terms of the market gains for the portfolio and the strong upward trending equity market. The Hotchkis & Wiley Core Value Fund remains on watch. The Board was informed that the Santa Barbara Large Cap Growth Fund was removed from the portfolio in September and is thus no longer a watch status option within the Fund.

Vanguard has recently announced several changes to the benchmark indices they will be using to construct a number of their funds. A Hyas Group client memo on the subject was distributed to the Board. No actions were recommended at this time.

**Investment Policy Statement**

The Board was presented with a revised Investment Policy Statement at its August 29, 2012 meeting and again at today's meeting. The policy revisions are mostly limited to formatting changes.

Steve Sather moved and Jon Snyder seconded the motion to approve the Investment Policy Statement changes as written. The motion passed unanimously.

**Bill Dowd, SageView Consulting – Actuarial and Finance Committee Update**

Mr. Griffin informed the Board that he recently briefed the City’s Finance Committee on issues related to SERS. A copy of Mr. Griffin’s presentation was provided to the Board.

Mr. Griffin introduced Mr. Dowd, who was participating in this portion of the meeting via telephone. Mr. Griffin and Mr. Dowd were asked by the City Administration to create financial targets for SERS. A proposed Glide Path was developed and presented to the City Administration in November based on SERS’ projected funded status over the next 30 years assuming the Annual Required Contribution of 8.25% per side was in place. Based on the results of the latest valuation and experience study, a 10% differential in funded status from the target would result in a change in the actuarially determined contribution rate by approximately 2%. To get back on track, employer and employee contribution rates would each need to be adjusted 1% immediately. If a change in rates is deferred, the increase would need to be greater in the future to have the same corrective impact.

The Board expressed a desire to adopt the proposed Glide Path and include it in the actuary’s annual presentation.

Steve Sather moved and Dean Kiefer seconded the motion to adopt the Glide Path 10% Variance Chart and include it in the annual actuarial report. The motion passed unanimously.

Mr. Davidson left the meeting.

**Minutes of the October 31, 2012 Meeting**

Steve Sather moved and Jon Snyder seconded the motion to approve the minutes of the October 31, 2012 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>
Keith D. Coe	50	12/01/2012	13.6	ST	N
Gerard F.X. Vollmer	63	12/07/2012	19.1	E	Y
Taylor K. Bressler	62	12/15/2012	33.7	ST	N
James R. Evans	69	12/22/2012	8.4	E	Y
Gregory A. Smith	66	01/19/2012	8.2	ST	Y
Theodore S. Todd	61	02/08/2013	24.4	E	Y

Mike Coster moved and Steve Sather seconded the motion to approve the service retirements as presented on the November Retirement Transaction Report. The motion passed unanimously.

### **Withdrawals for November 2012**

<b>Name</b>	<b>Termination Date</b>
Alison E. Conrad	9/29/12

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

### **Deaths**

<b>Name</b>	<b>Date of Death</b>	<b>Age</b>	<b>Information</b>
Jacob W. Emerson	10/28/2012	84	No Further Benefits
Ronnie O. Gaustad	11/05/2012	77	No Further Benefits
James P. Olsen	11/09/2012	71	Option D Continues
Thomas J. Koontz	11/13/2012	56	No Further Benefits
Margaret C. Tuscher	11/24/2012	90	No Further Benefits

The report was provided to the Board as information only.

### **Director's Report**

#### **Expenditure Summary Report – October 2012**

The Expenditure Summary Report was presented to the Board and discussed. Staff noted that year-to-date expenditures through September 30, 2012 are down 15.3% compared to the same period last year.

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

#### **Schedule of Investments – October 2012**

The monthly investment report was presented to the Board for review. The market value of the SERS portfolio on October 31, 2012 was approximately \$237.7 million.

#### **SERS Board Regulations (HEART Act)**

The Board was presented a copy of proposed changes to the Board Regulations. In order to keep the Plan in compliance with the Internal Revenue Code, the Board is required to adopt changes related to the HEART Act by the end of 2012. Other changes in the Board Regulations relate to minor edits.

Steve Sather moved and Jon Snyder seconded the motion to approve the SERS Board Regulations, which include HEART Act modifications along with minor document edits. The motion passed unanimously.

### **Update on Interest Rate on Employee Contributions**

The City Council unanimously passed the change in interest rate on employee contributions from 4% to 2.5%. This change will be effective January 1, 2013.

### **Hyas Contract Extension**

Mr. Griffin presented the Hyas Group fee structure. In 2012, SERS paid Hyas Group \$105,000, billed quarterly, for the services they provide. The contract expires at the end of 2012. Mr. Griffin and Mr. Davidson recently had a fee discussion. Mr. Griffin proposes extending the contract for three additional years, which will give the Plan advantageous pricing. In 2013, the fee would remain the same at \$105,000. In 2014, there would be roughly a 3% increase to \$108,000. In 2015, the fee would remain at \$108,000.

Jon Snyder moved and Brian Brill seconded the motion to propose a three-year contract extension under the terms described to the current Hyas contract. The motion passed unanimously.

Mr. Todd suggested that contract be sent out for RFP in 2015.

### **Other Business**

#### **Executive Session**

At 2:16 pm, Bill Todd called an executive session to discuss a disability claim and asked all but the SERS Board and SERS staff to exit the room.

#### **Open Session**

At 2:58 pm, Bill Todd called the meeting into open session.

Jon Snyder left the meeting at 2:58 pm.

Steve Sather moved and Dean Kiefer seconded the motion to approve the disability retirement request from Edward L. Humphries pending receipt of a requested document from Mr. Humphries. The motion passed unanimously.

There being no other business, the meeting adjourned at 3:00 p.m.

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**Leo F. Griffin, Retirement Director**