

Spokane Employees' Retirement System (SERS)
Board Meeting Minutes
December 4, 2013

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, Mike Coster, Steve Sather, Dean Kiefer, Brian Brill and Jerry McFarlane

Staff: Timothy Dunivant, Christine Shisler, Donald Brown and Tim Szambelan

Guests: Jayson Davidson, Joe Cavanaugh, Jim Tieken, Bob Olsen and John Bjork

Jayson Davidson, Hyas Group – 2013 3rd Qtr Investment Performance Report

Mr. Davidson presented the third quarter 2013 Performance Report. The SERS portfolio again outperformed its policy benchmark in what turned out to be a very strong quarter for equity markets. The portfolio was up 12.65% year-to-date through September 30, 2012 and was up 5.2% during the third quarter. Rainier Mid Cap Fund and the Epoch International Small Cap Fund remain on watch due to performance in violation of policy. However, recent performance improvements were noted for the Epoch Fund.

Principal Global Investors REIT

The Sr. Portfolio Manager of the Principal Fund went to work for another firm. This represents a material personnel change. Hyas Group recommended that The Principal Fund be placed on watch status, but that SERS hold the product. Hyas will continue to monitor progress and provide updates at the next quarterly report meeting.

Dean Kiefer moved and Mike Coster seconded the motion to put Principal Global Investors REIT on watch as per the recommendation from Hyas Group. The motion passed unanimously.

Altairis Offshore

Hyas Group presented a recommendation to switch from the current Altairis Offshore funding vehicle to a different vehicle due to the large amount of limited partners exiting the current vehicle and the potential cost implications of a smaller limited partner pool of investors.

Jerry McFarlane moved and Jon Snyder seconded the motion to change the current Altairis funding vehicle as per the recommendation from Hyas Group. The motion passed unanimously. Hyas Group will work with staff to have the necessary paperwork processed.

Champlain Small Cap

As its 5-year number is below its benchmark, Hyas Group recommended placing the Champlain Small Cap Fund on watch due to performance not meeting policy criteria.

Steve Sather moved and Jon Snyder seconded the motion to put Champlain Small Cap on watch per the recommendation from Hyas Group. The motion passed unanimously.

Metropolitan Realty V

The Metropolitan management group is being bought by Carlyle. Although all of the senior managers signed extended lock-up agreements, Hyas Group feels this acquisition represents a change in control and additional scrutiny is warranted. Hyas Group recommended Metropolitan be placed on watch but that SERS continue to hold the product. Hyas Group will continue to monitor progress and provide updates at the next quarterly report meeting.

Steve Sather moved and Mike Coster seconded the motion to put Metropolitan Realty V on watch per the recommendation from Hyas Group. The motion passed unanimously.

Investment Policy Statement

A revised Investment Policy Statement was distributed to the Board for review. Mr. Davidson recommended an Administrative change, which involves removing the duplicate entries on the Investment Category List and minor grammatical changes. No other changes were recommended.

Mr. Dunivant asked the Board if they wanted to modify the goals of the Statement, more specifically the second goal that addresses ad hoc increases. This goal had been previously discussed at the May 2013 meeting, The Board noted that no changes are needed at this time.

Steve Sather moved and Dean Kiefer seconded the motion to approve the Investment Policy Statement changes as presented. The motion passed unanimously.

City Council Resolution Information

Mr. Snyder informed the Board that Resolution # 2013-0082 was presented before Council. Discussion ensued on the dais during the City Council meeting and the

Resolution was modified and subsequently passed. Mr. Snyder will provide Staff a copy of the modified Resolution to distribute to the Board members.

Mr. Snyder also informed the Board that the 2014 Budget was approved and included the City's side of the contribution increase to 8.25%. The next step would be for the Bargaining Groups and the City to negotiate increasing the contribution rate.

Mr. Todd asked the Board for input on the draft letter he wrote in response to the Mayor's letter that was discussed at the October meeting. Receiving no requests for changes, Mr. Todd will send the letter to the Mayor.

Minutes of the October 30, 2013 Meeting

Steve Sather moved and Jon Snyder seconded the motion to approve the minutes of the October 30, 2013 meeting as distributed. The motion passed unanimously.

Service Retirements

Name	Age	Retirement Date	Years of Service	Option	30-day Notice
Gerald L. Gemmill	58	11/01/2013	5.5	E	N
Michael E. Tucker	50	11/23/2013	18.0	E	N
Katherine L. Young	68	12/21/2013	19.6	ST	Y
Jerry A. Unruh	53	01/04/2014	15.5	E	Y
Suzette L. Charbonneau	56	01/04/2014	30.5	ST	Y
Diane M. Hendricks	55	01/17/2014	34.1	D	Y
John A. Gomez	61	02/05/2014	14.1	E	Y
Gayle Tucker	54	02/07/2014	23.4	E	Y
John C. DuBois	65	04/05/2014	18.2	E	Y

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

Withdrawals for November 2013

Name	Termination Date
John A. Knack	12/22/2013
Susan E. King	10/11/2013
Sharon D. Hilditch	06/15/2013

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

Deaths

Name	Age	Date of Death	Information
Emmett J. Shearer	86	10/24/2013	No Further Benefits
Reider O. Rosendahl	95	11/10/2013	Option D Continues
Antonette E. Savalli	85	11/13/2013	No Further Benefits

Death information was provided to the Board for review.

Director's Report

Expenditure Summary Report – October 2013

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

Steve Sather moved and Jon Snyder seconded the motion to approve the October 2013 Expenditure Summary Report. The motion passed unanimously.

Schedule of Cash and Investments – October 2013

The monthly investment report was presented to the Board for review. The market value of the SERS portfolio on October 31, 2013 was approximately \$267.1 million.

Other Business

Mr. Todd updated the board on the search for a Retirement Director. Mr. Todd, Mr. Coster and Mr. Dunivant met with Ms. Heather Lowe of the Human Resources (HR) department since the October Board meeting. The HR department is still advertising for the position and agreed that the position would be left open until at least after the first of the year. At that time, they will review the candidates and proceed from there. To date, there have been three additional applications received.

Mr. John Bjork inquired about the Detroit bankruptcy and how it could affect pension benefits. Discussion ensued.

There being no other business, the meeting adjourned at 1:46 p.m.

/s/

Timothy Dunivant, Interim Retirement Director