

Spokane Employees' Retirement System (SERS)
Board Meeting Minutes
August 27, 2014

Bill Todd called the regular monthly meeting to order at 12:34 p.m. in the 5th Floor Conference Room at City Hall.

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

Absent: Jerry McFarlane

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

Guests: Brian Loescher, Vincent Galindo, Joe Cavanaugh, Jim Tieken, Natalie Hilderbrand, Joan Hamilton and John Bjork

Brian Loescher, Hyas Group, 2014 2nd Quarter Investment Performance Report

Brian Loescher presented the Second Quarter 2014 Performance Report to the Board. Hyas Group recommended maintaining the watch status on the Champlain Small Cap Fund, Epoch International Small Cap Fund, Metropolitan West High Yield Fund, and Sterling Mid Cap Value Fund for performance in violation of policy criteria. The Post Limited-Term High Yield Fund, Principal Global Investors REIT Fund, PIMCO Low Duration Bond Fund, PIMCO Global Advantage Bond Fund, and PIMCO Commodities Plus Fund will also remain on watch for non-performance, qualitative reasons related to recent personnel changes. Hyas Group distributed another communication on the subject of El-Erian's departure and PIMCO's leadership restructuring. Again, it was communicated that we expect to maintain our watch recommendation on PIMCO products for the remainder of 2014.

Hyas Group discussed broad portfolio construction design, specifically reviewing up-capture and down-capture expectations for the current portfolio vs. policy index. In short, the policy index is more aggressive and current implementation lends to more diversification and a more conservative profile. The Board should expect to lag in strong equity markets and outperform during market sell offs/corrections. A question was posed as to why not just accept the added volatility since historically the number of up markets handily outnumbers down markets. Hyas Group communicated that it is during these down periods that Plans come under the most scrutiny and as a result, poor decision making often occurs around these stress points. There was some discussion regarding the general benefits of going through an asset allocation study once the new Retirement Director is in place.

Hyas confirmed that the Plan's mid cap growth manager, Rainier Mid Cap Growth Fund, was replaced with Vanguard Mid Cap Growth during the second quarter.

Additionally, the initial funding of Morrison Street Fund V occurred during the second quarter.

Hyas Group updated that Board that there has been no further word on the Convergenx restitution, but continues to expect restitution pending SEC approval.

Minutes of the July 30, 2014 Meeting

Jon Snyder moved and Dean Kiefer seconded the motion to approve the minutes of the July 30, 2014 meeting as distributed. The motion passed unanimously.

Service Retirements

Name	Age	Retirement Date	Years of Service	Option	30-day Notice
Denine E. Bivens	62	08/30/2014	24.0	ST	N
Nancy L. Skog	59	09/03/2014	7.9	ST	N
Kathleen D. Dechand	62	09/27/2014	15.3	ST	Y
Jeffrey L. Moritz	52	10/01/2014	27.6	E	Y

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

Withdrawals for August 2014

Name	Termination Date
Jennifer J. Morton	02/04/2014

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

Deaths

Name	Age	Date of Death	Information
Datha C. Aguilar	75	07/21/2014	Option E Continues
Ralph W. Hall	93	07/26/2014	No Further Benefits
Collette P. Greenwood	66	08/02/2014	No Further Benefits
Douglas G. Barr	65	08/07/2014	Option E Continues

Death information was provided to the Board for review.

Director’s Report

Expenditure Summary Report – July 2014

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

Mike Cavanaugh moved and Jon Snyder seconded the motion to approve the July 2014 Expenditure Summary Report. The motion passed unanimously.

2015 Budget

The 2015 Budget was presented to the Board and discussed. The Board decided to move the motion to adopt the 2015 Budget to the September Board meeting to allow for further review.

Schedule of Investments – July 2014

The monthly investment report was presented to the Board for review. The market value of the SERS portfolio on July 31, 2014 was \$285.9 million.

Other Business

The Board discussed the two RFP finalists and chose EFL Associates, Inc. to assist in the Retirement Director search.

Jon Snyder moved and Mike Cavanaugh seconded the motion to enter into contract, not to exceed \$50,000, with EFL Associates. The motion passed unanimously with Brian Brill abstaining.

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

/s/

Timothy Dunivant, Interim Retirement Director