

**Spokane Employees' Retirement System (SERS)
Board Meeting Minutes
May 27, 2015**

Mike Cavanaugh called the regular monthly meeting to order at 12:32 p.m. in the 5th Floor Conference Room at City Hall.

Present: Mike Cavanaugh, Jim Tieken, Jon Snyder, Jerry McFarlane, Dean Kiefer, and Brian Brill

Absent: Mike Coster

Staff: Phill Tencick, Donald Brown, and Tim Szambelan

Guests: Jayson Davidson, Brian Loescher, Bob Olsen, Joe Cavanaugh, Natalie Hilderbrand, Richard Czernik, and John Bjork

Election Results and Appointment of Board Member

Mike Cavanaugh shared the results of the SERS Board election, held on May 12, 2015, noting Jim Tieken won the election. He also referenced Mike Coster's e-mail to the Board that appointed Jim Tieken to fill the remainder of Bill Todd's term.

Jayson Davidson, Hyas Group, 2015 1st Qtr Investment Performance Report

Mr. Davidson reviewed the First Quarter 2015 Performance Report and discussed the SERS portfolio performance for the quarter and longer-time periods.

The managers currently on watch status for performance in violation of policy criteria are Champlain Small Cap Fund, Epoch International Small Cap Fund, Metropolitan West High Yield Fund, and Sterling Mid Cap Value Fund. The Post Limited-Term High Yield Fund, Principal Global Investors REIT Fund, and PIMCO Global Advantage Bond Fund will also remain on watch status for non-performance, qualitative reasons related to recent personnel changes.

Mr. Davidson distributed a Hyas drafted communication regarding the ending of the firm's blanket watch status for all PIMCO products. Hyas Group recommended removing the watch status that was in place on the PIMCO Commodities Plus Fund.

Jon Snyder moved and Jerry McFarlane seconded the motion to remove the PIMCO Commodities Plus Fund from watch status. The motion passed unanimously.

Hyas Group recommended rebalancing the portfolio to bring allocations closer to policy targets moving overweight positions in Mid Cap equities to commodities.

Jim Tieken moved and Brian Brill seconded the motion to transfer \$6M from Mid

Cap equity, equally from each of the three managers, to the commodities asset class. The motion passed unanimously. Hyas Group will work with Retirement Department staff to implement this transfer.

High Yield Bond Manager Search

Mr. Loescher reviewed the comprehensive High Yield Manager Search Report and presented several alternative managers for the replacement of the Metropolitan West High Yield Fund. A white paper prepared by Mr. Tencick was also reviewed. After a lengthy discussion, it was recommended that SERS transition from the Metropolitan West option to the Hotchkis & Wiley High Yield Fund.

Jon Snyder moved and Dean Kiefer seconded the motion to terminate the Met West High Yield Fund and replace it with the Hotchkis & Wiley High Yield Fund. The motion passed unanimously. Hyas Group will work with Retirement Department staff to implement the change.

International Small Cap Search

The International Small Cap search was deferred until the next quarterly performance review with Hyas.

Minutes of the April 29, 2015 Meeting

Mike Cavanaugh asked for the minutes to clarify that while the discount rate dropped because of the implementation of GASB 67, the assumed rate of return did not change. Dean Kiefer asked for the immediate priorities that Mr. Tencick listed to be included in the minutes. Staff will amend the minutes to include both of those changes.

Jon Snyder moved and Dean Kiefer seconded the motion to approve the minutes of the April 29, 2015 meeting as amended. The motion passed unanimously.

Director's Report
Service Retirements

Name	Age	Retirement Date	Years of Service	Option
Bruce K. Vails	53	05/06/2015	21.3	ST
Briana L. Bradley	60	05/08/2015	20.1	ST
Michelle M. Stanton	60	06/06/2015	25.0	ST
James A. Bond	62	06/06/2015	28.3	E
Steven D. Harvey	62	07/03/2015	13.4	ST
Janet M. Fitzpatrick	62	07/07/2015	7.4	E
John W. Miller	61	07/07/2015	34.1	D
Wayne W. Johnson	64	07/08/2015	22.1	E
Susan L. Hardie	61	07/17/2015	15.5	ST
Dennis R. Van Meter	50	08/11/2015	18.8	ST
Di V. Truong	65	09/01/2015	14.1	A

Jerry McFarlane moved and Jon Snyder seconded the motion to approve the service retirements as presented on the May Retirement Transaction Report. The motion passed unanimously.

Withdrawals for May 2015

Name	Years of Service	Termination Date
Joshua W. Clark	1.53	7/26/2013
David J. Ford	0.33	3/17/2015
Amir E. Talb	0.51	4/24/2015

Jim Tieken moved and Jon Snyder seconded the motion to approve the requests for withdrawal as presented on the May Retirement Transaction Report. The motion passed unanimously.

Deaths

Name	Date Retired	Age	Date of Death	Information
Marjorie E. Fisk	5/10/1986	91	5/1/2015	No Further Benefits
Erma B. Kembel	7/3/1992	89	5/8/2015	No Further Benefits
Claudia R. Bryan	2/18/2012	62	5/13/2015	No Further Benefits
Calvin D. Tucker	5/4/1993	81	5/13/2015	No Further Benefits

Death information provided to the Board for review.

Expenditure Summary Report – April 2015

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

Jim Tieken moved and Jerry McFarlane seconded the motion to approve the April 2015 Expenditure Summary Report. The motion passed unanimously.

Schedule of Investments – April 2015

The monthly investment report was presented to the Board for review. The estimated market value of the SERS portfolio on March 30, 2015 was \$289.7 million with an estimated rate of return from March of 0.44%.

Contribution Interest Rate Benchmark

At the April 2015 Board meeting, the Board asked Staff to develop a policy to set a benchmark for future interest rate changes. An analysis showed on average, withdrawals occurred after 4.5 to 5.0 years of service.

Jim Tieken moved and Jon Snyder seconded the motion to set the interest rate on employee contributions equal to the average daily interest rate for the 5-year US Treasury Note interest rate from the previous year. The motion passed unanimously. Staff will work on updating the Board Rules and the Spokane Municipal Code to incorporate this change, effective in 2016.

Electronic Board Packets

Staff brought up at the April Board meeting the distribution of electronic Board packets. Mr. Tencick proposed that the electronic packet would be sent out with the reminder that is emailed the day before and posting electronic copies of the packets on the website for guests. Paper packets would still be mailed to members of the Board.

Other Business

Mike Cavanaugh inquired on educational opportunities for Board members. Previously the budget has been larger in the past, but has been reduced in recent years. The Board asked Staff to increase the 2016 Budget for travel and education. Mr. Tencick will forward to the Board education opportunities as they are discovered.

There being no other business, the meeting adjourned at 2:20 p.m.

/s/

Phillip Tencick, Retirement Director