

**Spokane Employees' Retirement System (SERS)**  
**Board Meeting Minutes**  
**August 26, 2015**

Mike Coster called the regular monthly meeting to order at 12:30 p.m. in the 5<sup>th</sup> Floor Conference Room at City Hall.

**Present:** Mike Coster, Mike Cavanaugh, Jim Tieken, Jon Snyder, and Jerry McFarlane

**Absent:** Dean Kiefer and Brian Brill

**Staff:** Phill Tencick, Christine Shisler, Donald Brown, and Tim Szambelan

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

**Hyas Group, 2015 2<sup>nd</sup> Quarter Investment Performance Report**

Mr. Davidson presented the Second Quarter 2015 Performance Report and discussed what has been relatively strong performance for the SERS portfolio for this quarter and 2015 year to date. Hyas will maintain the watch status on the Champlain Small Cap Fund and the Sterling Mid Cap Value Fund for performance in violation of policy criteria. The Principal Global Investors REIT Fund and PIMCO Global Advantage Bond Fund will also remain on watch for qualitative, non-performance reasons related to recent personnel changes.

As a part of the annual investment policy review, Hyas Group will evaluate the appropriate benchmark for the commodities allocation within the portfolio. Currently, the policy benchmark includes the S&P GSCI Total Return Index and Hyas has made use of the Bloomberg Commodity Index for manager specific evaluation.

The Board was notified of pending money market fund regulatory changes that could affect the SERS portfolio and go into effect in October 2016. SERS has an invested in the Fidelity Institutional Money Market Fund, which could be subject to pricing adjustments and liquidity constraints per the regulations. Fidelity has not indicated whether they will make any changes to the structure of this fund. Hyas Group will continue to monitor the situation and will provide additional information when available. The Board may consider, as an alternative funding option, governmental money market funds, which are not subject to the regulatory changes.

The Board was informed of a share class exchange from the current Altairis Offshore Levered Class D1 to Class B1 as of July 31, 2015. This change provides for a lower management expense while retaining our current perpetual high water mark provision. Hyas Group considered the changes to be positive and no action was necessary.

### **Remove Post Limited-Term High Yield Fund from Watch Status**

The Post Limited-Term High Yield Fund had been included on the watch list for qualitative, non-performance related reasons. Hyas Group communicated their comfort with the personnel changes and recommended that the Fund be removed from the watch list.

Mike Cavanaugh moved and Jim Tieken seconded the motion to remove Post Limited High Yield Fund from watch. The motion passed unanimously.

### **International Small Cap Manager Search**

Mr. Loescher presented the Hyas Group International Small Cap Manager Search Report. Mr. Tencick prepared a white paper summarizing the differentiating factors, style, strengths and risks of each fund included in the search report. Hyas Group and Mr. Tencick recommended replacing Epoch International Small Cap with Victory Trivalent International Small Cap Equity fund.

Jim Tieken moved and Jerry McFarlane seconded the motion to terminate the Epoch International Small Cap Fund and replace it with Victory Trivalent International Small Cap Fund, as recommended. The motion passed unanimously.

### **Minutes of the July 29, 2015 Meeting**

Jon Snyder moved and Jim Tieken seconded the motion to approve the minutes of the July 29, 2015 meeting as presented. The motion passed unanimously.

### **Director's Report**

#### **Service Retirements**

<i>Name</i>	<i>Age</i>	<i>Retirement Date</i>	<i>Years of Service</i>	<i>Option</i>
Eddie L. Mitchell	62	08/02/2015	7.0	ST
Duane H. Hille	50	09/03/2015	5.8	E
Timothy J. Ryan	59	10/02/2015	25.3	ST
Robert A. Darilek	60	10/03/2015	37.0	E

Jon Snyder moved and Mike Cavanaugh seconded the motion to approve the service retirements as amended on the August Retirement Transaction Report. The motion passed unanimously.

#### **Withdrawals for August 2015**

<i>Name</i>	<i>Years of Service</i>	<i>Termination Date</i>
Kathi A. Plager	2.2	07/15/2015
Anna E. Omelusik	1.6	08/13/2015

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

### **Vesting**

<i>Name</i>	<i>Department</i>	<i>Years of Service</i>
Grant A. Wencel	Planning Services	5.1

### **Deaths**

<i>Name</i>	<i>Date Retired</i>	<i>Age</i>	<i>Date of Death</i>	<i>Information</i>
Harland D. Mason	08/02/1989	91	07/30/2015	No Further Benefits
Morris L. Gaylord	01/05/1982	95	08/04/2015	No Further Benefits

Vesting and death information provided to the Board for review.

### **Expenditure Summary Report – July 2015**

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

Jerry McFarlane moved and Jon Snyder seconded the motion to approve the July 2015 Expenditure Summary Report. The motion passed unanimously.

### **Schedule of Investments – July 2015**

The monthly investment report was presented to the Board for review. The estimated market value of the SERS portfolio on July 31, 2015 was \$289 million with an estimated rate of return for June of 0.11%.

### **2016 Budget**

The 2016 Budget was presented to the Board and discussed.

Mike Cavanaugh moved and Jon Snyder seconded the motion to adopt the 2016 Budget as presented. The motion passed unanimously.

### **Other Business**

There being no other business, the meeting adjourned at 1:50 p.m.

/s/

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**Phillip Tencick, Retirement Director**