

Spokane Employees' Retirement System (SERS)
Board Meeting, 1:30 p.m. March 29, 2017
City Hall – Conference Room 5A

AGENDA

1. Minutes of the February 22, 2017 Meeting
 - Motion

2. Director's Report
 - a. Retirements
 - Motion
 - b. Withdrawals
 - Motion
 - c. Vesting
 - Information
 - d. Deaths
 - Information
 - e. Expenditure Summary Report – February 2017
 - Motion
 - f. Schedule of Investments – February 2017
 - Information
 - g. Cash Reconciliation – February 2017
 - Information
 - h. Other Business

3. OrbiMed Partners Review
 - Presentation

4. Ethics in Practice
 - Presentation

5. Other Business

6. Next Meeting - **Wednesday, April 26, 2017 at 1:30 p.m.**

Spokane Employees' Retirement System (SERS)
Board Meeting Minutes
February 22, 2017

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

Present: Mike Coster, Jim Tieken, Candace Mumm, Dean Kiefer, and Brian Brill

Absent: Mike Cavanaugh

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

Guests: Joe Cavanaugh, Natalie Hilderbrand, Dave Hanshaw, Richard Czernik, Bob Olsen, Mary Kuney, and John Bjork

Mr. Tencick introduced Ms. Mary Kuney to the Board and guests. Ms. Kuney briefly shared her background and work experience.

Candace Mumm arrived at 12:40 p.m.

Hyas Group, 2016 4th Quarter Investment Performance Report

Mr. Davidson presented the Fourth Quarter 2016 Performance Report. He discussed the performance of the portfolio relative to investment policy and peer groups and further discussed each of the investment managers in the portfolio more specifically. It was noted that the newly approved investment policy allocation was implemented and included in the report as presented. Mr. Davidson alerted the Board to a relative performance issue that was created under the implementation of the new policy. In particular, there is a lag in the implementation of one of the real estate managers and this caused a 25 bps performance shortfall versus policy. For the time being, Hyas Group will wait to more formally address this discrepancy until after the aforementioned real estate manager is fully implemented.

The Board gave consideration to taking watch action on the Jackson Square Large Cap Growth Fund and the OrbiMed Partners Fund.

Candace Mumm moved to place OrbiMed Partners Fund on watch status. The motion failed due to lack of a second.

The Board deferred any action on these two options until further information can be provided. Hyas Group and staff will prepare additional details related to the performance of OrbiMed and present at the next meeting. Jackson Square will be reviewed at the next quarterly investment performance meeting.

Mr. Davidson will also set up additional discussions with Jackson Square and Berens related to the recent performance shortfalls. The Berens Global Value Fund and the Sterling Mid Cap Value Fund will remain on watch. Recent performance improvements for the Sterling Mid Cap Fund were noted, however, and the Board may consider taking the Sterling Mid Cap Fund off watch at the next quarterly meeting.

Hyas Group will look into the possibility of including secondary benchmarks for the Vanguard Mid Cap and Small Cap Indexes. Currently both funds are benchmarked against Russell Indexes, but Vanguard does not construct their index funds around those benchmarks.

Mr. Davidson informed the Board that the Morrison Street Debt Fund was added and allocated prior to year-end. Getting the funding completed allowed SERS to benefit from interest income for the month of December. Mr. Davidson also informed the Board that

Hyas Group recommend placing Vanguard Mid Cap Growth Fund on watch for performance in violation of investment policy parameters, in addition to recently announced management personnel changes. Mr. Davidson distributed a Hyas Group prepared communication on the subject.

Jim Tieken moved and Dean Kiefer seconded the motion to place Vanguard Mid Cap Growth Fund on watch due to personnel changes in management and underperformance. The motion passed unanimously.

Candace Mumm departed at 12:40 p.m.

Minutes of the January 25, 2017 Meeting

Jim Tieken moved and Dean Kiefer seconded the motion to approve the minutes of the January 25, 2017 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>
James C. Humphries, Jr.	53	02/06/2017	9.6	E
Michael F. Curtis	68	02/11/2017	45.8	ST
Joseph J. Keane	67	02/18/2017	17.8	E
Jill R. Young	59	04/02/2017	20.6	D
Glenn A. Furman	69	04/09/2017	20.7	ST

Jim Tieken moved and Brian Brill seconded the motion to approve the service retirements as amended on the February Retirement Transaction Report. The motion passed unanimously.

Withdrawals for December 2016

<i>Name</i>	<i>Years of Service</i>	<i>Termination Date</i>
Carlene Johnston	0.3	12/22/2013
Nicole Robinson	0.3	12/16/2016

Jim Tieken moved and Dean Kiefer seconded the motion to approve the requests for withdrawal as presented on the February Retirement Transaction Report. The motion passed unanimously.

Vesting

<i>Name</i>	<i>Department</i>	<i>Years of Service</i>
Katrina M. Heath	Library	6.9
Christopher M. Baty	Advanced Wastewater	8.7

Deaths

<i>Name</i>	<i>Date Retired</i>	<i>Age</i>	<i>Date of Death</i>	<i>Information</i>
David A. Wagner	02/24/2001	65	06/08/2016	No Further Benefits
Lynette P. Struck	01/08/2011	73	02/05/2017	No Further Benefits
Kenneth R. Johnson	10/02/1993	76	01/12/2017	E Option Continues
Roy F. Triplett	06/02/2012	66	01/18/2017	E Option Continues

Vesting and Death information provided to the Board for review.

Expenditure Summary Report – December 2016 and January 2017

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

Dean Kiefer moved and Jim Tieken seconded the motion to approve the December 2016 and January 2017 Expenditure Summary Reports. The motion passed unanimously.

Schedule of Investments – January 2017

The monthly investment report was presented to the Board for review. The estimated market value of the SERS portfolio on January 31, 2017 was \$280.9 million with an estimated monthly return of 1.1%.

Monthly Cash Reconciliation

The monthly cash reconciliation report was presented to provide the Board with additional insight into the ongoing liquidity and cash position of the plan.

Other Business

Mr. Tencick updated the Board on the status of Senate Bill 5116. SERS sent a number of letters and testified in opposition to the bill. The bill passed the Ways and Means Committee and was pending in the Rules Committee.

Mr. Tencick updated the Board on the transition of monthly pension payment processing to US Bank. The first payments were made at the end of January. There were a few minor issues, but all participants successfully received their payments.

Upcoming Board Election

Mike Cavanaugh's term on the Board runs through July 2, 2017. Ms. Shisler reminded the Board the City Clerk's office handles the election.

Other Business

There being no other business, the meeting adjourned at 2:07 p.m.

Phillip Tencick, Retirement Director

DRAFT

SERS Retirement Transaction Report

March 2017

Retirements

	Name	Age	Retirement Date	Years of Service	Department	Option
1	Robert D. Wall	66	04/04/2017	16.0	Advanced Wastewater Treatment	E
2	Scott M. Emmerson	50	04/23/2017	24.1	Code Enforcement	E
3	Daniel J. Hirst	70	04/29/2017	15.3	Engineering Services	E
4	Lisa G. Porter	57	05/02/2017	19.4	Legal	ST
5	Margaret A. Schussler	66	05/06/2017	33.0	Parks & Recreation	ST
6	Rebecca L. Davis	62	06/02/2017	20.2	Human Resources	ST
7	Wilford B. Hardy, Jr.	75	07/04/2017	19.2	Advanced Wastewater Treatment	D
	Retirements YTD	15				
	2016 Total Retirements	69				

Vesting

	Name	Department	Years of Service
1	Robert Crow	CD/HS Operations	4.0 Portability

Deaths

	Name	Date Retired	Age	Date of Death	Information
1	Margaret P. Bomben	07/30/2010	86	02/19/2017	No Further Benefits
2	Gerald J. Harnois	01/08/1999	81	02/21/2017	E Option Continues

SPOKANE EMPLOYEES' RETIREMENT SYSTEM - 6100
 2017 EXPENDITURE SUMMARY REPORT
 FEBRUARY 28, 2017

	2016 ACTUAL	2017 BUDGET	FEBRUARY ACTUAL EXPENDITURES	2017 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
OPERATING EXPENDITURES						
Departmental Salaries	261,984.86	279,341.00	21,583.89	30,727.21	248,613.79	11.0%
Departmental Benefits	76,531.55	80,482.00	6,471.51	11,085.53	69,396.47	13.8%
Reserve for Budget Adjustment	-	10,000.00	-	-	10,000.00	0.0%
Administrative Income	(19,375.31)	(10,000.00)	-	-	(10,000.00)	
Postage/Supplies/Other	11,432.31	16,500.00	1,412.13	1,582.35	14,917.65	9.6%
State Audit Charges	11,172.03	12,000.00	265.71	265.71	11,734.29	2.2%
Contractual Services	80,222.66	173,475.00	-	-	173,475.00	0.0%
Travel	7,972.23	15,000.00	412.93	412.93	14,587.07	2.8%
Registration/Schooling	805.00	30,285.00	15,285.00	15,285.00	15,000.00	50.5%
Other Dues/Subscriptions/Membership	1,993.20	2,500.00	-	-	2,500.00	0.0%
Other Miscellaneous Charges	1,278.26	1,826.00	93.97	149.97	1,676.03	8.2%
Amortization	17,649.00	-	-	-	-	
TOTAL OPERATING EXPENDITURES	451,665.79	611,409.00	45,525.14	59,508.70	551,900.30	9.7%
INTERFUND EXPENDITURES						
Interfund - Centralized Accounting	2,303.96	2,347.00	-	586.73	1,760.27	25.0%
Interfund - IT Phones	1,505.77	1,451.00	124.51	124.51	1,326.49	8.6%
Interfund - IT Communications Replacement	-	-	-	-	-	-
Interfund - Risk Management	991.00	760.00	190.00	190.00	570.00	25.0%
Interfund - Unemployment	-	-	-	-	-	-
Interfund - Worker's Compensation	198.00	104.00	26.00	26.00	78.00	25.0%
Interfund - Reprographics	4,930.49	4,500.00	1,806.87	1,806.87	2,693.13	40.2%
Interfund - IT	12,980.37	14,078.00	1,173.17	1,173.17	12,904.83	8.3%
Interfund - IT Replacement	1,926.96	2,772.00	231.00	231.00	2,541.00	8.3%
Interfund - My Spokane	751.00	-	-	-	-	
TOTAL INTERFUND EXPENDITURES	25,587.55	26,012.00	3,551.55	4,138.28	21,873.72	15.9%
TOTAL ADMINISTRATIVE EXPENDITURES	477,253.34	637,421.00	49,076.69	63,646.98	573,774.02	10.0%

SPOKANE EMPLOYEES' RETIREMENT SYSTEM - 6100
 2017 EXPENDITURE SUMMARY REPORT
 FEBRUARY 28, 2017

	2016 ACTUAL	2017 BUDGET	FEBRUARY ACTUAL EXPENDITURES	2017 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
PENSIONS						
Pensions-Annuity Benefit Payments	23,765,712.64	26,000,000.00	2,037,473.34	4,057,020.80	21,942,979.20	15.6%
Pensions-Disability Payments	125,328.48	160,000.00	10,444.04	20,888.08	139,111.92	13.1%
Pensions-Survivor Annuity Benefits Payments	1,846,473.52	2,000,000.00	163,482.96	326,965.92	1,673,034.08	16.3%
TOTAL PENSIONS	<u>25,737,514.64</u>	<u>28,160,000.00</u>	<u>2,211,400.34</u>	<u>4,404,874.80</u>	<u>23,755,125.20</u>	15.6%
Refunds	729,741.16	1,000,000.00	1,833.77	1,833.77	998,166.23	0.2%
TOTAL EXPENSES	<u><u>26,944,509.14</u></u>	<u><u>29,797,421.00</u></u>	<u><u>2,262,310.80</u></u>	<u><u>4,470,355.55</u></u>	<u><u>25,327,065.45</u></u>	15.0%
INVESTMENT EXPENSE*						
Advisory Technical Service	380,964.60	450,000.00	4,282.06	8,538.41	441,461.59	1.9%

* investment expenses are netted against investment income in the statement of changes of plan net assets to arrive at a net investment income amount.

SERS Schedule of Cash and Investments
February 28, 2017

3/23/2017

		Allocation			
			Target	Current	Diff.
	Type				
Cash Held by Treasurer	Cash	\$ 241,347			
US Bank	Short-term Inv	79,571			
Total Cash		320,918	0.0%	0.1%	0.1%
Sterling Capital	Total Return	22,092,204			
Total Total Return		22,092,204	10.0%	7.7%	-2.3%
Hotchkis & Wiley	High Yield - Mutual Fund	23,624,997			
Total High Yield		23,624,997	5.0%	8.3%	3.3%
Polar	LLC	6,378,453			
Castine Capital I	Ltd Partnership	7,301,870			
Post Limited Term High Yield	Ltd Partnership	5,880,005			
Rimrock Low Volatility	Ltd Partnership	9,400,310			
Total Absolute Return		28,960,638	8.0%	10.1%	2.1%
Total Capital Preservation		74,998,757	23.0%	26.2%	3.2%
Hotchkis & Wiley	LC Value - Mutual Fund	15,212,526			
Jackson Square (Delaware)	LC Growth - Mutual Fund	15,130,085			
MFS Heritage	LC Core	18,962,614			
Vanguard S&P 500 Index	LC Core - Mutual Fund	9,472,612			
Total US Large Cap		58,777,837	21.0%	20.6%	-0.4%
Sterling	MC Value	5,749,412			
Vanguard MC Growth	MC Growth - Mutual Fund	5,279,973			
Vanguard MC Index	MC Core - Mutual Fund	3,802,357			
Champlain	SC Core	5,219,737			
Phocas	SC Value - Mutual Fund	5,021,732			
Bridge City	SC Growth	5,457,633			
Vanguard SC Index	SC Core - Mutual Fund	943,291			
Total US Small/Mid Cap		31,474,135	11.0%	11.0%	0.0%
Total US Equities		90,251,972	32.0%	31.6%	-0.4%
Artisan	SMID Value - Mutual Fund	20,261,319			
Euro Pacific	LC Blend - Mutual Fund	18,639,019			
Vanguard International	LC Index - Mutual Fund	-			
Total International Large Cap		38,900,338	15.0%	13.6%	-1.4%
Trivalent	SC Value - Mutual Fund	10,041,680			
Total International Small/Mid		10,041,680	4.0%	3.5%	-0.5%
Berens	Ltd Partnership	10,539,641			
Total Emerging Markets		10,539,641	3.0%	3.7%	0.7%
Total International Equities		59,481,659	22.0%	20.8%	-1.2%
Weatherlow Offshore	Ltd Partnership	14,757,628			
Royalty Opportunities I	Ltd Partnership	2,703,883			
Royalty Opportunities II	Ltd Partnership	1,360,043			
Troob	Ltd Partnership	285,487			
Total Long Biased		19,107,041	7.0%	6.7%	-0.3%
Legacy Partners Realty Fund III	Ltd Partnership	27,518			
Metropolitan Real Estate Partners	Ltd Partnership	356,500			
Morrison Street Fund IV	LLC	2,397,177			
Morrison Street Fund V	LLC	5,429,971			
Morrison Street Debt Opportunties	LP	2,970,912			
Principal (REITs)	REITs	13,214,394			
Total Real Estate		24,396,472	9.0%	8.5%	-0.5%
Beach Point	Ltd Partnership	8,898,063			
Total Opportunistic Credit		8,898,063	7.0%	3.1%	-3.9%
Caduceus (OrbiMed II)	Ltd Partnership	8,825,754			
Total Special Opportunities		8,825,754	0.0%	3.1%	3.1%
Total Cash and Investments		\$ 285,959,718	100.0%	100.0%	0.0%
		Withdrawals \$ -			
		As of January 31, 2017 \$ 280,945,159			
		Estimated Rate of Return 1.8%			
Abs. Return and Total Return FI	Thesis 2017.1	51,052,842	18.0%	17.9%	-0.1%
High Yield and Opp Credit	Thesis 2017.2	32,523,060	12.0%	11.4%	-0.6%
Equity and Special Situations	Thesis 2017.3	158,559,385	54.0%	55.4%	1.4%

Cash Recon - Mar 17

Date	Transactions	Sources	Uses	Balance
2/17/2017	Beginning Balance			106,942.99
2/21/2017	Commission Recapture	42.55		106,985.54
2/21/2017	Payroll Contributions	628,840.66		735,826.20
2/24/2017	Returned Pension Payments - Jan	812.15		736,638.35
2/27/2017	Distribution - Metro Real Estate Fund V	10,019.27		746,657.62
2/28/2017	Monthly Pension Payments		(2,217,179.98)	(1,470,522.36)
2/28/2017	Sale - Sterling Mid Cap Value	1,550,000.00		79,477.64
3/1/2017	Interest	97.98		79,575.62
3/6/2017	Payroll Contributions	605,651.90		685,227.52
3/8/2017	Purchase - Principal REIT	(650,000.00)		35,227.52
3/8/2017	Rebalancing - Sell: Vanguard S&P 500	3,000,000.00		3,035,227.52
3/8/2017	Rebalancing - Buy:		(3,000,000.00)	35,227.52
3/15/2017	Distribution - OrbiMed Royalty Opps II	70,346.32		105,573.84
3/17/2017	Commission Recapture	92.20		105,666.04
3/20/2017	Payroll Contributions	604,502.28		710,168.32
3/21/2017	Rebalancing - Sell: MFS Research Large Cap	3,000,000.00		3,710,168.32
3/22/2017	Rebalancing - Buy: Vanguard S&P 500		(3,000,000.00)	710,168.32
3/23/2017	Purchase - Victory Trivalent Int'l SMID		(680,000.00)	30,168.32
3/23/2017	Ending Balance	8,820,405.31	(8,897,179.98)	30,168.32
	<u>Upcoming</u>			
2/28/2017	Monthly Pension Payments		(2,216,000.00)	

ORBIMED PARTNERS REVIEW

SERS Board Meeting

March 29, 2017



Performance

Through 12/31/2015	3 Mo	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	2015	2014	2013	2012	2011	2010	2009	Inception
OrbiMed Partners II	6.94	2.14	2.14	19.34	16.41	12.03	2.14	25.88	32.19	16.19	8.28	9.78	34.15	16.41 Dec-10
MSCI World Healthcare Index	6.98	6.60	6.60	19.71	17.15	9.25	6.60	18.10	36.27	17.54	9.46	2.41	18.89	17.15 Dec-10
Excess Return	-0.04	-4.46	-4.46	-0.37	-0.74	2.78	-4.46	7.78	-4.08	-1.35	-1.18	7.37	15.26	-0.74
NASDAQ Biotech Index	11.82	11.77	11.77	35.60	29.89	16.39	11.77	34.40	65.97	32.29	12.08	15.25	15.84	29.89 Dec-10
Excess Return	-4.88	-9.63	-9.63	-16.26	-13.48	-4.36	-9.63	-8.52	-33.78	-16.10	-3.80	-5.47	18.31	-13.48
S&P Composite 1500 Health Care	9.04	7.41	7.41	23.99	20.34	10.94	7.41	24.79	42.19	18.35	11.88	5.20	20.76	20.34 Dec-10
Excess Return	-2.10	-5.27	-5.27	-4.65	-3.93	1.09	-5.27	1.09	-10.00	-2.16	-3.60	4.58	13.39	-3.93

Through 12/31/2016	3 Mo	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	2015	2014	2013	2012	2011	2010	2009	Inception
OrbiMed Partners II	-8.79	-21.91	-21.91	0.13	9.05	8.30	-21.91	2.14	25.88	32.19	16.19	8.28	9.78	8.92 Dec-10
MSCI World Healthcare Index	-5.35	-6.81	-6.81	5.47	13.44	7.41	-6.81	6.60	18.10	36.27	17.54	9.46	2.41	12.77 Dec-10
Excess Return	-3.44	-15.10	-15.10	-5.34	-4.39	0.89	-15.10	-4.46	7.78	-4.08	-1.35	-1.18	7.37	-3.85
NASDAQ Biotech Index	-8.31	-21.35	-21.35	5.72	21.00	13.51	-21.35	11.77	34.40	65.97	32.29	12.08	15.25	19.47 Dec-10
Excess Return	-0.48	-0.56	-0.56	-5.59	-11.95	-5.21	-0.56	-9.63	-8.52	-33.78	-16.10	-3.80	-5.47	-10.55
S&P Composite 1500 Health Care	-3.79	-2.05	-2.05	9.50	17.18	9.97	-2.05	7.41	24.79	42.19	18.35	11.88	5.20	16.28 Dec-10
Excess Return	-5.00	-19.86	-19.86	-9.37	-8.13	-1.67	-19.86	-5.27	1.09	-10.00	-2.16	-3.60	4.58	-7.36

Risk and Return Performance

		Rolling 3-year Risk/Return Statistics			
		OrbiMed	MSCI	NASDAQ	S&P
Y/E 2015	Return	19.34	19.71	35.60	23.99
	Volatility	12.52	11.44	20.92	12.02
	Sharpe	1.54	1.72	1.70	1.99
Y/E 2016	Return	0.13	5.47	5.72	9.50
	Volatility	17.42	12.39	25.47	12.59
	Sharpe	0.00	0.43	0.22	0.74

Overview

- Catalyst driven strategy didn't perform
 - Small gain when catalyst realized, otherwise incurred losses (Slide 13)
- “Perfect Storm” – Sector selection, stock selection, and leverage exacerbated a down market (Slide 15)
- Generally limited turnover of personnel, with net additions (Slides 5-7)
 - 3 of 6 senior investment professionals in Royalty Team are new
- No major changes in strategy (Slide 21)
 - 2nd largest drawdown, slowest recovery in fund history (Slide 18)
 - Believe political landscape is favorable to industry (Slides 25-28)
 - Believe positions undervalued before, more so now (Slide 41)

Risk Management

- Alpha Hedge – Adds Risk
 - Underlying assets have little or no correlation
 - Long \$10M Toyota, Short \$5M Takata
 - Delta Hedge – Reduces Risk
 - Underlying assets are highly correlated
 - Long \$10M Ford, Short \$5M GM
- Both have same gross (\$15M) and net exposure (\$5M), but different risk profiles
- Specialty Pharma and “Hedging” both acted as alpha hedges, compounding losses (Slide 11)

Reporting

- Monthly
 - Flash Returns (Mid-month and End of Month)
 - Account Statement
 - Transparency Report (Exposure)
- Quarterly
 - Portfolio Review Letter
- Annual
 - Investor Call
- Responsive to queries, with additional 1 on 1 call in July 2016 to discuss performance

Recommendations

- Staff
 - Add to the watch list for performance reasons (5-year performance below benchmark)

- Hyas Group
 - Neutral, believe long term performance has been strong and is obscured by down year in 2016

ETHICS IN PRACTICE

SERS Board Meeting

March 29, 2017



Ethical Principles

- Plan Interests Come First
- Independence and Objectivity
- Diligence and Reasonable Basis
- Confidentiality
- Disclosure
- Trading based only on public information

THE CFA INSTITUTE ETHICAL DECISION- MAKING FRAMEWORK

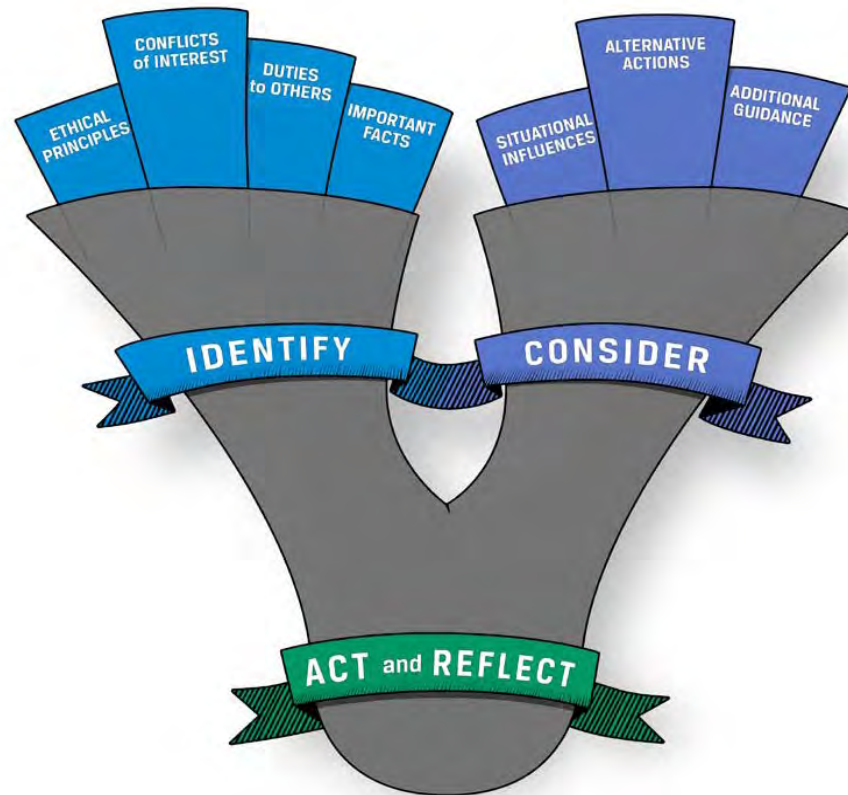
The CFA Institute Ethical Decision-Making Framework is a tool for analyzing and evaluating ethical scenarios in the investment profession. The Identify—Consider—Act—Reflect framework advances a decision-making structure for situations that often fall outside the clear confines of “right” and “wrong.” Neither a linear model nor checklist, the framework provides a summary of the key elements of making ethical decisions. The framework is offered with the understanding that there likely will be additional influences, conflicts, and actions unique to each ethical scenario and beyond those detailed below.

IDENTIFY

- **ETHICAL PRINCIPLES:** Which fundamental investment profession principles—fair dealing, full disclosure, loyalty, or diligence (among others)—are at issue?
- **DUTIES TO OTHERS:** To whom do you owe a duty—your client(s), employer, colleagues, and/or others? Some duties, such as protecting the integrity of the capital markets, may be more important than others.
- **IMPORTANT FACTS:** What facts do you know and what additional information do you need to make an informed decision?
- **CONFLICTS OF INTEREST:** Are there any encumbrances, relationships, or incentives influencing your actions?

ACT

- **BY MAKING A DECISION:** The specific action required may vary based on the individual aspects of the situation. Your decision may require multiple actions or steps, or none at all.
- **BY ELEVATING THE ISSUE TO A HIGHER AUTHORITY:** Alternatively, the best course of action may be to elevate your concerns to a more appropriate party. You may remain connected to the scenario, so you may need to follow up with the other individual to ensure appropriate action is taken.



CONSIDER

- **SITUATIONAL INFLUENCES:** Are outside pressures (such as conformity to group opinion, obedience to authority) or internal biases (such as overconfidence) affecting your decision making?
- **ALTERNATIVE ACTIONS:** Have you brainstormed multiple solutions and avoided a particular preconceived path?
- **ADDITIONAL GUIDANCE:** Have you sought the independent, objective assessment of other parties to gain additional perspective?

REFLECT

- **ON WHAT YOU'VE LEARNED:** Once you have taken action, take the time to review the path taken. The lessons you learn will help you reach ethical decisions more quickly in the future.
- **ON STRENGTHS AND WEAKNESSES:** Regardless of whether your decisions and actions bring about positive or negative consequences, understanding your strengths and weaknesses will help you make ethical decisions in the future.

Example 1

While attending a conference an investment manager invites you to a dinner at an expensive restaurant.

Should you accept the invitation?

Example 2

One of our current investment managers invites you to their annual conference. The manager will cover all of the costs of the conference, including business class airfare, lodging at a luxury resort, a golf outing on the eve of the conference, and a dinner with a celebrity speaker as the keynote.

Should you accept the invitation?

Example 3

A \$20M direct real estate investment is presented to the board for consideration. The plan would buy a struggling resort and partner with a developer to renovate the resort and sell it for \$40M when the upgrades are complete. Since this is a new type of investment, it is recommended that the Board conduct on-site due diligence before investing and ongoing on-site monitoring of the project throughout the project.

Should you approve the investment?

Example 4

After several years of strong performance, the Plan reaches a funding level of 97%. The Plan has been able to pay a discretionary COLA for three consecutive years and in the latest round of negotiations, the labor groups have asked to make the COLA permanent.

Should you vote to make the COLA permanent?

Example 5

One of our current real estate funds purchases a local hotel. A separate committee that you are a part of is planning on hosting an event at a local hotel in the near future.

Should you book the event at the hotel?