

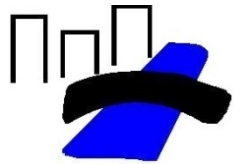
***Spokane Employees' Retirement System (SERS)***

**Board Meeting, 1:30 p.m. March 28, 2018**

**City Hall – Conference Room 5A**

**AGENDA**

1. Bridge City Presentation
  - Information
2. Minutes of the February 28, 2018 Meeting
  - Motion
3. Director's Report
  - a. Retirements
    - Motion
  - b. Withdrawals
    - Motion
  - c. Expenditure Summary Report – February 2018
    - Motion
  - d. Schedule of Investments – February 2018
    - Information
  - e. Cash Reconciliation – February 2018
    - Information
  - f. Other Business
4. Other Business
5. Next Meeting - **Wednesday, April 25, 2018 at 1:30 p.m.**



**Bridge City Capital, LLC**

# Small Cap Growth

Board Presentation

Spokane Employees' Retirement System

March 28, 2018

---

# Bridge City Capital, LLC | Overview

- Founded October 2008
- Domestic growth manager focused on small cap
- Experienced team with 29 years average experience
  - Steve and Alex – 17 years of research continuity
  - Steve, Alex and Jim – 9 years of research continuity
- Independently owned
- Firm assets: \$153 million (February 28, 2018)
- Representative clients:
  - Emerging Manager of Manager/State Public Pension Plan (1)
  - Emerging Manager of Manager/City Public Pension Plans (6)
  - Emerging Manager of Manager/Corporate Pension Plan
  - Spokane Employees' Retirement System
  - Corporate ERISA plan
  - Non-profit foundations (3)
  - HNW (8)
  - Turnkey Asset Management Program (TAMP) – UMA model portfolio (non-discretionary) (1)
- Advisor to a SCG fund registered in 2016; not launched

# Bridge City Capital, LLC | Small Cap Growth

- Benchmark: Russell 2000 Growth Index
- Inception: July 1, 2009
- Objective: Outperform benchmark by 150 to 200 bps over a full market cycle, gross of fees
- Fundamental bottom-up stock selection with disciplined investment process focused on Quality
- Vehicle: Separate accounts and a mutual fund
- Strategy AUM: \$151 million (February 28, 2018)

New Clients/AUM added in 2017:

5 Public Plans, 2 Foundations, 1 Corporate Plan, 2 HNW - \$75 million (includes inflows)

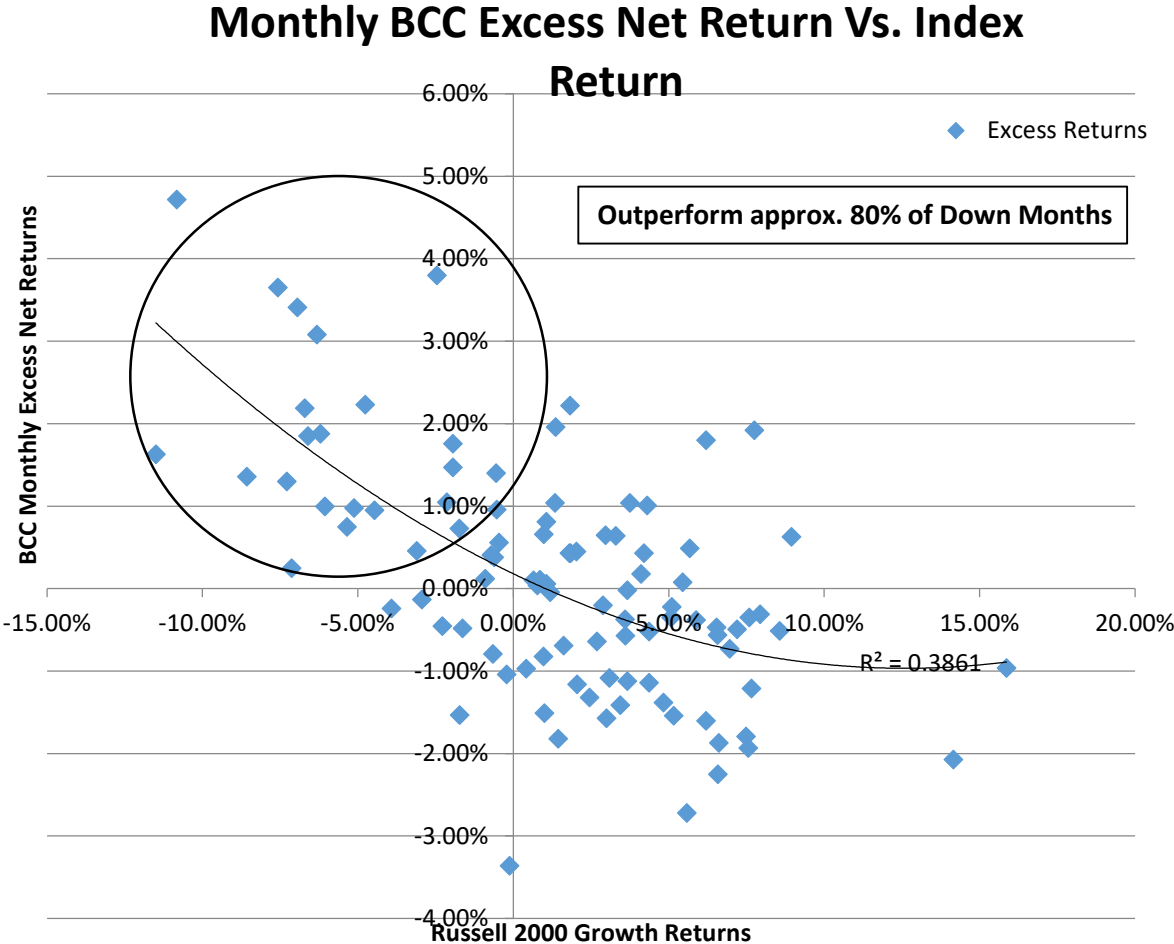
# Small Cap Growth | Performance Attributes

- Attractive 8+ year track record:
  - 2.99% annualized gross excess returns
  - 2.27% annualized net excess returns
  - 5.03% annualized Alpha gross
  - 4.40% annualized Alpha net
- Strong down market protection
- Lower volatility
- Low turnover\* – 28% (dollars); 20% (names)

# Small Cap Growth | Excess Return Pattern

## Strong Down Market Protection Profile

As of December 31, 2017



Bridge City Capital, LLC | For Institutional Investor Use Only | Unless specified otherwise, all data provided as of December 31, 2017

**Past performance is not indicative of future results.** Performance may be preliminary pending final reconciliation. Performance is presented net of fees and include the reinvestment of all dividends and other income. All returns greater than one year are annualized. Please see full Performance Disclosure Presentation located in the Appendix for additional information.

# Bridge City Capital, LLC | Our “Edge”

- Experienced investment team (87+ years) focused on one product
- Investment process that keeps team focused on what matters
- Rigorous analysis focusing on all three financial statements
- Long-term “patient” investors with knowledge and skills to effectively understand and apply investment process

# Bridge City Capital, LLC | Investment Team

87+ Years of Investment Experience

	<b>Steve Brink</b>	<b>Alex Woodward</b>	<b>Jim Bradshaw</b>
Title - Responsibilities	CIO, Portfolio Manager	Portfolio Manager, President	Portfolio Manager
Years of Experience	40 years	20 years	27 years
Primary Sectors	Materials & Processing, Producer Durables, Energy	Technology	Financial, Consumer Staples, Utilities
Shared Sectors	Consumer Discretionary, HealthCare	Consumer Discretionary, HealthCare	Consumer Discretionary, HealthCare

Complete team bios are available in the Appendix



# Small Cap Growth | Investment Philosophy

## A Focus on *Quality*

A focus on *quality* companies with *proven* track records, strong *financial* characteristics and above average *growth* prospects at attractive *valuations* will lead to strong relative returns over the long run.

# Small Cap Growth | Buy Discipline

## How a Stock Gets Into the Portfolio

Universe: Russell 2000 Growth and other similar companies (1200+ stocks)

Preliminary screen based on criteria such as historical track record, returns, cash flow and leverage ratios

Rigorous proprietary analysis with a focus on characteristics we believe are important

Valuation – Earnings Yield using BCC generated EPS estimates

Review by I-team collectively to test conviction; PM makes decision to add and determine size

Portfolio: 93 names

# Small Cap Growth | Quality Score

Each company receives a numerical score

	<b>Criteria Scored 1 (poor) to 5 (excellent)</b>
QUALITATIVE:	<ul style="list-style-type: none"><li>• Historical revenue and earnings performance</li><li>• Management team and employee base experience and stability</li><li>• Industry position</li><li>• Shareholder friendly</li><li>• Expectations by other investors</li></ul>
GROWTH & PROFITABILITY:	<ul style="list-style-type: none"><li>• Future expected revenue and earnings performance</li><li>• Returns on equity, assets and invested capital</li><li>• Margin trends</li></ul>
FINANCIAL STRENGTH:	<ul style="list-style-type: none"><li>• Balance sheet strength</li><li>• Working capital metrics</li><li>• Cash flow generation</li></ul>

# Small Cap Growth | Financial Statement Analysis

- Historical Track Record for Balance Sheet, Income Statement and Cash Flow – in our own format
- Allows us to monitor trends in many different metrics
- Provides clues to changes in business model
- Don't always accept “non-GAAP” adjustments as provided by the company
- Provides a basis for forecasting future results

# Small Cap Growth | Rigorous Analysis

## Sample Metrics Evaluated (not comprehensive):

- Historical trends in Sales, COGS, GM, OM, Depreciation/Amort., SG&A, OP, Int. Exp., Taxes, NI, Wtd Avg Shares O/S, EPS, A/R, EBITDA, Cash Used Investing, Cash from Financing, Cash from Ops, Buybacks, Dividends, Stock-based Comp
- DSO, Days Inventory, Days Receivable, Current Ratio, Quick Ratio, Inventory Turnover, Fixed Asset Turnover, Total Asset Turnover, Debt to Total Assets, EBITDA/Interest, LTD/LTM EBITDA, LTD/Total Cap, Book Value, Tangible Book Value, Cash/Share, Debt/Share
- Forecast Revs, GM, OP, Op Inc, Taxes, NI, Shares O/S, EPS, EBITDA
- ROA, ROE, ROIC – TTM, next 4 Qtrs, following 4 Qtrs
- Forecast cash from Ops, Interest Coverage, Cash Flow Yield
- Industry specific metrics i.e.: Online Sales % of Total Sales, Forecast # of Stores, Sq. Ft., Sales/Ft., Sales/Store, Avg. Store Base, Inventory/Store, Seq. Prod. Growth; Seq. Maint./Service Growth, Book to Bill, Avg. Loans, Avg. Earning Assets, Avg. Assets, Avg. Common Equity, NIM, TRBC, Efficiency, ROAA, ROCE, ROTE

# Small Cap Growth | Portfolio Decision-Making

Decision-making a blend of Quantitative and Qualitative

- Quantitative:  
QUALITY and VALUATION scores provide framework to measure relative attractiveness
- Qualitative:  
EXPERIENCE and CONVICTION

# Small Cap Growth | Sell Discipline

Investment style characterized by low turnover. We are investors, preferring to be an owner for the long-term.

## Reasons to Sell

- Fundamental change in the Quality score
- Loss of conviction
- Valuation
- Exceeds approx. \$5B market cap threshold
- Positions trimmed at 3% maximum weight

# Small Cap Growth | Portfolio Construction

- Fully invested (cash < 5%)
- Diversified 65 - 100 stock portfolio with market caps bracketing the benchmark
- Target sector neutral, +/- the greater of 20% of the weight of the defined sectors of the Russell 2000 Growth Index, or +/- 3 absolute percentage points from the defined sector weights within the index
- 0.5% - 3.0% position size
- Top 10 positions approximately 20% of portfolio



# Small Cap Growth | Portfolio Statistics

As of December 31, 2017

## Sector Weights

Sector	% of Portfolio	Index*
Consumer Disc	17.8%	16.3%
Consumer Staples	2.9%	2.6%
Financial/REIT	9.7%	10.0%
Health Care	19.8%	23.2%
Materials & Proc	8.6%	9.1%
Energy	0.6%	1.4%
Producer Durables	14.9%	16.0%
Technology	20.6%	19.9%
Utilities	1.4%	1.5%

BCC weights exclude cash of 3.6%

## Portfolio Characteristics

	BCC	Index
Wtd Avg Market Cap	\$2.5B	\$2.7B
Median Market Cap	\$2.0B	\$1.0B
Largest Market Cap	\$5.9B	\$9.3B
Price/Book	3.2x	4.6x
P/E Ex-Neg Earnings	26.6x	35.0x
Dividend Yield	0.79%	0.68%
Equity positions	90	1,175
Turnover (dollars)	23.2%	-
Turnover (names)	18.9%	-

# Small Cap Growth | Top 10 Holdings

*As of December 31, 2017*

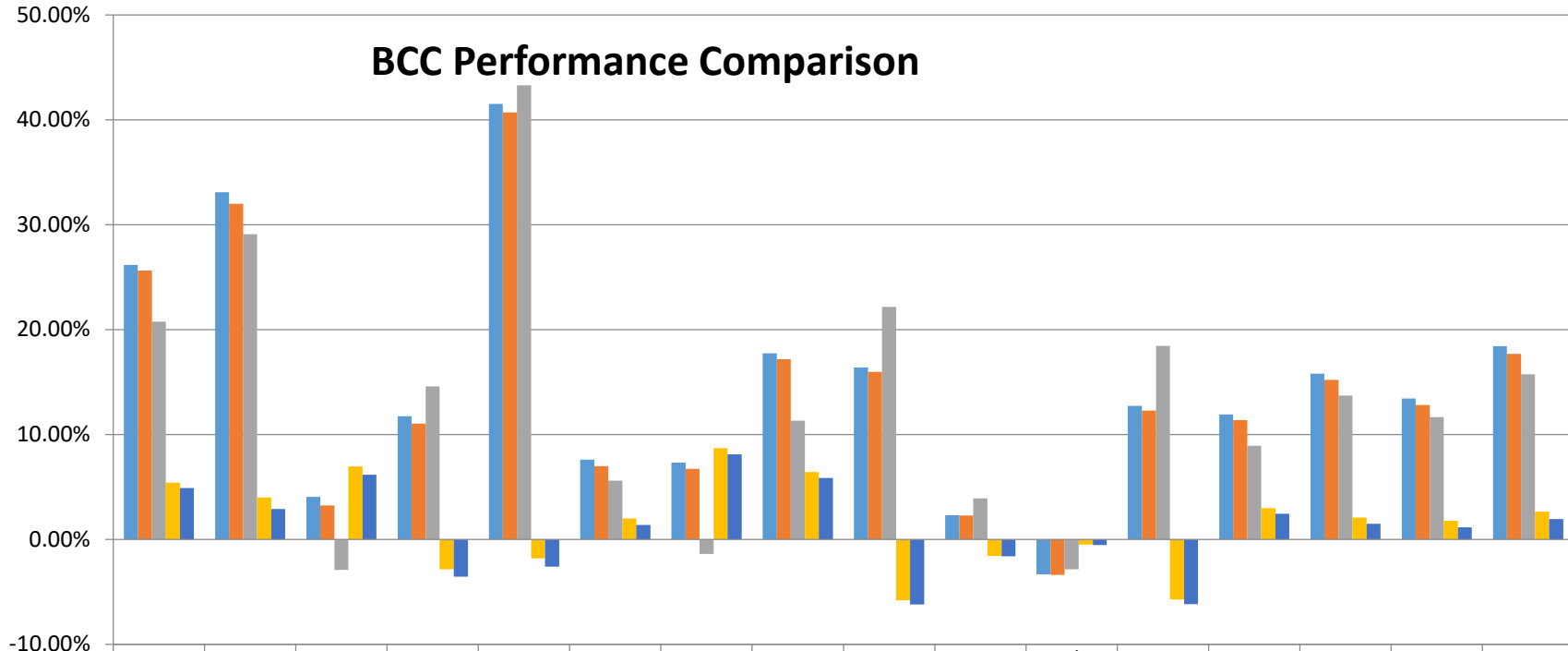
	Weight
EMCOR Group, Inc. (EME)	2.73%
Ensign Group, Inc. (ENSG)	2.05%
Sleep Number Corporation (SNBR)	2.03%
Herman Miller, Inc. (MLHR)	1.99%
Wolverine World Wide, Inc. (WWW)	1.88%
Syntel Inc. (SYNT)	1.82%
Natus Medical Incorporated (BABY)	1.79%
Lithia Motors, Inc. (LAD)	1.75%
Comfort Systems USA (FIX)	1.63%
Cambrex Corporation (CBM)	1.60%
<b>Total Top 10 Weight</b>	<b>19.27%</b>

Bridge City Capital, LLC | For Institutional Investor Use Only | Unless specified otherwise, all data provided as of December 31, 2017

This supplemental information complements the full Performance Disclosure Presentation located in the Appendix. There is no assurance that any securities discussed herein will remain in the account's portfolio at the time you receive this report or that securities sold have not been repurchased. The securities discussed may not represent an account's entire portfolio and in the aggregate may represent only a small percentage of an account's portfolio holdings.

# Small Cap Growth | Performance

As of February 28, 2018



	YTD 2009	2010	2011	2012	2013	2014	2015	2016	2017	Jan. 2018	Feb. 2018	1-Yr	3-Yr	5-Yr	7-Yr	SI
■ BCC Small Cap(Gross)	26.17%	33.08%	4.05%	11.74%	41.51%	7.59%	7.33%	17.74%	16.38%	2.32%	-3.33%	12.73%	11.91%	15.80%	13.43%	18.41%
■ BCC Small Cap(Net)	25.64%	31.98%	3.25%	11.04%	40.70%	6.97%	6.73%	17.19%	15.97%	2.28%	-3.38%	12.27%	11.39%	15.21%	12.81%	17.69%
■ R2k Growth Benchmark	20.75%	29.08%	-2.91%	14.59%	43.30%	5.60%	-1.38%	11.32%	22.17%	3.90%	-2.85%	18.44%	8.93%	13.72%	11.66%	15.75%
■ Period Excess(Gross)	5.42%	4.00%	6.96%	-2.85%	-1.79%	1.99%	8.71%	6.42%	-5.79%	-1.58%	-0.48%	-5.71%	2.98%	2.08%	1.77%	2.66%
■ Period Excess(Net)	4.89%	2.90%	6.16%	-3.55%	-2.60%	1.37%	8.11%	5.87%	-6.20%	-1.62%	-0.53%	-6.17%	2.46%	1.49%	1.15%	1.94%

Bridge City Capital, LLC | For Institutional Investor Use Only | Unless specified otherwise, all data provided as of December 31, 2017

**Past performance is not indicative of future results.** Performance may be preliminary pending final reconciliation. Performance is presented gross and net of fees and include the reinvestment of all dividends and other income. All returns greater than one year are annualized. Please see full Performance Disclosure Presentation located in the Appendix for additional information.

# Appendix

# Disclosures | Bridge City Capital, LLC

Bridge City Capital, LLC (BCC) is an Oregon Limited Liability Company and a SEC registered investment advisory firm, headquartered in Portland, Oregon. The firm was formed October 27, 2008 by Alex Woodward and Steve Brink and began managing its small cap growth investment strategy on July 1, 2009. BCC has been focused exclusively on managing small cap growth assets since its inception.

## PERFORMANCE

**Past performance is not indicative of future results.** Investments in securities involve the risk of loss. All returns greater than one year are annualized. The U.S. Dollar is the currency used to express performance and valuation. Returns are presented gross and net of actual management fees and include the reinvestment of all dividends and other income. Our standard fee schedule as well as additional information about our business, is contained in our Form ADV, Part 2A.

Information contained herein was obtained from sources believed to be reliable but accuracy cannot be guaranteed.

## A WORD ON RISK

Investing in securities involves risk of loss that clients should be prepared to bear. Equity securities can be affected by macro-economic and other factors affecting the tock market including: changes in a particular company's financial condition unfavorable or unanticipated poor performance of a particular issuer; and changes to investor sentiment, among other things.

Securities with smaller market capitalizations tend to be more volatile and less liquid than securities with larger market capitalizations.

The following environments may cause the Small Cap Growth strategy to underperform the benchmark:

- Periods of very strong index performance;
- Period when companies with low stock price, low or now earnings, low market capitalizations, low return on equity (ROE), etc. are performing well;
- Period when biotechnology industry stocks perform well. The vast majority of these companies do not have earnings and may never heave earnings, and do not score well in our process; biotechnology stocks are underrepresented in our portfolios.

This material is not financial advice or an offer to sell any product. Not every client's account will have these exact characteristics. The actual characteristics with respect to any particular account may vary based on a number of factors including but not limited to: (i) account structure; (ii) the size of the account; (iii) investment restrictions applicable to the account, if any; and (iv) market exigencies at the time of investment. BCC reserves the right to modify its current investment strategies and techniques based on changing market dynamics or client needs. Clients should rely on quarterly reports provided by BCC for information relating to a specific account.

The information provided in this report should not be considered a recommendation to purchase or sell any particular security. The data is current as of date listed, and is subject to change without notice. There is no assurance that any securities discussed herein will remain in the account's portfolio at the time you receive this report or that securities sold have not been repurchased. The securities discussed may not represent an account's entire portfolio and in the aggregate may represent only a small percentage of an account's portfolio holdings. It should not be assumed that any of the securities holdings or sectors represented in this document were or will prove to be profitable, or that the investment recommendations or decision we make in the future will be profitable or will equal the investment performance of the securities discussed herein.

# Disclosures | BCC Small Cap Growth Composite

## Small Cap Growth Composite

July 1, 2009 through December 31, 2017

Year	BCC Small Cap Growth Composite Gross Return (%)	BCC Small Cap Growth Composite Net Return (%)	Russell 2000 Growth Return (%)	BCC Small Cap Growth Composite 3-Yr Standard Deviation (%) <sup>1</sup>	Russell 2000 Growth 3-Yr Standard Deviation (%)	Number of Portfolios	Internal Dispersion (%) <sup>2</sup>	BCC Small Cap Growth Composite Assets (\$ M)	Firm Assets (\$ M)
2017	16.38	15.97	22.17	12.15	14.59	18	0.10	140	143
2016	17.74	17.19	11.32	14.01	16.91	8	n/a	49	52
2015	7.33	6.73	-1.38	12.46	14.95	5	n/a	17	19
2014	7.59	6.97	5.60	12.23	14.02	4	n/a	15	19
2013	41.51	40.70	43.30	15.58	17.52	5	n/a	16	17
2012	11.74	11.04	14.59	18.44	21.01	5	n/a	11	13
2011	4.05	3.25	-2.91	n/a	n/a	2	n/a	5	6
2010	33.08	31.98	29.08	n/a	n/a	1	n/a	2	2
2009 <sup>3</sup>	26.17	25.58	20.75	n/a	n/a	1	n/a	1	1

Bridge City Capital, LLC (BCC) claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. BCC has been independently verified for the periods of July 1, 2009 through December 31, 2017. The verification report is available upon request. Verification assesses whether (1) the firm has complied with all composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

BCC is a SEC registered Investment Adviser, located in Portland, OR, that invests solely in U.S. equity securities. BCC is an independent investment adviser that is not affiliated with any parent company. Policies for valuing portfolios, calculating performance and preparing compliance presentations are available upon request.

The BCC Small Cap Growth Composite (BCCSCG) includes fully discretionary client accounts invested in small cap growth equity securities with market capitalizations similar to those found within the Russell 2000 Growth Index. The account minimum for this composite is \$1 million. The benchmark for the BCCSCG is the Russell 2000 Growth Index, which is rebalanced annually. BCC maintains a significant cash flow policy of 10%.

Past performance is not indicative of future results. Investments in securities involve the risk of loss. All returns greater than one year are annualized. The U.S. Dollar is the currency used to express performance and valuation. Returns are presented gross and net of actual management fees and include the reinvestment of all dividends and other income. Our standard fee schedule is 0.85% on the first \$10 million and 0.75% on amounts over \$10 million. Additional information about our fees as well as other information about our business, is contained in our form ADV, Part 2A and available upon request.

The BCCSCG was created on July 1, 2009. A complete list of composite descriptions is available upon request.

The three year annualized standard deviation measures the variability of the composite and the benchmark returns over the preceding 36 month period. The standard deviation is not presented for 2009 through 2011 because performance data for the 3 year period was not available.

<sup>1</sup>Calculated gross of fees using dollar weighted average. 3-yr standard deviation not available for periods prior to 2012.

<sup>2</sup>Calculated gross of fees using asset weighted TWR. Not applicable for periods where composite membership includes 5 or fewer portfolios.

<sup>3</sup>Composite inception date of 07/01/2009; performance not available for full calendar year.

**Spokane Employees' Retirement System (SERS)**  
**Board Meeting Minutes**  
**February 28, 2018**

The regular monthly meeting was called to order at 12:03 p.m. in the 5<sup>th</sup> Floor Conference Room at City Hall.

**Present:** Mike Coster, Jim Tieken, Mike Cavanaugh, Dean Kiefer, and J.D. Morscheck

**Absent:** Candace Mumm and Brian Brill

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

**Guests:** Jayson Davidson, Joe Cavanaugh, Joan Hamilton, Bob Olsen, Dave Hanshaw, Lee Ann Reid, Michael Roberts, Natalie Hilderbrand, Jon Barnhart, and John Bjork.

**Hyas Group, 2017 4th Quarter Investment Performance Report**

Mr. Davidson presented the Fourth Quarter 2017 Performance Report and discussed general economic trends as well as recent bouts of market volatility. The Board reviewed overall portfolio performance and individual fund holdings relative to policy benchmarks. The portfolio enjoyed a strong year overall with a return of 15.4% for 2017 that exceeded its benchmark by 9 basis points. The Fund's watch status managers: Jackson Square Large Cap Growth, MFS Blended Research Core Equity, Berens Global Value, Vanguard Mid Cap Growth, and the OrbiMed Partners II will remain on watch. The OrbiMed product did post a strong 2017 number, though the fourth quarter was disappointing. OrbiMed remains on firm-wide watch for qualitative reasons.

Hyas Group will review recent asset outflows as well as total assets under management for the Jackson Square Large Cap Growth Fund and will provide this information at the next quarterly meeting.

An update on Berens was presented to the Board. Hyas Group reported a high-level personnel change at Berens that was announced during first quarter 2018, and they provided a memorandum on the subject of Fred Brochin's departure. This personnel change is coupled with the Fund's overall performance weakness. The firm's founders have assumed the vacant investment management roles and further organizational changes are expected. Hyas and staff recommended a full redemption of the fund. Notice of redemption was given to Berens and it is expected that most of the assets will be available for reinvestment in late July. Hyas Group will be assembling a manager search document to include potential emerging market replacement candidates. The Berens Global Value Fund will remain on watch until it is replaced.

Jim Tieken moved and Mike Cavanaugh seconded the motion to affirm the redemption of Berens Global Value that was recommended by Hyas Group and staff. The motion passed unanimously.

Dean Kiefer arrived at 12:42 p.m.

Mr. Davidson and the Board discussed the Fund's manager searches expected in the upcoming year. An emerging markets equity manager search will begin immediately to replace Berens Global Value Fund. The opportunistic credit search will be relaunched following key personnel turnover at Angelo Gordon subsequent to Board approval but before the subscription was finalized. The private real estate investments, in general, are mature and we are expecting to get large portions of capital back over the next several quarters, which will warrant a search in the second half of the year.

For the performance report, Mr. Davidson will look into the conflicting performance numbers within the long-biased space for the overall asset class and underlying manager performance. Mr. Davidson will also evaluate the category specifications for the OrbiMed Royalty Opportunities II product.

#### **Investment Policy Statement Review**

The Board engaged in the annual review of the SERS Investment Policy Statement. Hyas Group and staff did not recommend any changes to the Investment Policy since the last update in December 2016.

Jim Tieken moved and Mike Cavanaugh seconded the motion to approve the Investment Policy Statement with no changes as recommended. The motion passed unanimously.

#### **Minutes of the January 31, 2018 Meeting**

Mike Cavanaugh moved and Jim Tieken seconded the motion to approve the minutes of the January 31, 2018 meeting as presented.

#### **Director's Report**

##### **Service Retirements**

<i>Name</i>	<i>Age</i>	<i>Retirement Date</i>	<i>Years of Service</i>	<i>Option</i>
Jack L. Flores	62	02/10/2018	24.5	E
Patricia L. Moulton	60	03/03/2018	20.9	ST
Robert E. Cubbage II	71	03/09/2018	15.0	E
Daniel J. Skindzier	65	04/07/2018	25.1	E
Larry K. White	70	04/07/2018	40.5	E
Dennis L. McConkey	69	05/05/2018	17.3	E
Samuel R. McKee	62	06/02/2018	17.1	B
Rodney J. Minarik	66	06/09/2018	21.9	D



Mike Cavanaugh moved and Dean Kiefer seconded the motion to approve the service retirements as amended on the February Retirement Transaction Report. The motion passed unanimously.

Withdrawals for February 2018

<i>Name</i>	<i>Years of Service</i>	<i>Termination Date</i>
Brentt G. Ramharter	0.9	05/15/2017
Rachel M. Riley	1.0	11/27/2017
Jacqueline D. Halvorson	0.6	12/29/2017

Jim Tieken moved and Mike Cavanaugh 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>
Jonathan D. Mallahan	Community & Neighborhood Services	9.3

Deaths

<i>Name</i>	<i>Date Retired</i>	<i>Age</i>	<i>Date of Death</i>	<i>Information</i>
Wallace W. Berry	07/02/1997	77	01/31/2018	No Further Benefits
Ronald H. Thomas	07/27/1999	72	01/31/2018	E Option Continues
Edward H. Davis	05/04/2003	71	01/26/2018	No Further Benefits
John P. Lynch	03/10/2007	70	02/07/2018	E Option Continues

Vesting and Death information provided to the Board for review.

Expenditure Summary Report – December 2017 and January 2018

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

J. D. Morscheck moved and Jim Tieken seconded the motion to approve the December 2017 and January 2018 Expenditure Summary Reports. The motion passed unanimously.

Schedule of Investments – January 2018

The monthly investment report was presented to the Board for review. The estimated market value of the SERS portfolio on January 31, 2017 was \$315.9 million with an estimated monthly rate of return of 3.2%.

Monthly Cash Reconciliation

The monthly cash reconciliation report for January 2018 was presented to provide the Board with additional insight into the ongoing liquidity and cash position of the plan.

### **Board Rules**

Mike Cavanaugh moved and Jim Ticken moved to accept the Board Rules as presented with a friendly amendment to change the antiquated wording of Secretary to Retirement Director throughout the rules. The motion passed unanimously.

### **Upcoming Board Election**

Jim Ticken's term on the Board runs through July 1, 2018. Ms. Shisler reminded the Board the City Clerk's office handles the election.

### **Other Business**

There being no other business, the meeting adjourned at 1:11 p.m.

---

**Phillip Tencick, Retirement Director**

# SERS Retirement Transaction Report

## March 2018

### *Retirements*

	<b>Name</b>	<b>Age</b>	<b>Retirement Date</b>	<b>Years of Service</b>	<b>Department</b>	<b>Option</b>
1	Ned Pauling	62	04/04/2018	23.0	Solid Waste Management	E
2	Joseph G. Blazek	57	05/02/2018	28.0	Water	E
3	Gregory J. Butz	62	05/09/2018	10.6	Stormwater	E
	Retirements YTD	16				
	2017 Total Retirements	62				

### *Withdrawals*

	<b>Name</b>	<b>Years of Service</b>	<b>Department</b>	<b>Termination Date</b>
1	Gregory E. Chute	0.8	Water	08/17/2017
2	Jacqueline M. Smithley	2.1	Library	08/25/2017
3	Crystal D. Kranz	0.8	My Spokane	09/08/2017
4	Kelly J. Doty	6.6	Police	02/02/2018

SPOKANE EMPLOYEES' RETIREMENT SYSTEM - 6100  
 2018 EXPENDITURE SUMMARY REPORT  
 FEBRUARY 28, 2018

	2017 ACTUAL	2018 BUDGET	FEBRUARY ACTUAL EXPENDITURES	2018 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
<b>OPERATING EXPENDITURES</b>						
Departmental Salaries	272,809.13	290,564.00	24,214.00	31,920.00	258,644.00	11.0%
Departmental Benefits	78,628.12	86,250.00	7,150.03	11,886.11	74,363.89	13.8%
Reserve for Budget Adjustment	-	10,000.00	-	-	10,000.00	0.0%
Administrative Income	(19,374.47)	(10,000.00)			(10,000.00)	
Postage/Supplies/Other	4,680.88	9,950.00	177.21	261.68	9,688.32	2.6%
State Audit Charges	10,669.62	15,000.00	563.17	563.17	14,436.83	3.8%
Contractual Services	139,186.91	175,000.00	-	-	175,000.00	0.0%
Travel	10,968.76	15,000.00	81.69	81.69	14,918.31	0.5%
Registration/Schooling	15,980.00	15,000.00	-	-	15,000.00	0.0%
Other Dues/Subscriptions/Membership	1,886.00	2,500.00	160.00	160.00	2,340.00	6.4%
Other Miscellaneous Charges	708.66	1,300.00	59.48	114.48	1,185.52	8.8%
OPEB Expense	601.00	-	-	-	-	
Amortization	17,649.00	-	-	-	-	
<b>TOTAL OPERATING EXPENDITURES</b>	<b>534,393.61</b>	<b>610,564.00</b>	<b>32,405.58</b>	<b>44,987.13</b>	<b>565,576.87</b>	<b>7.4%</b>
<b>INTERFUND EXPENDITURES</b>						
Interfund - Centralized Purchasing	-	378.00	-	94.50	283.50	25.0%
Interfund - Centralized Accounting	2,346.92	2,078.00	-	519.40	1,558.60	25.0%
Interfund - IT Phones	1,514.36	-	-	-	-	
Interfund - Risk Management	760.00	790.00	197.50	197.50	592.50	25.0%
Interfund - Worker's Compensation	104.00	109.00	27.25	27.25	81.75	25.0%
Interfund - Reprographics	7,596.07	4,500.00	849.78	849.78	3,650.22	18.9%
Interfund - IT	13,756.33	16,171.00	1,352.52	1,352.52	14,818.48	8.4%
Interfund - IT Replacement	2,772.00	2,066.00	172.17	172.17	1,893.83	8.3%
Interfund - My Spokane	435.90	1,532.00	-	-	1,532.00	0.0%
<b>TOTAL INTERFUND EXPENDITURES</b>	<b>29,285.58</b>	<b>27,624.00</b>	<b>2,599.22</b>	<b>3,213.12</b>	<b>24,410.88</b>	<b>11.6%</b>
<b>TOTAL ADMINISTRATIVE EXPENDITURES</b>	<b>563,679.19</b>	<b>638,188.00</b>	<b>35,004.80</b>	<b>48,200.25</b>	<b>589,987.75</b>	<b>7.6%</b>

SPOKANE EMPLOYEES' RETIREMENT SYSTEM - 6100  
 2018 EXPENDITURE SUMMARY REPORT  
 FEBRUARY 28, 2018

	2017 ACTUAL	2018 BUDGET	FEBRUARY ACTUAL EXPENDITURES	2018 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
<b>PENSIONS</b>						
Pensions-Annuity Benefit Payments	24,852,639.62	27,000,000.00	2,130,665.58	4,257,763.76	22,742,236.24	15.8%
Pensions-Disability Payments	125,328.48	140,000.00	10,444.04	20,888.08	119,111.92	14.9%
Pensions-Survivor Annuity Benefits Payments	1,913,816.49	2,100,000.00	156,615.61	313,231.22	1,786,768.78	14.9%
<b>TOTAL PENSIONS</b>	<u>26,891,784.59</u>	<u>29,240,000.00</u>	<u>2,297,725.23</u>	<u>4,591,883.06</u>	<u>24,648,116.94</u>	15.7%
Refunds	551,908.36	1,000,000.00	11,810.73	29,504.97	970,495.03	3.0%
<b>TOTAL EXPENSES</b>	<u><u>28,007,372.14</u></u>	<u><u>30,878,188.00</u></u>	<u><u>2,344,540.76</u></u>	<u><u>4,669,588.28</u></u>	<u><u>26,208,599.72</u></u>	15.1%
<b>INVESTMENT EXPENSE*</b>						
Advisory Technical Service	449,836.97	500,000.00	61,438.90	40,098.80	459,901.20	8.0%

\* 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, 2018

3/21/2018

				Allocation		
		Type		Target	Current	Diff.
Cash Held by Treasurer	Cash		\$ 93,445			
US Bank	Short-term Inv		30,778			
	<b>Total Cash</b>		<b>124,223</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
Sterling Capital	Total Return		23,370,949			
	<b>Total Total Return</b>		<b>23,370,949</b>	<b>10.0%</b>	<b>7.6%</b>	<b>-2.4%</b>
Hotchkis & Wiley	High Yield - Mutual Fund		23,286,066			
	<b>Total High Yield</b>		<b>23,286,066</b>	<b>5.0%</b>	<b>7.6%</b>	<b>2.6%</b>
Polar	LLC		6,715,613			
American Beacon	Mutual Fund		2,261,874			
Castine Capital I	Ltd Partnership		7,872,800			
Post Limited Term High Yield	Ltd Partnership		5,986,761			
Rimrock Low Volatility	Ltd Partnership		9,749,109			
	<b>Total Absolute Return</b>		<b>32,586,157</b>	<b>8.0%</b>	<b>10.6%</b>	<b>2.6%</b>
<b>Total Capital Preservation</b>			<b>79,367,395</b>	<b>23.0%</b>	<b>25.8%</b>	<b>2.8%</b>
Hotchkis & Wiley	LC Value - Mutual Fund		15,843,563			
Jackson Square	LC Growth - Mutual Fund		16,543,926			
MFS Heritage	LC Core		18,344,886			
Vanguard S&P 500 Index	LC Core - Mutual Fund		10,565,173			
	<b>Total US Large Cap</b>		<b>61,297,548</b>	<b>21.0%</b>	<b>19.9%</b>	<b>-1.1%</b>
Sterling	MC Value		6,162,423			
Vanguard MC Growth	MC Growth - Mutual Fund		4,622,799			
Vanguard MC Index	MC Core - Mutual Fund		3,937,238			
Champlain	SC Core		5,697,214			
Phocas	SC Value - Mutual Fund		3,966,935			
Bridge City	SC Growth		6,130,672			
Vanguard SC Index	SC Core - Mutual Fund		849,233			
	<b>Total US Small/Mid Cap</b>		<b>31,366,514</b>	<b>11.0%</b>	<b>10.2%</b>	<b>-0.8%</b>
<b>Total US Equities</b>			<b>92,664,062</b>	<b>32.0%</b>	<b>30.1%</b>	<b>-1.9%</b>
Artisan	SMID Value - Mutual Fund		22,333,025			
Euro Pacific	LC Blend - Mutual Fund		22,489,022			
Vanguard International	LC Index - Mutual Fund		-			
	<b>Total International Large Cap</b>		<b>44,822,047</b>	<b>15.0%</b>	<b>14.6%</b>	<b>-0.4%</b>
Trivalent	SC Value - Mutual Fund		12,899,024			
	<b>Total International Small/Mid</b>		<b>12,899,024</b>	<b>4.0%</b>	<b>4.2%</b>	<b>0.2%</b>
Berens	Ltd Partnership		10,084,713			
	<b>Total Emerging Markets</b>		<b>10,084,713</b>	<b>3.0%</b>	<b>3.3%</b>	<b>0.3%</b>
<b>Total International Equities</b>			<b>67,805,784</b>	<b>22.0%</b>	<b>22.0%</b>	<b>0.0%</b>
Weatherlow Offshore	Ltd Partnership		15,932,715			
Royalty Opportunities I	Ltd Partnership		2,686,206			
Royalty Opportunities II	Ltd Partnership		2,699,555			
	<b>Total Long Biased</b>		<b>21,318,476</b>	<b>7.0%</b>	<b>6.9%</b>	<b>-0.1%</b>
Metropolitan Real Estate Partners	Ltd Partnership		223,118			
Morrison Street Fund IV	LLC		378,970			
Morrison Street Fund V	LLC		5,021,909			
Morrison Street Debt Opportunities	LP		4,096,610			
Principal (REITs)	REITs		9,238,264			
Morgan Stanley Prime	LLC		7,051,160			
	<b>Total Real Estate</b>		<b>26,010,031</b>	<b>9.0%</b>	<b>8.5%</b>	<b>-0.5%</b>
Beach Point	Ltd Partnership		10,422,266			
	<b>Total Opportunistic Credit</b>		<b>10,422,266</b>	<b>7.0%</b>	<b>3.4%</b>	<b>-3.6%</b>
OrbiMed II	Ltd Partnership		10,138,647			
	<b>Total Special Opportunities</b>		<b>10,138,647</b>	<b>0.0%</b>	<b>3.3%</b>	<b>3.3%</b>
<b>Total Cash and Investments</b>			<b>\$ 307,726,661</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>

Monthly Pension \$ (2,309,536)  
As of January 31, 2018 **\$ 315,972,181**  
Estimated Rate of Return -1.9%

<b>Abs. Return and Total Return FI</b>	Thesis 2017.1	<b>55,957,106</b>	<b>18.0%</b>	<b>18.2%</b>	<b>0.2%</b>
<b>High Yield and Opp Credit</b>	Thesis 2017.2	<b>33,708,332</b>	<b>12.0%</b>	<b>11.0%</b>	<b>-1.0%</b>
<b>Equity and Special Situations</b>	Thesis 2017.3	<b>170,608,493</b>	<b>54.0%</b>	<b>55.4%</b>	<b>1.4%</b>

## Cash Recon - Mar 18

Date	Transactions	Sources	Uses	Balance
<b>2/22/2018</b>	<b>Beginning Balance</b>			<b>4,637,247.29</b>
2/26/2018	Purchase - Trivalent International Small Cap		(800,000.00)	<b>3,837,247.29</b>
2/26/2018	Purchase - Artisan International Value Fund		(1,000,000.00)	<b>2,837,247.29</b>
2/26/2018	Purchase - EuroPacific Growth Fund		(500,000.00)	<b>2,337,247.29</b>
2/28/2018	Pension Payments		(2,309,535.96)	<b>27,711.33</b>
3/1/2018	Interest	3,066.88		<b>30,778.21</b>
3/5/2018	Payroll Contributions	694,315.72		<b>725,093.93</b>
3/8/2018	Purchase - Sterling Core Fixed Income		(700,000.00)	<b>25,093.93</b>
3/15/2018	Distribution - OrbiMed Royalty Opps II	144,429.62		<b>169,523.55</b>
3/19/2018	Payroll Contributions	687,973.68		<b>857,497.23</b>
3/19/2018	Cash Sweep	79.59		<b>857,576.82</b>
3/20/2018	Commission Recapture	22.27		<b>857,599.09</b>
<b>3/21/2018</b>	<b>Ending Balance</b>	<b>1,529,887.76</b>	<b>(5,309,535.96)</b>	<b>857,599.09</b>
	<u>Upcoming</u>			
3/28/2018	Sale		(1,500,000.00)	
3/29/2018	March Pension Payments		(2,342,009.45)	