

**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. Cabbage 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, 2018 was \$315.9 million with an estimated monthly rate of return of 3.2%.

Monthly Cash Reconciliation

The monthly cash reconciliation report for February 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 Tieken 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 Tieken'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.

/s/

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**Phillip Tencick, Retirement Director**