

Spokane Employees' Retirement System
(SERS) Board Meeting, 12:00 p.m. May 30, 2018
City Hall - Conference Room 5A

AGENDA

- 1) Hyas Group Quarterly Investment Review
 - a) 2018 1st Quarter Investment Performance Report
 - Information
 - b) Castine Strategy Transition
 - Motion
 - c) Other Business

- 2) Minutes of the April 25, 2018 Meeting
 - Motion

- 3) Director's Report
 - a) Retirements
 - Motion
 - b) Withdrawals
 - Motion
 - c) Deaths
 - Information
 - d) Expenditure Summary Report – April 2018
 - Motion
 - e) Schedule of Investments – April 2018
 - Information
 - f) Cash Reconciliation – April 2018
 - Information
 - g) Other Business

- 4) City Hall Security Update
 - Information

- 5) Other Business

- 6) Next Meeting – **Wednesday, June 27th at 1:30 p.m.**
Moss Adams will present the draft 2017 Audit Report

Spokane Employees' Retirement System (SERS)
Board Meeting Minutes
April 25, 2018

The regular monthly meeting was called to order at 1:30 p.m. in the 5th Floor Conference Room at City Hall.

Present: Mike Coster, Jim Tieken, Mike Cavanaugh, Dean Kiefer, Candace Mumm, Brian Brill, and, J.D. Morscheck

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

Guests: Bill Reid, Bill Dowd, Joe Cavanaugh, Joan Hamilton, Lee Ann Reid, Diane Clavel, Melissa Wittstruck, Richard Czernik, Jon Barnhart, and John Bjork

Candace Mumm arrived at 1:32 p.m.

Bill Dowd and Bill Reid, SageView Consulting – 2017 Actuarial Valuation

Mr. Dowd and Mr. Reid presented the December 31, 2017 Actuarial Valuation.

The actuarial funded status as of December 31, 2017 was 67.4%, up from 53.0% at the end of 2016. Most of the improvement was due to the increase in the liability discount rate from 5.75% to 7.50%, which was a result of an increase in the total contribution rate to 18.0% (9.0% for both employee and employer) and the ongoing commitment to meet the Actuarially Determined Contribution (ADC) rate. The total employee and employer ADC as of the end of the year was 18.49%. The Plan's current funded status is in line with the long-term glide path strategy implemented in 2012 to ensure the Plan returns a fully funded status. However, the glide path will be adjusted for next year's report to reflect the increased contribution rates.

Mike Cavanaugh moved and Jim Tieken seconded the motion to follow the recommendation by SageView to increase the contribution rate from 9.00% to 9.25% effective January 1, 2019. The motion passed unanimously.

Ad-Hoc Increase

In accordance with SERS Board policy, SageView recommended not granting an ad hoc pension increase since the current funding ratio is below the minimum 90% threshold.

Mike Cavanaugh moved and Dean Kiefer seconded the motion to follow SageView's recommendation to not grant an ad-hoc pension increase. The motion passed unanimously.

Minutes of the March 28, 2018 Meeting

Candace Mumm moved and J.D. Morscheck seconded the motion to approve the minutes of the March 28, 2018 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>
Dann A. Douglas	67	04/12/2018	16.9	E
Janet M. Worley	62	05/02/2018	31.0	E
Donald E. McIntyre	68	05/04/2018	15.6	E
George M. Eltz	74	05/16/2018	19.0	ST
Patricia A. Bonner	65	06/16/2018	33.6	ST
Thomas C. Kestell	63	07/07/2018	19.0	D
John A. Walters	63	07/07/2018	20.0	E
John W. Halsey	61	08/02/2018	23.5	E

Dean Kiefer moved and Jim Tieken seconded the motion to approve the service retirements as amended on the April Retirement Transaction Report. The motion passed unanimously.

Withdrawals for April 2018

<i>Name</i>	<i>Years of Service</i>	<i>Termination Date</i>
Joel B. Williamson	1.0	01/04/2013
Lauren M. Bickel	0.2	07/28/2017
Sean R. Zubaugh	0.9	10/12/2017
Ronald E. Jobe	Beneficiary of Michael R. Jobe	

Jim Tieken moved and Candace Mumm seconded the motion to approve the requests for withdrawal as presented on the April Retirement Transaction Report. The motion passed unanimously.

Vesting

<i>Name</i>	<i>Department</i>	<i>Years of Service</i>
Kenneth C. Gimpel	Solid Waste Disposal	5.3
Nicole R. Goes	Civil Service	7.8
Michelle D. Szambelan	Municipal Court	18.6

Deaths

<i>Name</i>	<i>Date Retired</i>	<i>Age</i>	<i>Date of Death</i>	<i>Information</i>
Ida M. Cross	05/05/2017	95	04/06/2018	No Further Benefits
Wilma C. Beddow	06/08/2013	58	04/08/2018	E Option Continues

Vesting and Death information provided to the Board for review.

Expenditure Summary Report – March 2018

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

Jim Tieken moved and Dean Kiefer seconded the motion to approve the March 2018 Expenditure Summary Report. The motion passed unanimously.

Schedule of Investments – March 2018

The monthly investment report was presented to the Board for review. The estimated market value of the SERS portfolio on March 31, 2018 was \$304.8 million with an estimated rate of return of -0.2% for the month.

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.

Berens Consent Agreement

Mike Cavanaugh moved and Jim Tieken seconded the motion to approve the consent agreement approving the merger between Alternative Investment Group and Berens Capital Management. The only change SERS and Hyas Group is expecting to see is in name only. The motion passed unanimously.

OrbiMed Consent Agreement

Jim Tieken moved and Mike Cavanaugh seconded the motion to approve the consent agreement approving the change of control since Mr. Isaly is stepping down as Managing Member. The motion passed unanimously.

Environmental, Social, and Governance (ESG) Overview

Mr. Tencick led a discussion with the Board regarding the use Environmental, Social, and Governance criteria in the evaluating investments and how it could impact SERS. The policy that the Seattle City Employees' Retirement System (SCERS) uses regarding ESG was shared with the Board.

GASB 75 OPEB Expenses

Mr. Tencick shared with the Board a legal opinion on the other post-employment benefits (OPEB) expenses being assessed against the Retirement department pursuant to the implementation of Governmental Accounting Standards Board (GASB) 75 by the City. The legal opinion stated the Board was not to use Fund assets for the payment of OPEB expenses.

Other Business

There being no other business, the meeting adjourned at 2:55 p.m.

Phillip Tencick, Retirement Director

SERS Retirement Transaction Report

May 2018

Retirements

	Name	Age	Retirement Date	Years of Service	Department	Option
1	Christine L. Kopple	50	05/04/2018	12.0	Library	E
2	Shirley M. Pippenger	69	06/02/2018	20.7	City Clerk	A
3	Kenneth M. Brown	63	06/02/2018	29.7	Engineering Services	E
4	Scott W. Thomas	50	07/01/2018	5.1	Advanced Wastewater	E
5	Susan M. Rudder	58	07/10/2018	22.3	Library	ST
6	Jeffrey B. Lindholm	63	07/14/2018	37.8	Advanced Wastewater	E
	Retirements YTD	30				
	2017 Total Retirements	62				

Withdrawals

	Name	Years of Service	Department	Termination Date
1	Nicholas R. Ulrich	0.8	Public Defender	10/27/2017
2	Amy L. Mullerleile	1.8	Planning Services	02/14/2018

Deaths

	Name	Date Retired	Age	Date of Death	Information
1	George S. Volesky	05/02/1987	87	04/29/2018	No Further Benefits

SPOKANE EMPLOYEES' RETIREMENT SYSTEM - 6100
 2018 EXPENDITURE SUMMARY REPORT
APRIL 30, 2018

	2017 ACTUAL	2018 BUDGET	APRIL ACTUAL EXPENDITURES	2018 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
OPERATING EXPENDITURES						
Departmental Salaries	272,809.13	290,564.00	21,333.14	84,913.15	205,650.85	29.2%
Departmental Benefits	78,628.12	86,250.00	6,668.97	26,944.05	59,305.95	31.2%
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	459.26	763.79	9,186.21	7.7%
State Audit Charges	10,669.62	15,000.00	141.84	939.09	14,060.91	6.3%
Contractual Services	139,186.91	175,000.00	14,899.99	15,247.99	159,752.01	8.7%
Travel	10,968.76	15,000.00	-	81.69	14,918.31	0.5%
Registration/Schooling	15,980.00	15,000.00	-	7,990.00	7,010.00	53.3%
Other Dues/Subscriptions/Membership	1,886.00	2,500.00	-	160.00	2,340.00	6.4%
Other Miscellaneous Charges	708.66	1,300.00	55.00	224.48	1,075.52	17.3%
Amortization	17,649.00	-	-	-	-	
TOTAL OPERATING EXPENDITURES	533,792.61	610,564.00	43,558.20	137,264.24	473,299.76	22.5%
INTERFUND EXPENDITURES						
Interfund - Centralized Purchasing	-	378.00	94.50	189.00	189.00	50.0%
Interfund - Centralized Accounting	2,346.92	2,078.00	519.40	1,038.80	1,039.20	50.0%
Interfund - IT Phones	1,514.36	-	-	-	-	
Interfund - Risk Management	760.00	790.00	-	197.50	592.50	25.0%
Interfund - Worker's Compensation	104.00	109.00	-	27.25	81.75	25.0%
Interfund - Reprographics	7,596.07	4,500.00	274.82	1,453.98	3,046.02	32.3%
Interfund - IT	13,756.33	16,171.00	1,349.11	4,055.32	12,115.68	25.1%
Interfund - IT Replacement	2,772.00	2,066.00	172.17	516.51	1,549.49	25.0%
Interfund - My Spokane	435.90	1,532.00	383.00	383.00	1,149.00	25.0%
TOTAL INTERFUND EXPENDITURES	29,285.58	27,624.00	2,793.00	7,861.36	19,762.64	28.5%
TOTAL ADMINISTRATIVE EXPENDITURES	563,078.19	638,188.00	46,351.20	145,125.60	493,062.40	22.7%

SPOKANE EMPLOYEES' RETIREMENT SYSTEM - 6100
 2018 EXPENDITURE SUMMARY REPORT
APRIL 30, 2018

	2017 ACTUAL	2018 BUDGET	APRIL ACTUAL EXPENDITURES	2018 ACTUAL YTD EXPENDITURES	VARIANCE	PERCENTAGE USED
PENSIONS						
Pensions-Annuity Benefit Payments	24,852,639.62	27,000,000.00	2,149,474.83	8,540,809.55	18,459,190.45	31.6%
Pensions-Disability Payments	125,328.48	140,000.00	10,444.04	41,776.16	98,223.84	29.8%
Pensions-Survivor Annuity Benefits Payments	1,913,816.49	2,100,000.00	160,857.01	631,257.36	1,468,742.64	30.1%
TOTAL PENSIONS	<u>26,891,784.59</u>	<u>29,240,000.00</u>	<u>2,320,775.88</u>	<u>9,213,843.07</u>	<u>20,026,156.93</u>	31.5%
Refunds	551,908.36	1,000,000.00	47,576.35	117,906.64	882,093.36	11.8%
TOTAL EXPENSES	<u><u>28,006,771.14</u></u>	<u><u>30,878,188.00</u></u>	<u><u>2,414,703.43</u></u>	<u><u>9,476,875.31</u></u>	<u><u>21,401,312.69</u></u>	30.7%
INVESTMENT EXPENSE*						
Advisory Technical Service	449,836.97	500,000.00	41,492.38	86,338.86	413,661.14	17.3%

* 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
April 30, 2018

5/24/2018

	Type		Allocation		
			Target	Current	Diff.
Cash Held by Treasurer	Cash	\$ 120,051			
US Bank	Short-term Inv	103,587			
Total Cash		223,638	0.0%	0.1%	0.1%
Sterling Capital	Total Return	24,017,937			
Total Total Return		24,017,937	10.0%	7.9%	-2.1%
Hotchkis & Wiley	High Yield - Mutual Fund	24,015,528			
Total High Yield		24,015,528	5.0%	7.9%	2.9%
Polar	LLC	6,626,406			
American Beacon	Mutual Fund	1,610,260			
Castine Capital I	Ltd Partnership	7,937,422			
Post Limited Term High Yield	Ltd Partnership	6,010,623			
Rimrock Low Volatility	Ltd Partnership	9,798,812			
Total Absolute Return		31,983,523	8.0%	10.5%	2.5%
Total Capital Preservation		80,240,626	23.0%	26.2%	3.2%
Hotchkis & Wiley	LC Value - Mutual Fund	15,742,002			
Jackson Square	LC Growth - Mutual Fund	16,049,374			
MFS Heritage	LC Core	17,944,452			
Vanguard S&P 500 Index	LC Core - Mutual Fund	10,335,670			
Total US Large Cap		60,071,498	21.0%	19.6%	-1.4%
Sterling	MC Value	6,067,654			
Vanguard MC Growth	MC Growth - Mutual Fund	4,649,794			
Vanguard MC Index	MC Core - Mutual Fund	3,926,792			
Champlain	SC Core	5,938,459			
Phocas	SC Value - Mutual Fund	4,018,899			
Bridge City	SC Growth	6,258,936			
Vanguard SC Index	SC Core - Mutual Fund	861,699			
Total US Small/Mid Cap		31,722,233	11.0%	10.4%	-0.6%
Total US Equities		91,793,731	32.0%	30.0%	-2.0%
Artisan	SMID Value - Mutual Fund	21,911,664			
Euro Pacific	LC Blend - Mutual Fund	22,075,433			
Vanguard International	LC Index - Mutual Fund	-			
Total International Large Cap		43,987,097	15.0%	14.4%	-0.6%
Trivalent	SC Value - Mutual Fund	12,518,682			
Total International Small/Mid		12,518,682	4.0%	4.1%	0.1%
Berens	Ltd Partnership	9,961,660			
Total Emerging Markets		9,961,660	3.0%	3.3%	0.3%
Total International Equities		66,467,439	22.0%	21.7%	-0.3%
Weatherlow Offshore	Ltd Partnership	15,731,420			
Royalty Opportunities I	Ltd Partnership	2,963,561			
Royalty Opportunities II	Ltd Partnership	2,678,584			
Total Long Biased		21,373,565	7.0%	7.0%	0.0%
Metropolitan Real Estate Partners	Ltd Partnership	223,118			
Morrison Street Fund IV	LLC	379,805			
Morrison Street Fund V	LLC	4,435,760			
Morrison Street Debt Opportunties	LP	4,003,185			
Principal (REITs)	REITs	9,675,605			
Morgan Stanley Prime	LLC	7,052,396			
Total Real Estate		25,769,869	9.0%	8.4%	-0.6%
Beach Point	Ltd Partnership	10,451,179			
Total Opportunistic Credit		10,451,179	7.0%	3.4%	-3.6%
OrbiMed II	Ltd Partnership	9,814,597			
Total Special Opportunities		9,814,597	0.0%	3.2%	3.2%
Total Cash and Investments		\$ 305,911,006	100.0%	100.0%	0.0%
Monthly Pension		\$ (2,368,352)			
As of March 31, 2018		\$ 304,831,625			
Estimated Rate of Return		1.1%			
Abs. Return and Total Return FI	Thesis 2017.1	56,001,460	18.0%	18.3%	0.3%
High Yield and Opp Credit	Thesis 2017.2	34,466,707	12.0%	11.3%	-0.7%
Equity and Special Situations	Thesis 2017.3	168,075,767	54.0%	54.9%	0.9%

Cash Recon - May 18

Date	Transactions	Sources	Uses	Balance
4/19/2018	Beginning Balance			742,893.98
4/19/2018	Commission Recapture	14.38		742,908.36
4/23/2018	Distribution - Morrison Street V	64,824.05		807,732.41
4/30/2018	Sale - EuroPacific	300,000.00		1,107,732.41
4/30/2018	Sale - Artisan	300,000.00		1,407,732.41
4/30/2018	Sale - Trivalent	400,000.00		1,807,732.41
4/30/2018	Payroll Contributions	693,519.90		2,501,252.31
4/30/2018	April Pension Payments		(2,368,352.23)	132,900.08
4/30/2018	Wire - City Operating Account		(100,000.00)	32,900.08
4/30/2018	Trust Fees		(23,352.17)	9,547.91
4/30/2018	Distribution - Morrison Street MSDO	93,424.21		102,972.12
5/1/2018	Interest	615.11		103,587.23
5/8/2018	Cash Sweep	93.40		103,680.63
5/9/2018	Reissue Check		(719.35)	102,961.28
5/10/2018	Distribution - Metro V	7,792.77		110,754.05
5/10/2018	Redeposit Check	719.35		111,473.40
5/14/2018	Payroll Contributions	702,446.94		813,920.34
5/22/2018	Distribution - Morrison Street V	477,831.87		1,291,752.21
5/23/2018	Ending Balance	3,041,281.98	(2,492,423.75)	1,291,752.21
	<u>Upcoming</u>			
5/29/2018	Payroll Contributions		700,000.00	
5/26/2018	TBD Sale		400,000.00	
5/31/2018	May Pension Payments		(2,349,934.60)	