

**Regular Meeting  
Board of Administration  
Tacoma Employees' Retirement System**

10:00 a.m., Thursday, February 14, 2013  
Tacoma Public Utilities  
Administration Building North  
Conference Room G1  
3628 S. 35<sup>th</sup> Street  
Tacoma, Washington 98409

**Minutes**

**Call to Order**

Mayor Marilyn Strickland, Chair of the Retirement Board, called the meeting to order on Thursday, February, 14, 2013.

**Roll Call**

Members Present: Mayor Marilyn Strickland, Sam Benscoter, Gordon Cavanaugh, Jim Curley, Bill Gaines, Tansy Hayward, Alice Phillips, Wayne Reed and Chris Webster

Members Absent: Steven Call

Investment Advisory  
Committee Present: Dr. Alva Butcher, Joseph Cook and Dr. Lynda Livingston

Investment Advisory  
Committee Not Present: Dr. Kevin Boeh

Others Present: Monica Butler, Retirement Director  
Tim Allen, Assistant Retirement Director  
Kathleen Mason, Recording Secretary  
Martha Lantz, Deputy City Attorney  
Catherine Marx, TERS Financial Supervisor

Presenters: Andrew Junkin, Wilshire Associates

**Citizen Comments**

None.

**Consent Agenda**

Upon motion by Chris Webster, seconded by Gordon Cavanaugh, the Retirement Board moved to adopt the Consent Agenda and approved the drafted minutes of the December 13, 2012 Retirement Board meeting.

Regular Meeting  
Board of Administration  
Tacoma Employees' Retirement System  
10:00 a.m., February 14, 2013

### **Consent Agenda continued**

Via an e-mail to TERS Staff, Dr. Boeh requested a revision to the TERS Investment Policy Statement (referred to in the December 13, 2012 Board Minutes) to clarify that the TERS System is not involved in active management of Plan assets, but rather will select investment managers that may employ some degree of active management. Tim Allen, Chief Investment Officer, reported this comment to the Board and indicated that a proposed revision to the Investment Policy Statement will be presented at a future Board meeting.

### **Old Business**

#### **Funding and Benefits Policy**

Monica Butler provided a revised Funding and Benefits Policy to the Board. The Board requested that the following be added (in red):

#### **Policy**

When the Funding Ratio is:

(a) above 120% - Investment de-risking will be considered, and then the potential for **recommendations to the City Council on** contribution reductions and/or benefit improvements will be reviewed, provided the Retirement System's funding status is expected to remain stable after the changes.

Upon motion by Bill Gaines, seconded by Chris Webster, the Retirement Board approved and adopted the revised Funding and Benefits Policy Statement February 2013.

### **New Business**

#### **Wilshire Presentation**

The Retirement Board and Investment Advisory Committee received the Executive Summary – 4th Quarter 2012 from Wilshire Associates in hard copy.

Andrew Junkin, of Wilshire Associates, presented the Executive Summary of Performance, including a review of the TERS plan asset allocation and investment performance for the quarter ended December 31, 2012.

The Tacoma Employees' Retirement System's rates of return were reported as follows: 2.47% for the Fourth Quarter, 14.12% for the one-year period, 9.62% for the three-year period, 2.88% for the five-year period, and 8.77% for the ten-year period ended December 31, 2012.

The Executive Summary of Performance for the period ending December 31, 2012 serves as an addendum to the minutes.

The Retirement Director indicated that at a future Board meeting, TERS' Chief Investment Officer and/or Wilshire will discuss the pros and cons of possibly de-risking portions of the investment portfolio.

Regular Meeting  
Board of Administration  
Tacoma Employees' Retirement System  
10:00 a.m., February 14, 2013

### **Change the Order of Business**

Board Chair, Mayor Strickland, suspended the rules to change the order of business to New Business C. Real Assets Primer.

### **Real Assets Primer**

Tim Allen provided the Board with an overview of the use of Real Assets in investment portfolios and different approaches that can be utilized to invest in commodities.

Upon motion by Jim Curley, seconded by Chris Webster, the Board moved to approve the following:

TERS staff and Wilshire will undertake a targeted RFI search for enhanced index commodity products for a potential investment of between 1% and 4% of TERS assets.

It was noted that until a finalist manager is brought before and approved by the Board at a future meeting, no firm commitment to commodities investments will be made.

### **BREAK**

The Board took a break for lunch at 12:00 noon and reconvened at 12:25 p.m.

### **Values Investing**

Tim Allen presented the Board with information on Values Investing relative to the question of the Board's fiduciary duties to TERS members.

It was reported that, via an e-mail to TERS Staff, Investment Advisory Committee member Dr. Kevin Boeh cited a related Interpretive Bulletin (2509.08.1) from the Code of Federal Regulation 29 that discusses the potential conflict between exercising fiduciary authority and actions that further legislative, regulatory or public policy issues through the proxy voting process. His belief is that there is not ample evidence to support that socially responsible investing (SRI) can create economic returns, which may therefore preclude such types of investment strategies for TERS based on the Board's fiduciary duties.

### **Citizen Board Member and Executive Committee Member**

Citizen Board Member. The Retirement Director provided the Board with an informational memo related to the Citizen Board member and the Executive Committee member. The Citizen Board member is appointed by the Board. The current Citizen Board member, Chris Webster, has confirmed that he plans to step back from his role when his term expires in July, 2013.

The Board requested that the TERS Staff work with the Executive Committee to develop a position description, develop criteria for potential candidates' evaluation and conduct a solicitation.

Regular Meeting  
Board of Administration  
Tacoma Employees' Retirement System  
10:00 a.m., February 14, 2013

### **New Business continued**

Executive Committee Member. It was reported that Chris Webster will be leaving the Board in July, 2013 which will necessitate the selection of a new Vice Chair. This also leaves a vacancy on the Executive Committee. The Retirement Director suggested that the Board consider an alternate Executive Committee member until Chris Webster leaves the Board. It was noted that by February 28, 2013 the City will have a new Finance Director who will also be on the Executive Committee.

Upon motion by Jim Curley, seconded by Bill Gaines, the Board moved to approve Sam Benscoter as Alternate Executive Committee member.

### **Disability Committee Recommendation**

TERS member SAP #6948 applied for disability retirement under Tacoma Municipal Code Section 1.30.630 – Disability Retirement. Sam Benscoter, on behalf of the Disability Committee, recommended that the Retirement Board approve the disability retirement application.

Upon motion by Sam Benscoter, seconded by Gordon Cavanaugh, the Retirement Board approved the application for TERS' member SAP #6948 for disability retirement.

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

The Retirement Director's report serves as an addendum to the minutes.

The Retirement Director indicated that TERS staff will submit a formal request to TPU Facilities for fireproof and waterproof file cabinets. In addition, the issue of the independent auditor has been tabled until 2014. Finally, the Retirement Director reported there had been a significant increase in retirement withdrawals in 2012 due to the City's retirement incentive programs.

### **Good of the Order**

#### **Board Education**

The Board was provided the TERS Board Education List.

Upon motion by Mayor Strickland, seconded by Chris Webster, the Board approved the attendance at educational conferences for the following Board members:

- Jim Curley to attend NCPERS Conference in Honolulu, HI, May 18-22, 2013.
- Lynda Livingston and Alva Butcher to attend the 2013 Pension Bridge Annual Conference in San Francisco, CA, April 16-17, 2013.
- Sam Benscoter to attend the Annual Wilshire Client Consulting Conference 2013 in Sonoma, CA, April 21-23, 2013.

It was noted that Tim Allen, Chief Investment Officer, will also attend the Annual Wilshire Client Consulting Conference 2013.

Regular Meeting  
Board of Administration  
Tacoma Employees' Retirement System  
10:00 a.m., February 14, 2013

**Good of the Order continued**

**Retirement Transactions Report – December 2012 and January 2013**

The Retirement Transactions Report – December 2012 and January 2013 was provided to the Board.

**Retirement Director – Performance Review**

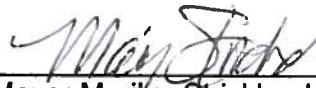
Tansy Hayward indicated that the Retirement Director's EDPR was due. Tansy will work with the Board on this.

**Adjourn**

Upon motion by Chris Webster, seconded by Gordon Cavanaugh, the Board adjourned the meeting at 1:30 p.m.



Kathleen Mason  
Recording Secretary



Mayor Marilyn Strickland  
Board Chair