

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

10:00 a.m., Thursday, August 8, 2013  
Tacoma Public Utilities  
Administration Building North  
Conference Room LT1  
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, August 8, 2013.

**Roll Call**

Members Present: Mayor Marilyn Strickland, Sam Bencoter, Gordon Cavanaugh, Andy Cherullo, Jim Curley, Bill Gaines, Tansy Hayward, Matthew Hedges, John O'Loughlin and Wayne Reed

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

Investment Advisory  
Committee Absent: Dr. Kevin Boeh and Dr. Alva Butcher

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  
Alex Browning, Wilshire Associates

**Citizen Comments**

None.

**Consent Agenda**

Upon motion by Jim Curley, seconded by Gordon Cavanaugh, the Retirement Board moved to adopt the Consent Agenda and approved the drafted minutes of the June 13, 2013 Retirement Board meeting.

**Old Business**

None.

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## **New Business**

### **Wilshire Presentation**

The Retirement Board and Investment Advisory Committee received the Executive Summary – 2nd Quarter 2013 from Wilshire Associates in hard copy.

Andrew Junkin and Alex Browning 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 June 30, 2013.

The Tacoma Employees' Retirement System's rates of return were reported as follows: -0.12% for the Second Quarter, 13.54% for the one-year period, 11.89% for the three-year period, 5.39% for the five-year period, and 8.07% for the ten-year period ended June 30, 2013.

Andrew also presented "Asset Allocation and Avoiding Financial Distress" and the materials were distributed to the Board at the meeting.

The Executive Summary of Performance for the period ending June 30, 2013 serves as an addendum to the minutes.

### **BREAK**

The Board took a break for lunch at 11:40 a.m. and reconvened at 12:15 p.m.

### **Real Assets Redux**

Tim Allen provided the Board with an overview of the role of real assets in the TERS investment portfolio. He stated that some of the goals for these investments are diversification and protection from surprise inflation. He recapped the process to evaluate commodities, including review of submitted RFIs and Board presentations by two finalist candidates. His recommended next step to the Board was to defer the decision on the commodities mandate, subject to investigating other real asset strategies such as infrastructure, agriculture and timber mandates.

Upon motion by Bill Gaines, seconded by Jim Curley, the Board approved further TERS staff research in the field of commodities investments and other types of real asset investment products. As a follow up to Andrew Junkin's presentation, the Board also requested further education on low volatility equity strategies.

### **Semiannual Budget Report**

Catherine Marx provided the Board with a Budget Status Report for the period ending 06/30/2013, explaining the variances between the actual vs. budgeted amounts.

### **Dashboard – June 30, 2013**

The Dashboard Report for June 2013 was reviewed with the Board. The report is provided to the Board twice a year.

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

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

Monica reported that she will provide the Board with the fiduciary liability insurance information for coverage limits and costs.

Monica reported that she will be presenting to City Council in a September Study Session to report on TERS as a follow up to the 2012 CAFR.

Monica reported that one overpayment of approximately \$34K of retirement benefits will be handled by outside counsel to attempt to recover the money for the fund.

Separately, some TERS members may be receiving a letter from Finance/ HR notifying them that TERS contributions have been mistakenly withheld from special pay and that corrections will be pending.

### **Good of the Order**

#### **Retirement Transactions Report – June and July 2013**

The Retirement Transactions Report – June and July 2013 were provided to the Board.

#### **Update on Pension Work Group**

Andy Cherullo, Finance Director, addressed the Board regarding the Pension Benefit Study Work Group. He indicated that the RFP selection process was completed and Gabriel Roeder Smith had been selected as the project consultant. The consultant fee will be paid by the City, not TERS. He stated that the goal of the project is to ensure the City's retirement benefits are sustainable now and in the future. As part of the process, the consultant will be assessing the existing pension system and the benefits. Andy will keep the Board updated on a regular basis.

Members of the Board expressed an interest in seeing the consultant contract.

#### **Board Member Conference Attendance**

Tim Allen reported that he and Dr. Kevin Boeh attended the Pension Bridge-Private Equity Exclusive Conference that was held in Chicago, IL, July 22-23, 2013. He also met with TERS investment managers Neuberger Berman and Northern Trust during this trip.

### **Adjourn**

Upon motion by Jim Curley, seconded by Gordon Cavanaugh, the meeting was adjourned.

  
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Kathleen Mason  
Recording Secretary

  
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Mayor Marilyn Strickland  
Board Chair