

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

10:00 a.m., Thursday, November 14, 2013  
Tacoma Public Utilities  
Administration Building North  
Conference Room LT1  
3628 S. 35<sup>th</sup> Street  
Tacoma, Washington 98409

**Minutes**

**Call to Order**

Sam Benscoter, Vice Chair of the Retirement Board, called the meeting to order on Thursday, November 14, 2013.

**Roll Call**

Members Present: Sam Benscoter, Gordon Cavanaugh, Andy Cherullo, Bill Gaines, Matthew Hedges, John O'Loughlin and Wayne Reed

Members Absent: Mayor Marilyn Strickland, Jim Curley and Tansy Hayward

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

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: Julia Bonafede, Wilshire Associates  
Alex Browning, Wilshire Associates

**Citizen Comments**

None.

**Consent Agenda**

Upon motion by Andy Cherullo, seconded by Gordon Cavanaugh, the Retirement Board moved to adopt the Consent Agenda.

Upon motion by Bill Gaines, seconded by Andy Cherullo, the Retirement Board moved to approve the drafted minutes of the October 10, 2013 Retirement Board meeting.

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## **Old Business**

None.

## **Change the Order of Business**

Upon motion by Bill Gaines, seconded by John O'Loughlin, the Board approved adjusting the agenda to allow for a 30 minute lunch break following New Business Agenda Item B. Low Volatility Equity Investing.

## **New Business**

### **Wilshire Presentation**

Sam Benscoter, Vice Chair, introduced Julia Bonafede and Alex Browning of Wilshire Associates.

The Retirement Board and Investment Advisory Committee received the Executive Summary – 3rd Quarter 2013 from Wilshire Associates in hard copy.

Ms. Bonafede provided an overview of Wilshire's history citing that TERS is one of the first clients of Wilshire Consulting (almost 30 years). Ms. Bonafede and Alex Browning presented the Executive Summary of Performance, including a review of the TERS plan asset allocation and investment performance for the quarter ended September 30, 2013.

The Tacoma Employees' Retirement System's rates of return were reported as follows: 4.55% for the Third Quarter, 12.94% for the one-year period, 10.32% for the three-year period, 8.34% for the five-year period, and 8.03% for the ten-year period ended September 30, 2013.

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

### **Low Volatility Equity Investing**

Alex Browning provided the Board with an overview of the role of low volatility equity investing. The Board requested to see the growth of a dollar graph that was cited in the presentation materials for some other time periods. At the Board's request, TERS staff will make white papers on low volatility investing available for Board review.

### **Investment Costs and CEM Review**

Tim Allen provided a memo to the Board with information on the CEM Benchmarking survey and reported on the findings of the peer-relative comparisons among U.S. defined benefit plans. The key observations were that in 2012, adjusting for TERS' fund size and asset allocation, TERS paid slightly lower than CEM calculated benchmark investment costs (i.e., investment manager fees) and achieved a slightly higher than CEM benchmark return.

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### **New Business continued**

### **LUNCH**

The Board took a lunch break at 11:45 a.m. and reconvened at 12:20 p.m.

### **Private Equity Update**

Tim Allen provided a brief report on the private equity investments, including a review of commitments and capital calls made to-date. A discussion concerning pacing and the type of vehicle utilized for private equity investments ensued.

### **Rebalancing and Investment Policy Statement**

Monica Butler explained to the Board that the wording in the current Investment Policy Statement regarding the rebalancing ranges relative to the Strategic and Interim benchmarking needed some clarification.

The Board reviewed the memo that contained the proposed revisions. The TERS Investment Policy Statement with revisions dated November 14, 2013 serves as an addendum to the minutes.

Upon motion by John O'Loughlin, seconded by Andy Cherullo, the Board approved the revised Investment Policy Statement dated November 14, 2013.

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

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

As a follow up to the September Board meeting, Monica reported on the status of the overpayment of retirement benefits to a deceased member's account because TERS was not aware of the member's death. In conjunction with legal counsel TERS was able to recoup some of the overpaid benefits.

Monica also reported that outside legal counsel, Davis Wright Tremaine, is working on securing the IRS Letter of Determination on behalf of TERS. Although a Letter of Determination is not a requirement, it does help ensure that the fund will be less likely subject to an IRS audit.

### **Good of the Order**

#### **Retirement Transactions Report – October 2013**

The Retirement Transactions Report – October 2013 was provided to the Board.

#### **Board Education Policy**

The Board was provided with a copy of the Board Education Policy and a list of 2014 Board Education Opportunities.

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### **Good of the Order continued**

Matthew Hedges indicated an interest in attending an Investment conference in December as a TERS representative, but at his own cost. Upon motion by John O'Loughlin, seconded by Gordon Cavanaugh, the Board approved Matthew Hedges' attendance.

### **Sustainability Update**

Monica provided an update on the City's sustainability study referencing the chart "Contribution Risk" contained in the Board packet. It was noted that contributions may need to rise if TERS does not earn 7.5%.

### **Additional Topics**

Monica proposed a time change to the December 12, 2013 Board Meeting. Specifically, the start time was changed from 1:00 p.m. to 2:00 p.m.

### **Adjourn**

Sam Bencoter, Vice Chair, adjourned the meeting.



Kathleen Mason  
Recording Secretary



Mayor Marilyn Strickland  
Board Chair