

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

1:00 p.m., Thursday, April 10, 2014  
Tacoma Public Utilities  
Administration Building North  
Conference Room G1  
3628 S. 35<sup>th</sup> Street  
Tacoma, Washington 98409

**Minutes**

**Call to Order**

Sam Bencoter, Vice Chair of the Retirement Board, called the meeting to order on Thursday, April 10, 2014.

**Roll Call**

Members Present: Sam Bencoter, Gordon Cavanaugh, Andy Cherullo, Jim Curley, Tansy Hayward, John O'Loughlin and Wayne Reed

Members Absent: Mayor Marilyn Strickland, Bill Gaines and Matthew Hedges

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  
Douglas Swanson, TPU - Utilities Accounting Division Manager  
Susan Ramirez, City of Tacoma - Finance  
Linda Parks, City of Tacoma - Finance

Presenters: Mark Olleman, Milliman  
Daniel Wade, Milliman

**Citizen Comments**

None.

**Consent Agenda**

Upon motion by Jim Curley, seconded by Andy Cherullo, the Retirement Board moved to adopt the Consent Agenda and approved the drafted minutes of the March 13, 2014 Retirement Board meeting.

## **Old Business**

### **GASB 67/68 Issues**

Mark Olleman and Daniel Wade of Milliman provided the Board with presentation materials, **GASB 67 and 68 Issues – Investment Return Assumption**. Mr. Olleman explained the history of GASB 67 & 68, effective dates, timing requirements, and other notable issues for TERS. Milliman emphasized the importance of coordination between TERS, the City of Tacoma and Tacoma Public Utilities to ensure adequate preparation for complying with the new GASB reporting requirements.

Following an explanation and discussion of new terminology, Milliman presented several options for the Board's consideration of the "Actuarially Determined Contribution" (ADC). Milliman presented three options, and Board members agreed on Option 3, which is similar to the current practice for determining the ARC. The ADC would be the current contribution rate if that rate is equal to or less than the 30 year amortization rate. However, if the amortization rate of the current contribution rate is greater than 30 years, the ADC would be based on the 30-year amortization rate of UAAL (which will be the NPL under the new GASB terminology.)

Upon motion by Sam Benscoter, seconded by John O'Loughlin, the Board approved to adopt Milliman's option 3 for the ADC, which is similar to the current practice for ARC to determine ADC.

### **Valuation Progress Report**

The 1/1/2014 Valuation is underway, and on schedule for results to be presented at the June Board meeting.

### **Assumed Rate of Return**

Milliman used both Wilshire's and their own capital market assumptions to review the projected investment rate of return for the recently adopted strategic asset allocation. Milliman presented information on the "Building Block Method", which builds up forecasts by combining projected inflation plus estimated real returns. Mark Olleman stated that it would be reasonable to lower the TERS investment return assumption, since the 50<sup>th</sup> percentile forecast for both Milliman and Wilshire are lower than the current assumption of 7.5%, and in line with 7.25%.

Upon motion by Andy Cherullo, seconded by John O'Loughlin, the Board approved to lower the Investment Return Assumption from 7.50% to 7.25%. This change will be reflected in the Valuation Report that will be presented at the June meeting.

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### **Investment Update**

Tim Allen provided several handouts including Wilshire's February Flash Report, an excerpt from the Wilshire 2013 Active Management Review, an article on Infrastructure Manager fundraising, and a report on current Infrastructure industry themes. Tim informed the Board that an investment manager for Infrastructure funds would be presenting at the May Board meeting.

### **New Business**

None.

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

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

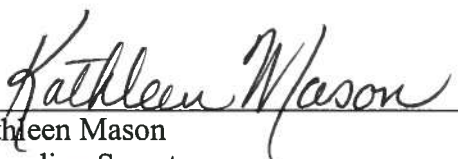
### **Good of the Order**

#### **Retirement Transactions Report – March 2014**

The Retirement Transactions Report – March 2014 was provided to the Board.

### **Adjourn**

Sam Bencoter adjourned the meeting at 3:10 p.m.

  
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Kathleen Mason  
Recording Secretary

  
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Mayor Marilyn Strickland  
Board Chair

