

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

10:00 a.m., Thursday, May 14, 2015
Tacoma Public Utilities
Administration Building North
Conference Room LT1 (307A)
3628 S. 35th Street
Tacoma, Washington 98409

Minutes

Call to Order

Mayor Marilyn Strickland, Chair of the Retirement Board, called the meeting to order on Thursday, May 14, 2015.

Roll Call

Members Present: Mayor Marilyn Strickland, Sam Benscoter, Gordon Cavanaugh, Jim Curley, Andy Cherullo, Matthew Hedges, John O'Loughlin, Tadd Wille and Wayne Reed

Members Absent: Bill Gaines

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

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

Presenters: Andrew Junkin, Wilshire Associates
Jason Samansky, Wilshire Associates

Mark Olleman, Milliman
Julie Smith, Milliman

Citizen Comments

None.

Consent Agenda

Upon motion by Andy Cherullo, seconded by Sam Benscoter, the Retirement Board moved to adopt the Consent Agenda and approve the drafted minutes of the March 12, 2015 Retirement Board meeting.

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Old Business

Investment Update

Tim Allen updated the Board on the transition of the System's Research Affiliates global equity mandate to a similar assignment advised by PIMCO. The paperwork is in the process of being completed and the account is expected to transfer in late May.

Along with Randy Lewis (the City of Tacoma's government relations officer) and representatives of the Seattle Retirement System, TERS staff met with the Sunshine Committee in Olympia, WA.

TERS staff is working with external legal counsel on establishing the Pantheon discretionary private equity separate account.

New Business

Wilshire Presentation

The Retirement Board and Investment Advisory Committee received the Executive Summary – 1st Quarter 2015 from Wilshire Associates in hard copy.

Andrew Junkin and Jason Samansky presented the Economic Overview and Executive Summary of Performance, including a review of the TERS plan asset allocation and investment performance for the quarter ended March 31, 2015.

The Tacoma Employees' Retirement System's rates of return were reported as follows: 3.39% for the First Quarter, 9.16% for the one-year period, 11.17% for the three-year period, 10.24% for the five-year period, and 7.52% for the ten-year period ended March 31, 2015.

The Executive Summary of Performance for the period ending March 31, 2015 serves as an addendum to the minutes.

Retirement Director's Report

Tim Allen, Retirement Director, reported on the estimated funded status as of April 30, 2015, provided a status update on the Strategic Assessment, discussed the Board member election results, talked about the Retirement Planning sessions and described the Retirement department expansion of work space.

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

Tim expressed his gratitude and appreciation to Jim Curley, Retiree Board Member, for all his contributions to the Board since 2008. Jim was presented with a gift symbolizing his consistent attention to detail and overall conscientiousness. Jim thanked the Board and wished them continued success.

LUNCH - The Board took a lunch break at 11:40 a.m. and reconvened at 12:15 p.m. Sam Bencoter, Vice Chair, reconvened the meeting in the Mayor's absence.

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Milliman Presentation – Valuation Study 2015

The January 1, 2015 Actuarial Valuation had been distributed to the Retirement Board in the Board packet. At the meeting, Mark Olleman and Julie Smith, Milliman actuaries, reviewed the handout Actuarial Terminology and Funding Principles and TERS Funding & Benefits Policy with the Board. Mark and Julie then reviewed the highlights of the Actuarial Valuation. It was reported that at January 1, 2015 the \$1,403M Actuarial Value of Assets was \$76M smaller than the \$1,479M Market Value of Assets. They noted that as of January 1, 2015, TERS was funded at 95.5% on an actuarial (smoothed) basis and 100.7% on a market value basis. According to the Board's Funding & Benefits Policy, no action is required. However, given the 20% combined contribution rate and the 18.84% normal cost, Milliman highlighted the sensitivity of the amortization period of the Unfunded Actuarial Accrued Liability (UAAL).

Good of the Order

Retirement Transactions Report – March and April 2015

The Retirement Transactions Reports – March and April 2015 were provided to the Board.

Educational Seminars

Kevin Boeh and Alva Butcher reported on their attendance at the DFA Annual Client Conference in April. Alva reported on sessions related to low volatility and the 5-factor model to explain variations in investment returns. Kevin indicated that he would provide a summary write-up for the Board at a later date.

Wayne Reed reported on his attendance at the Wilshire Consulting 2015 Client Conference in May. Keynote speaker was Brad Katsuyama, CEO and co-founder of the IEX, the Investors Exchange.

John O'Loughlin attended the NCPERS conference in April. John reported that he had gained a broader perspective of pensions, behavioral economics, statistics of defined benefit plans and GASB rules. NCPERS is developing a code of conduct.

Matt Hedges attended the SALT Conference at his own expense. Matt reported on topic of cyber security regarding risk protocol and how it is a real threat.

Additional Topics

Martha Lantz, legal counsel to the Board, reported on the status of ongoing litigation – the City prevailed. The plaintiff has 30 days to appeal.

Adjourn

Upon motion by Jim Curley, seconded by John O'Loughlin, the meeting was adjourned at 1:38 p.m.



Kathleen Mason
Recording Secretary



Mayor Marilyn Strickland
Board Chair