

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

10:00 a.m., Thursday, August 13, 2015
Tacoma Public Utilities
Administration Building North
Conference Room LT1
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, August 13, 2015.

Roll Call

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

Members Absent: Bill Gaines

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

Investment Advisory
Committee Absent: Dr. Lynda Livingston

Others Present: Tim Allen, Retirement Director
Kathleen Mason, Recording Secretary

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

Citizen Comments

None.

Consent Agenda

Upon motion by Andy Cherullo, seconded by John O'Loughlin, the Retirement Board moved to adopt the Consent Agenda and approve the drafted minutes of the July 9, 2015 Retirement Board meeting.

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Old Business

Investment Update

Tim Allen discussed Wilshire's whitepaper, "A Call for Patience: Keep Your Eye on the Horizon" (July 16, 2015) related to the assumed rate of return and the importance of staying focused on the long-term. He provided a report on the recent investment manager contacts list, provided a matrix illustrating historical market returns, per asset class (2001- Q1 2015), the WSJ Dollar Index, and comparison of TERS performance with WSIB, SCERS and SERS.

TERS staff continues to work with external legal counsel on establishing a discretionary private equity separate account.

New Business

Wilshire Presentation

The Retirement Board and Investment Advisory Committee received the Executive Summary – 2nd 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 June 30, 2015.

The Tacoma Employees' Retirement System's rates of return were reported as follows: -0.96% for the Second Quarter, 3.59% for the one-year period, 11.47% for the three-year period, 11.31% for the five-year period, and 6.98% for the ten-year period ended June 30, 2015.

The Executive Summary of Performance for the period ending June 30, 2015 serves as an addendum to the minutes.

Low Volatility

A CFA Institute video, **Low Volatility Equity Portfolios** by Roger Clarke was viewed by the Board. Andrew Junkin followed with his presentation on the definition of minimum volatility portfolios and a review of application strategies. Tim explained that if approved by the Board, the low volatility investments will also be incorporated into the TERS policy benchmark.

Kevin Boeh, Investment Advisory Committee member, provided an overview summary of a Robert Novy-Max *Defensive Equity* paper that was presented at the 2015 DFA annual conference.

LUNCH - The Board took a lunch break at 12:18 p.m. and reconvened at 12:46 p.m.

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New Business continued

Low Volatility

The Board discussed the pros and cons of including low volatility investments in the TERS investment asset allocation. Tim presented recommendations based on the respondents to the RFI on low volatility.

Upon motion by John O'Loughlin and seconded by Sam Benscoter, the Board approved an 8% allocation of the TERS investment portfolio - \$120 million – to the BlackRock MSCI ACWI Minimum Volatility Index Fund.

Retirement Director's Report

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

Good of the Order

Retirement Transactions Report – July 2015

The Retirement Transactions Report – July 2015 was provided to the Board.

Disability Retirement

Tim reported that the Disability Committee had met on June 11, 2015 and a disability retirement had been granted to TERS Member SAP #204932, as reported on the July 2015 Retirement Transactions report.

Dashboard – June 30, 2015

The Dashboard Report for June 3, 2015 was reviewed with the Board. The report is provided to the Board twice a year.

CAFR and SAFR – 2014

Copies of the Comprehensive Annual Financial Report and the Summary Annual Financial Report for 2014 were distributed to the Board.

Additional Topics

Kim Moore reported on his attendance at the 2015 Callan College – Introduction to Investments, on July 20-22, 2015. He indicated that it was very solid presentation and that he received useful information.

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Additional Topics continued

TPU is implementing a new security process much like the one in place at the Tacoma Municipal Building. The Retirement Office will continue to be considered in a "public access" area, thus, not requiring special card clearance access. As the TERS Retirement Board meetings are open public meetings, the elevator to those meetings will be open to the public on meeting dates.

In reference to the new security process at TPU and how that might impact accessibility to the Board meetings, Tim surveyed the Board on meeting space for Board meetings in 2016. The Board indicated that they want to continue to meet in the current conference room, LT1.

Tim asked the Board to consider having the Independent Medical Examiner review the medical records of a retirement disability applicant in lieu of a physical exam.

Tim explained the extenuating circumstances related to the disability retirement applicant and provided a copy of the Tacoma Municipal Code 1.30.630 Disability retirement – Authorization to the Board. The Board opined their agreement that a review of the medical records would meet the Tacoma Municipal Code criteria.

Adjourn

Upon motion by Andy Cherullo, seconded by Sam Benscoter, the meeting was adjourned at 1:30 p.m.



Kathleen Mason
Recording Secretary



Mayor Marilyn Strickland
Board Chair