

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

10:00 a.m., Thursday, May 12, 2016  
Tacoma Public Utilities  
Administration Building North  
Conference Room LT1  
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, May 12, 2016.

**Roll Call**

Members Present: Sam Bencoter, Gordon Cavanaugh, Andy Cherullo, Matthew Hedges (by phone), John O'Loughlin, Kim Moore and Wayne Reed

Members Absent: Mayor Marilyn Strickland, Bill Gaines and Tadd Wille

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

Investment Advisory  
Committee Absent:

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

Presenters: Jason Samansky, Wilshire Associates  
Mark Olleman, Milliman  
Julie Smith, Milliman

**Citizen Comments**

None.

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### **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 March 10, 2016 Retirement Board meeting.

### **Old Business**

#### **Investment Update**

Tim Allen reviewed the Northern Trust - Public Funds Universe report depicting total returns as of 12/31/2015. Additionally reported was TERS performance in relation to SCERS, SERS and WSIB for trailing one-, three- and five-year periods.

Tim reported that the rebalancing from REITs to MLPs earlier in the year has been positive.

#### **Annuity Factors**

Tim provided a copy a correspondence dated 12/11/1996 from Milliman to TERS regarding how to establish annuity factors, with a specific recommendation to establish an actuarial equivalent definition in the Tacoma Municipal Code.

Tim indicated that a representative from our external legal counsel Davis Wright Tremaine will be present at the Board meeting in September to address questions on this topic.

### **New Business**

#### **Wilshire Presentation**

The Retirement Board and Investment Advisory Committee received the Executive Summary – 1st Quarter 2016 from Wilshire Associates in hard copy.

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, 2016.

The Tacoma Employees' Retirement System's rates of return were reported as follows: 2.11% for the First Quarter, -1.46% for the one-year period, 6.64% for the three-year period, 7.31% for the five-year period, and 5.44% for the ten-year period ended March 31, 2016.

The Executive Summary of Performance for the period ending March 31, 2016 serves as an addendum to the minutes.

**LUNCH** - The Board took a lunch break at 11:30 a.m. and reconvened at 12:00 noon.

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## **New Business continued**

### **Milliman - Annual Valuation Study 2016**

Mark Olleman indicated that Dan Wade will be present at the September Board meeting when the four-year Experience Study is presented to the Board.

The January 1, 2016 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, 2016 the \$1,501.7M Actuarial Value of Assets was \$52.9M greater than the \$1,448.8M Market Value of Assets. They noted that as of January 1, 2016, TERS was funded at 97.4% on an actuarial (smoothed) basis and 93.9% on a market value basis. According to the Board's Funding & Benefits Policy, no action is required. However, given the 20.00% combined contribution rate and the 18.87% normal cost, Milliman highlighted the sensitivity of the amortization period of the Unfunded Actuarial Accrued Liability (UAAL). Milliman's base case projection now includes an increase in the total contribution rate for TERS to 21%.

Milliman recommended revising the language of the Funding and Benefits Policy, replacing the references to Normal Cost with the Actuarially Determined Contributions, as well as reconsidering the 30-year amortization period currently in the guidelines. This will be addressed at an upcoming Board meeting.

### **Public Meetings/Public Records Training**

Martha Lantz, Deputy City Attorney, was scheduled to provide Public Meetings, Public Records and Ethics training to the Board. This training was held over until a future Board meeting.

### **Citizen Board Member Candidate**

The open position for TERS Retirement Board - Citizen Board Member was posted by the City Clerk's office. There were no inquiries or candidates that came forward. Current Citizen Board Member Matthew Hedges had previously indicated his willingness to serve for another term.

Upon a Motion by John O'Loughlin and seconded by Kim Moore, the Retirement Board appointed Matthew Hedges for another term as Citizen Board Member. Matthew's three-year term will run from 7/1/2016 – 6/30/2019.

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

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

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**Good of the Order**

**Investment Advisory Committee Statement - 2015**

The Investment Advisory Committee Statement for 2015 was distributed to the Board.

**Investment Policy Statement March 2016**

The revised Investment Policy Statement March 2016 was distributed to the Board

**Retirement Transactions Report – March and April 2016**


The Retirement Transactions Reports – March 2016 and April 2016 were provided to the Board.

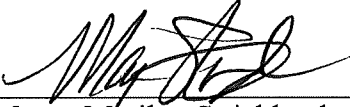
**Additional Topics**

Tim reported that he would be meeting with the founder of Research Affiliates, Rob Arnott, in the Retirement office the following week. Tim invited the Board members to join him, subject to the Open Meetings limits that would prevent forming a quorum.

**Adjourn**

Sam Benscoter, Vice Chair, adjourned the meeting at 2:04 p.m.

  
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Kathleen Mason  
Recording Secretary

  
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Mayor Marilyn Strickland  
Board Chair