

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

1:00 p.m., Thursday, September 8, 2016
Tacoma Public Utilities
Administration Building North
Conference Room LT1 (307A)
3628 S. 35th Street
Tacoma, Washington 98409

Minutes

Call to Order

Sam Bencoter, Vice Chair of the Retirement Board, called the meeting to order on Thursday, September 8, 2016.

Roll Call

Members Present: Sam Bencoter, Gordon Cavanaugh, Andy Cherullo, Bill Gaines, John O'Loughlin, Kim Moore, Tadd Wille and Wayne Reed

Members Absent: Mayor Marilyn Strickland and Matthew Hedges

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

Presenters: Mark Olleman, Milliman
Daniel Wade, Milliman
Julie Smith, Milliman
Jeff Belfiglio, Davis Wright Tremaine
Grace Brosnon, COT-IT
Elizabeth Cantrell, COT-IT
Lorraine Stargel, COT-IT

Citizen Comments

None.

As there were numerous attendees/presenters at the meeting, Sam Bencoter asked everyone to introduce themselves.

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Consent Agenda

Upon motion by Andy Cherullo, seconded by Bill Gaines, Retirement Board moved to adopt the Consent Agenda and approved the drafted minutes of the August 11, 2016 Retirement Board meeting.

Old Business

Investment Update

Tim Allen reported to the Board that the rebalancing action from the global public equity minimum volatility investment to the global cap weighted public equity allocation had been successfully transacted. Tim reviewed the negative interest rates around the globe and how this is likely to have an impact on future fixed income investment performance.

New Business

Strategic Assessment

Grace Bronson, IT Manager, reported to Board on the TERS Modernization Initiative. She provided background information on the effort and discussed the 2016 Strategic Roadmap. She reported that several projects aimed at improving service to members, increasing the accuracy of retirement calculations, reducing manual efforts and ensuring data security had been accomplished on schedule and under budget. The work of the independent contract programmer was particularly noteworthy.

Elizabeth Cantrell, Business Analyst, provided more details on the specific projects. They included enhancements to the Retirement Calculator to include more current contributions and accrued interest, more secure and automated exchange of TERS membership information between Tacoma Pierce County Health Department and TERS, a centralized SAP numbering system and a reporting tool to enhance plan analysis.

Legal Counsel Introduction

Sam Benscoter introduced Jeff Belfiglio, external counsel for TERS from the law firm Davis, Wright Tremaine (DWT), to the Board. Jeff provided history of DWT's relationship to the Board since the early 1990's. His work has been primarily in employee benefits work in terms of new regulations, compliance, ordinance changes and IRS-related inquiries. Tim Allen indicated that Jeff will be helping TERS with plan changes that may occur related to the results of the Actuarial Experience Study 2012-2015.

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Legal Counsel Introduction continued

Jeff briefly addressed the Board regarding what is commonly known as the Vested Rights Doctrine. Specifically the question posed was "Can TERS change the assumptions used to calculate retirement benefits?" DWT had previously been hesitant to provide a definitive view. However, in a recent case, the Washington State Supreme Court ruled that actuarial assumptions can be revised without impairing a member's contract rights. Jeff went on to explain that the retirement option factors (used to calculate actuarial equivalent options) have always been open to revision based on updated actuarial projections and assumptions.

Upon motion by John O'Loughlin, seconded by Andy Cherullo, the Board approved a directive to Milliman to calculate updated annuity factors and option factors based on any revised economic or demographic assumptions, to be brought before the Board at a later date for consideration.

Milliman Report – Experience Study

The TERS 2012 - 2015 Experience Study was distributed to the Retirement Board prior to the meeting in the Board packet and serves as an addendum to the minutes. At the meeting, Milliman actuaries Mark Olleman, Daniel Wade, and Julie Smith reviewed the handout "Actuarial Terminology and Funding Principles 2012-2015 Experience Study" with the Board. Mark, Daniel and Julie then reviewed the demographic and economic assumptions and the impact of the recommended assumption changes contained in the 2012-2015 Experience Study.

Upon motion by Bill Gaines, seconded by Andy Cherullo, the Board approved the recommended changes in the assumptions. Specifically:

- Economic Assumptions: Lower the investment return, general wage growth and inflation assumptions by 0.25%
- Retired Mortality Assumptions: Increase the current mortality assumptions for females and decrease the current mortality assumptions for males to reflect lifetime experience for both genders over the last four years
- Salary Increases Due to Promotion and Longevity Assumptions: No changes to the current assumptions for the assumed annual increases for the first three years of service. Lower the assumed annual increases by 0.25% at all levels of service over three years
- Other Terminations of Employment: Reductions in the probability of termination for females and small revisions for males

Milliman indicated that the new assumptions will be incorporated into the January 2017 Actuarial Valuation, which is expected to be completed in May 2017. A review of the adequacy of contribution rates would be undertaken at that time if the 2017 funding ratio is at a level that warrants review according to the TERS Funding and Benefits Policy.

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Retirement Director's Report

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

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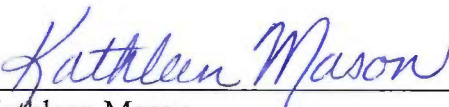
Retirement Transactions Report – August 2016

The Retirement Transactions Report – August 2016 was provided to the Board.


Additional Topics

Adjourn

Sam Bencoter adjourned the meeting at 3:15 p.m.



Kathleen Mason
Recording Secretary



Mayor Marilyn Strickland
Board Chair