

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

10:00 a.m., Thursday, May 11, 2017
Tacoma Public Utilities
Administration Building North
Conference Room LT1
3628 S. 35th Street
Tacoma, Washington 98409

Minutes

Call to Order

Sam Bencoter, Vice Chair, called the meeting to order on Thursday, May 11, 2017.

Roll Call

Members Present: Sam Bencoter, Gordon Cavanaugh, Andy Cherullo, Matthew Hedges, Kim Moore, John O'Loughlin and Tadd Wille

Members Absent: Mayor Marilyn Strickland, Bill Gaines and Wayne Reed

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
Catherine Marx, Assistant Retirement Director
Martha Lantz, Deputy City Attorney

Presenters: Jason Samansky, Wilshire Associates
Andrew Junkin, Wilshire Associates
Mark Olleman, Milliman
Daniel Wade, Milliman
Julie Smith, Milliman

Citizen Comments

. None.

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Consent Agenda

Retirement Director, Tim Allen, explained that it had been anticipated that there would not be a quorum present due to the calendar conflicts for some of the Board members that are participants in the ongoing City Manager interviews. Therefore, no February 8, 2017 meeting minutes were presented for review/approval.

Old Business

Investment Update

Tim Allen reported on his onsite meeting with one of TERS' asset managers, Metropolitan West/TCW. He also discussed an investment fee structure that some public plans are now requesting from their alternatives asset managers.

New Business

Wilshire Presentation

The Retirement Board and Investment Advisory Committee received the Executive Summary – 1st Quarter 2017 from Wilshire Associates in hard copy.

Jason Samansky provided a market overview and reported the Tacoma Employees' Retirement System's rates of return as follows: 4.06% for the First Quarter, 11.16% for the one-year period, 6.17% for the three-year period, 8.54% for the five-year period, and 5.26% for the ten-year period ended March 31, 2017.

The Executive Summary of Performance for the period ending March 31, 2017 serves as an addendum to the minutes.

LUNCH - The Board took a lunch break at 11:10 a.m. and reconvened at 11:40 a.m.

When the Board reconvened, two of the Board members had departed and a quorum was no longer present.

Milliman - Annual Valuation Study 2017

The January 1, 2017 Actuarial Valuation had been distributed to the Retirement Board in the Board packet. Mark Olleman provided the introduction to the report including the Actuarial Terminology and Funding Principles and the Board's Funding and Benefits Policy. Julie Smith then reported on the mechanics and elements used for the actuarial valuation consisting of data, assumptions, assets and a review of the plan benefits. Dan Wade presented an in-depth yet succinct summary of the many exhibits contained in the valuation report.

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New Business continued

Milliman - Annual Valuation Study 2017

It was reported that at January 1, 2017 the \$1,585M Actuarial Value of Assets was \$37.3M greater than the \$1,547.7M Fair Value of Assets. The report noted that as of January 1, 2017, TERS was funded at 96.2% on an actuarial (smoothed) basis and 93.9% on a fair market value basis.

With the present 20% combined contribution rate, the Unfunded Actuarial Accrued Liability (UAAL) has a 31.6 year amortization period on an actuarial basis and amortizes over 154.5 years on a fair value basis, both of which are beyond the maximum 25 year amortization period targeted in the Board's Funding & Benefits Policy.

In addition, the 20.00% combined contribution rate is less than the Actuarially Determined Total Contribution of 20.23%; this means if no change is made to the contribution rate, then a contribution deficiency will show for TERS' GASB 67 reporting in 2018.

Based on these points, Milliman suggested that the Board consider recommending a contribution rate increase.

In addition, Milliman discussed the possibilities for updating annuity factors and option factors.

Since no action could be taken without a quorum, it was proposed that the options for revising the annuity and option factors, as well as the possibility of a recommendation for a contribution rate change, would be presented at the subsequent Board meeting.

Adjourn

The meeting was not formally adjourned, but concluded at 2:05 p.m.



Kathleen Mason
Recording Secretary



Mayor Marilyn Strickland
Board Chair