

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

10:00 a.m., Thursday, August 10, 2017  
Tacoma Public Utilities  
Administration Building North  
Conference Room LT1  
3628 S. 35<sup>th</sup> Street  
Tacoma, Washington 98409

**Minutes**

**Call to Order**

Sam Benscoter, Vice Chair of the Retirement Board, called the meeting to order on Thursday, August 10, 2017.

**Roll Call**

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

Members Absent: Mayor Marilyn Strickland, Andy Cherullo and 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  
Catherine Marx, Assistant Retirement Director  
Martha Lantz, Deputy City Attorney

Presenters: Felicia Bennett, Wilshire Associates  
Andrew Junkin, Wilshire Associates  
Vikrant Khadilkar, Wilshire Associates  
James Wood-Collins, Record Currency  
Aaron Cantrell, Record Currency

**Citizen Comments**

None.

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### **Consent Agenda**

Upon motion by John O'Loughlin, seconded by Tadd Wille, the Retirement Board moved to adopt the Consent Agenda and approve the drafted minutes of the June 8, 2017 Retirement Board meeting to be amended to reflect that Catherine Marx was not present at the meeting.

### **Change the Order of Business**

The Chair adjusted the agenda to move Old Business – Investment Update to follow New Business.

### **New Business**

#### **Wilshire – Currency Presentation**

Andrew Junkin introduced the new representative from Wilshire, Vikrant (Vik) Khadilkar. Vik referenced Wilshire's Executive Summary for TERS, Tab 6, *Currency Risk Education* as he provided detailed information on currency investments, risk, hedging options, returns, and forward-looking expectations.

As a transition to the Currency Overlay presentation, Tim Allen provided an overview of TERS' historical usage of currency hedging in the investment portfolio and Northern Trust's role in that process. He explained that TERS had issued a targeted RFI, reviewed the proposals and had invited Record Currency to today's meeting to present their proposal to the TERS Board.

#### **Currency Overlay**

Tim introduced James Wood-Collins and Aaron Cantrell from Record Currency to the Board. The Currency Overlay Mandate (August 10, 2017) proposal was distributed to the Board in the Board packet. Aaron Cantrell provided background information on Record, one of the world's largest currency management firms. James Wood-Collins explained how Record's various currency hedging strategies work and how the Signal based approach insulates against the impact of currency fluctuations based on a inputs from three dynamic criteria: interest rates, value and momentum. He also cited the benefits of utilizing a specialist currency manager versus a more passive custodial approach.

Following an in-depth discussion, the Board consensus was to continue the existing currency hedging relationship with Northern Trust but to seek additional transparency on the execution. No further action was taken.

**LUNCH** - The Board took a lunch break at 11:15 a.m. and reconvened at 12:10 p.m.

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### **Real Assets**

The Pantheon Infrastructure Program Update (August 2017) was distributed to the Board in the Board packet. Tim provided the Board with an overview of Pantheon's Infrastructure and Real Assets investment strategy and a performance review of TERS' existing mandate, Pantheon Global Infrastructure Fund II. Upon motion by Matthew Hedges, seconded by John O'Loughlin, the Retirement Board moved to commit \$40 million to Pantheon Global Infrastructure Fund III, subject to legal review of the documentation.

### **Wilshire – Quarterly Investment Report**

The Retirement Board and Investment Advisory Committee received the Executive Summary – 2nd Quarter 2017 from Wilshire Associates in hard copy.

Andrew provided a market overview and reported the Tacoma Employees' Retirement System's rates of return as follows: 2.27% for the Second Quarter, 10.24% for the one-year period, 5.43% for the three-year period, 9.40% for the five-year period, and 5.23% for the ten-year period all ended June 30, 2017.

The Executive Summary of Performance for the period ending June 30, 2017 serves as an addendum to the minutes.

### **Old Business**

#### **Investment Update**

Tim Allen reported on the due diligence conference calls and in-person meetings with existing TERS asset managers to-date in 2017, and also discussed some organizational level details for several firms. In addition, final recovery amounts from class action lawsuit settlements were provided.

#### **New Business**

#### **TERS 2017 Budget Review**

Catherine Marx, Assistant Retirement Director, presented the TERS Budget Status Report for the year-to-date ending June 30, 2017. Investment earnings showed a positive variance as market returns exceeded expectations.

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

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

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**Good of the Order**

**Retirement Transactions Reports – June and July 2017**

The Retirement Transactions Reports – June and July 2017 were provided to the Board.

**Additional Topics**

**2016 CAFR and SAFR**

Copies of the 2016 TERS Comprehensive Annual Financial Report (CAFR) and the Summary Annual Financial Report (SAFR) were distributed to the Board at the meeting.

**2017 Cost of Living Adjustment (COLA) Letter**

A copy of the July 1, 2017 COLA letter that was mailed to retirees was distributed to the Board at the meeting. Members who have been retired on or before July 1, 2016, are entitled to a 2.125% COLA increase beginning with their July 31, 2017 retirement benefit.

**Dashboard Report**


The Dashboard Report for June 30, 2017 was reviewed with the Board. The report is provided to the Board twice per year.

**Mayor's Quarterly Update to City Council**

On a quarterly basis Mayor Marilyn Strickland, Board Chair, provides a TERS report to the City Council members. A copy of the memo dated August 9, 2017 was distributed to the Board.

**Adjourn**

Upon motion by Matt Hedges, seconded by John O'Loughlin, the meeting was adjourned.

  
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Kathleen Mason  
Recording Secretary

  
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Mayor Marilyn Strickland  
Board Chair