

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

10:00 a.m., Thursday, November 9, 2017
Tacoma Public Utilities
Administration Building North
Auditorium Conference Room
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, November 9, 2017.

Roll Call

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

Members Absent: Bill Gaines

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

Investment Advisory
Committee Absent: Joseph Cook

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

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 October 12, 2017 Retirement Board meeting.

Old Business

Board Rules

Given the prior revision to the Tacoma Municipal Code section 1.30 that occurred in November 2010 which prohibited further additional contributions from members, it was decided to eliminate Board Rule #3.

Investment Update

Tim Allen reviewed an excerpt from the TERS Investment Policy Statement regarding proxy voting and discussed the voting policies from the three separate account asset managers employed by TERS.

He then reported on the foreign currency hedge that Northern Trust undertakes on behalf of TERS. Because of a communication error, TERS will be credited with approximately \$18,000 because of an opportunity loss related to this process.

It was announced that a majority share of one of TERS' real assets managers, Tortoise Capital, will be sold by the present owner (Mariner Holdings LLC) to a group of investors led by a private equity group (Lovell Minnick Partners). Wilshire and TERS staff will continue to monitor this situation as it develops.

Next, Tim disclosed that the House federal tax reform effort contained a provision regarding unregulated business income tax that, if carried through to the final version, could require an annual income tax filing by TERS. Wilshire and TERS staff will also monitor this situation and will present an update at the next meeting.

Tim also reported that TERS participated in the first closing of the Pantheon Global Infrastructure Fund III (PGIF III) in October, 2017.

Lunch – the Board agreed to not break for lunch and instead to continue to work through the agenda so as to potentially adjourn early.

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New Business

Wilshire – Worst Case Scenario

Andrew Junkin referenced Wilshire's Executive Summary for TERS, Tab 6, *TERS Downside Scenario Analysis* as he provided detailed information on stress testing and downside scenarios and the potential impact on TERS' investment portfolio. Following extensive discussions involving the Board and members of the Investment Advisory Committee, TERS staff was charged with bringing forward in 2018 a formal document listing out potential action steps to be considered in the event of a sudden market decline.

Wilshire – Quarterly Investment Report

The Retirement Board and Investment Advisory Committee received the Executive Summary – 3rd Quarter 2017 from Wilshire Associates in hard copy.

Wilshire – Quarterly Investment Report

Felicia Bennett provided a market overview and reported the Tacoma Employees' Retirement System's rates of return as follows: 3.15% for the Third Quarter, 10.43% for the one-year period, 6.88% for the three-year period, 8.99% for the five-year period, and 5.33% for the ten-year period all ended September 30, 2017.

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

Retirement Director's Report

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

Good of the Order

Retirement Transactions Report – October 2017

The Retirement Transactions Report – October 2017 was provided to the Board.

Board Education Opportunities

Board Educational Opportunities 2018 - Handout at the Meeting. Tim encouraged the Board to consider attending the conference opportunities being presented.

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 November 6, 2017 was distributed to the Board.

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Other Topics

Disability Application

The Retirement Director reported that the Disability Committee convened on Nov 3, 2017 to review Disability Retirement Application #202543. After a formal review and consideration, the Committee voted to deny the application. Tim explained the criteria that are used to make the determination for determining eligibility for disability retirements, and indicated that staff will be reviewing TERS' Disability procedure to see if any revisions to the process are needed.

P2F2 Conference

Catherine Marx reported on the P2F2 conference that she attended and the value this group brings to the TERS plan regarding topics such as new GASB pronouncements and suggested methods for mitigating pension losses that may result from unreported retiree deaths.

TPU Director Designee

Tim reported that upon Bill Gaines' retirement in December 2017, Jim Sant had been named the designee by the Tacoma Public Utilities Director.

Fond Farewell to Mayor Strickland

Last but not least, the Retirement Director and Board thanked Mayor Marilyn Strickland for her work and dedication to the TERS plan as Chair during her tenure as Mayor.

Mayor Strickland adjourned the meeting at 12:10 p.m.



Kathleen Mason
Recording Secretary



Andy Cherullo, Finance Director
Board Secretary