

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

10:00 a.m., Thursday, May 10, 2018
Tacoma Public Utilities
Administration Building North
Conference Room LT1
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, May 10, 2018.

Roll Call

Members Present: Sam Bencoter, Andy Cherullo, Matthew Hedges, John O'Loughlin, Jim Sant, Wayne Reed and Tadd Wille

Members Absent: Mayor Victoria Woodards, Gordon Cavanaugh and Kim Moore

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

Investment Advisory
Committee Absent: Joseph Cook and Lynda Livingston

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

Presenters: Andrew Junkin, Wilshire Associates
Felicia Bennett, Wilshire Associates
Vikrant Khadilkar, Wilshire Associates
Daniel Wade, Milliman
Julie Smith, Milliman
Claire Armstrong-Hann, Milliman

Citizen Comments

None.

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Consent Agenda

Upon motion by Matthew Hedges, seconded by Tadd Wille, the Retirement Board moved to adopt the Consent Agenda and approve the drafted minutes of the April 12, 2018 Retirement Board meeting.

New Business

Wilshire Presentation

Andrew Junkin reported on the Wilshire Client Conference that was held in Carlsbad, CA in April and the various topics that were presented.

The Retirement Board and Investment Advisory Committee received the Executive Summary – 1st Quarter 2018 from Wilshire Associates in hard copy.

Felicia Bennett provided a market overview and reported the Tacoma Employees' Retirement System's rates of return as follows: -0.88% for the First Quarter, 8.02% for the one-year period, 5.77% for the three-year period, 7.80% for the five-year period, and 6.45% for the ten-year period ended March 31, 2018.

Vik Khadilkar reported on two Public Real Assets mandates: Tortoise MLPs and Adelante REITs.

The Executive Summary of Performance for the period ending March 31, 2018 serves as an addendum to the minutes.

Lunch – The Board took a lunch break at 11:37 a.m. and reconvened at 12:12 p.m.

Milliman - Annual Valuation Study 2018

The January 1, 2018 Actuarial Valuation had been distributed to the Retirement Board in the Board packet. Daniel Wade 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.

It was reported that at January 1, 2018 the \$1,667M Actuarial Value of Assets was \$56M less than the \$1,723M Fair Value of Assets. This difference is due to the actuarial assets' recognition of gains and losses over a four year period. The report noted that as of January 1, 2018, TERS was funded at 99.2% on an actuarial (smoothed) basis and 102.5% on a fair market value basis.

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Milliman - Annual Valuation Study 2018 continued

The Valuation report used new mortality assumptions and the 21% combined contribution rate which became effective in February 2018. It also incorporated the revised annuity and option factors that became effective January 1, 2018 and the annuity factors that will become effective January 1, 2020.

With the present 21% combined contribution rate, the Unfunded Actuarial Accrued Liability (UAAL) has a 2.3 year amortization period. This decreased from last year's amortization period of 31.6 years due to an increase in assets and the contribution rate increase which was enacted subsequent to the last valuation. This change and a slight decline in the Normal Cost Rate also increased the portion of the contribution rate available for UAAL amortization from 1.31% to 2.51% of pay.

The System will not show a contribution deficiency for 2018 or 2019 in the GASB 67 Schedule of Employer Contributions; contribution deficiencies were reported from 2013-2016.

Investment Update

Tim Allen reported on recent public equity performance trends in growth versus value exposures. In addition he reviewed the increasing competition in secondary private infrastructure strategies. Finally, he discussed trends in foreign exchange, noting that the weakening dollar had been a headwind to TERS' investment returns due to our partial developed currency hedge. He indicated that the dollar could strengthen in the coming months which would boost TERS returns, especially on a peer-relative basis as few public defined benefit plans employ any type of currency hedging strategies.

Retirement Director's Report

Tim provided the Board with a copy of the Office of the Washington State Auditor entrance letter. The audit is to begin April 30, 2018.

The Board was provided with an assortment of pension-related investment articles.

Tim reported on his attendance at the Wilshire Client Conference, the Institutional Investor Conference Public Funds Roundtable and the Milliken Institute Global Conference – all were held in California.

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

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Good of the Order

Retirement Transactions Report – April 2018

The Retirement Transactions Report – April 2018 was provided to the Board.

Additional Topics

TERS Tier 2 Proposal

In response to an inquiry by a Board member regarding a potential second tier of benefits for TERS, Tim indicated that there are no ongoing discussions at this time and there had not been a formal negotiation meeting in more than nine months.

Adjourn

Sam Bencoter, Vice Chair, adjourned the meeting at 2:05 p.m.



Kathleen Mason
Recording Secretary



Mayor Victoria Woodards
Board Chair