

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

1:00 p.m., Thursday, September 13, 2018  
Tacoma Public Utilities  
Administration Building North  
Conference Room LT1  
3628 S. 35<sup>th</sup> Street  
Tacoma, Washington 98409

**Minutes**

**Call to Order**

Mayor Woodards, Chair of the Retirement Board, called the meeting to order on Thursday, September 13, 2018.

**Roll Call**

Members Present: Mayor Victoria Woodards, Gordon Cavanaugh, Andy Cherullo, Matthew Hedges, Kim Moore, John O'Loughlin, Jim Sant, Wayne Reed and Tadd Wille

Members Absent: Sam Benscoter

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

**Citizen Comments**

None.

**Consent Agenda**

Upon motion by Andy Cherullo, seconded by Gordon Cavanaugh, the Retirement Board moved to adopt the Consent Agenda and approve the drafted minutes of the August 9, 2018 Retirement Board meeting.

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## **Old Business**

### **Investment Update**

Tim reported on his recent trip to Chicago to meet with Neuberger Berman and with Northern Trust. In providing an overview, Tim referenced excerpted material from Neuberger Berman's High Income Fund LLC report that was distributed to the Board. Tim explained that TERS has had a long-term relationship with Northern Trust across several roles: custodian and record keeper, securities lending agent, foreign currency overlay provider and manager of equity index funds. He reported that TERS and Northern Trust have begun discussions regarding the fee schedule.

### **TERS Policy – Volatile Markets**

The revised copy of the *TERS Board of Administration Policy and Procedures Regarding Appropriate Steps in Response to Turbulent Market Conditions* was distributed to the Board for review and discussion. Tim provided an explanation of the need for the policy and walked through the anticipated appropriate steps that might be taken in the future in response to turbulent market conditions.

Upon motion by Andy Cherullo, seconded by John O'Loughlin, the Board approved the *TERS Board of Administration Policy and Procedures Regarding Appropriate Steps in Response to Turbulent Market Conditions*, as amended.

Per the Board's request, the amended document will be provided to the Board at the next meeting.

### **Asset Allocation Discussion**

Tim stated that he has met with the Board members unable to attend last month's meeting in order to provide them with a summary of Wilshire's *Strategic Asset Allocation Education* presentation. He has solicited comments from the Investment Advisory Committee members regarding possible approaches to consider for the ongoing asset allocation review; he then verbally summarized their thoughts on risk parity, liability-driven investing, cash flow immunization and mean variance optimization. A discussion on these approaches then ensued.

Upon motion by Kim Moore, seconded by Andy Cherullo, the Board agreed to instruct Wilshire to focus on mean variance optimization and near-term cash flow immunization when working with TERS staff on the asset allocation review.

On a side note, it was observed that the results of the asset allocation review may necessitate amending the TERS Funding and Benefits Policy and/or Investment Policy Statement.

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## **New Business**

### **TERS 2018-2019 Budget**

Assistant Retirement Director Catherine Marx presented the TERS Budget Status Report 2017-2018 and the Preliminary Budget Report for 2019-2020. The budget report was distributed to the Board at the meeting.

Upon motion by Andy Cherullo, seconded by John O'Loughlin, the Board moved to adopt the 2019-2020 TERS Budget to be submitted to City Council for approval as part of the City's Biennial Budget.

### **TERS Board Composition**

Tim reported that one of the elected Board members will be retiring prior to the end of his Board term and that the remaining elected Board members are tasked with appointing a TERS member to serve in a temporary capacity for the remainder of the term. The Board was provided with copies of the TMC 1.30.470 B Creation of Board of Administration, Filling of Permanent Vacancies. This Board member's departure will also result in a vacancy on the Disability Committee and the position of Second Vice Chair – successors for these positions will be addressed by the Board at a future meeting.

The Board decided to advertise for the temporary Board position and tasked the Director with working with the City Clerk to publicize the opportunity to recruit interested candidates.

### **TERS Executive Committee Composition**

Tim announced that membership on the Executive Committee will be revised. As established in the Bylaws, the Board Chair may delegate her position on the Committee as well as appoint another member to the Committee. Mayor Woodards delegated her position to Tadd Wille and appointed Jim Sant to the Committee. The Executive Committee is now comprised of Andy Cherullo, Sam Benscoter, Tadd Wille and Jim Sant.

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

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

### **Good of the Order**

#### **Retirement Transactions Report – August 2018**

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

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### **Additional Topics**

#### **TERS Board of Administration Terms of Office**

The Board was provided with the TERS Board Terms of Office. It was noted that this document will be revised to reflect the changes in the composition of the Executive Committee.

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

As required in the Tacoma Municipal Code, on a quarterly basis Mayor Victoria Woodards, Board Chair, provides a TERS update report to members of the City Council. A copy of the memo dated September 12, 2018 was distributed to the Board.

#### **2019 Actuarial Calendar**

A copy of Milliman's cover letter dated August 21, 2018 and 2019 Actuarial Calendar was distributed to the Board. Tim asked the Board members to please take note that at the May 9, 2019 Board meeting Milliman will be presenting the Actuarial Valuation Report. He stressed the importance of the meeting and encouraged the Board's attendance.

### **Additional Topics**

Kim Moore provided a brief report on his attendance at the National Conference on Public Employee Retirement Systems (NCPERS) annual conference. Kim highlighted ESG and cyber security as two particularly relevant presentations. John O'Loughlin, who also attended this conference, provided additional details on the educational sessions most applicable to TERS.

### **Adjourn**

Mayor Victoria Woodards adjourned the meeting at 2:34 p.m.



Kathleen Mason  
Recording Secretary



Mayor Victoria Woodards  
Board Chair