

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

10:00 a.m., Thursday, February 14, 2019
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, February 14, 2019 as the Mayor was slightly delayed.

The meeting was subsequently turned over to the Chair, Mayor Victoria Woodards, upon her arrival.

Roll Call

Members Present: Mayor Victoria Woodards (arrived late), Justin Angove, Sam Bencoter, Gordon Cavanaugh, Matthew Hedges, Kim Moore, Jim Sant (arrived late) and Wayne Reed

Members Absent: Andy Cherullo and Tadd Wille

Investment Advisory
Committee Present: Dr. Kevin Boeh, Dr. Alva Butcher, Geoffrey Curran,
Dr. Lynda Livingston, and Michael Thomas

Others Present: Tim Allen, Retirement Director
Kathleen Mason, Recording Secretary
Catherine Marx, Assistant Retirement Director
Martha Lantz, Deputy City Attorney
Charles Lee, Deputy City Attorney
Students from University of Puget Sound, invited by Professor Lynda Livingston

Presenters: Andrew Junkin, Wilshire Associates
Felicia Bennett, Wilshire Associates
Christine Sol, Wilshire Associates

Citizen Comments

None.

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Consent Agenda

Upon motion by Sam Bencoter, seconded by Gordon Cavanaugh, the Retirement Board moved to adopt the Consent Agenda and approve the drafted minutes of the January 10, 2019 Retirement Board meeting.

Tim Allen welcomed the UPS students to the meeting. He also introduced the new Investment Advisory Committee members, Geoffrey Curran and Michael Thomas, to the Board. Additionally, he re-introduced Interim Board Member Justin Angove and new legal counsel, Charles Lee.

Old Business

Investment Update

Tim Allen discussed investment managers Metropolitan West and Adelante, reporting details from recent conference calls. He also noted that another TERS asset manager, Dimensional Fund Advisors, is hosting a luncheon in Seattle in March. Tim then walked through the potential replacement for the global public equity benchmark index in the Policy Benchmark. Tim will keep the Board posted as this situation is resolved.

Disability Committee Appointee

The Mayor appointed Justin Angove to serve on the Disability Committee.

New Business

Wilshire - Quarterly Investment Report

Andrew Junkin reported to the Board on an organizational announcement: with the head of Wilshire's Outsourced Chief Investment Officer (OCIO) business departing, Andrew will now lead that business as well as Wilshire's consulting business. However, with those changes he has further reduced his client duties and personnel oversight responsibilities.

The Retirement Board and Investment Advisory Committee received the Executive Summary – 4th Quarter 2018 from Wilshire Associates in hard copy.

Felicia Bennett provided the Numbers in Context Report, providing the Board with background for the subsequent investment performance results.

Christine Sol introduced herself to the Board and indicated that she is looking forward to working with the Board. Christine provided the Total Fund Overview and reported that the Tacoma Employees' Retirement System's rates of return were as follows: -6.24% for the Fourth Quarter, -3.24% for the one-year period, +6.17% for the three-year period, +5.26% for the five-year period, and +9.64% for the ten-year period ended December 31, 2018.

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New Business continued

Wilshire - Asset Allocation Study

The Asset Allocation Study was presented to the Board for consideration and serves as an addendum to the minutes. The Board reviewed the Capital Market Assumptions, various portfolios comprised of different asset class mixes, comparing/contrasting four different options which take into account the current market conditions and optimization constraints.

Tim noted that the current TERS Funding and Benefits Policy states that investment de-risking will be considered by the Board once the funded status is at or above 120%.

The Investment Advisory Committee was asked to speak about the differences for potential investments in Treasury Inflation Protected Securities (TIPS) vs long-term U.S. Treasuries. It was stated that TIPS provides more of an inflation hedge, while long-term U.S. Treasuries delivers a better offset in the event of substantive equity market declines.

Wilshire staff fielded numerous questions from the Board, including whether there were potentially other asset classes that should be considered, and what the timeline could potentially entail for moving towards any new targets.

Upon motion by Matt Hedges, seconded by Jim Sant, the Board adopted Option #2. The Chair called for a vote: Kim Moore voted against the motion, while all other Board members voted in favor of adopting Option #2 as the new strategic asset allocation.

Lunch – the Board agreed to break for lunch and reconvened at 12:00 noon.

Milliman - 2018 Public Pension Funding Study

Tim presented the report to the Board.

Retirement Director's Report

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

Good of the Order

Retirement Transactions Report – January 2019

The Retirement Transactions Report - January 2019 was provided to the Board.

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Good of the Order continued

Milliman COLA Letter

Tim reported on the July 2019 Cost of Living Adjustment (COLA) letter provided by Milliman, showing eligible retirees will receive a 2.125% adjustment starting with the July 1, 2019 pension payment.

Dashboard Report

The Dashboard Report for December 31, 2018 was reviewed with the Board. The summary of the TERS Plan is provided to the Board twice per year.

Additional Topics

Board Education

Upon motion by Kim Moore, seconded by Matt Hedges, the Board approved the attendance of Sam Bencoter, Kevin Boeh, Geoffrey Curran and Michael Thomas for the Wilshire Consulting Client Conference held in Napa Valley, CA from March 24 – 26, 2019.

Adjourn

Mayor Woodards adjourned the meeting at 12:45 p.m.



Kathleen Mason
Recording Secretary



Mayor Victoria Woodards
Board Chair