

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

1:00 p.m., Thursday, June 13, 2019  
Tacoma Public Utilities  
Administration Building North  
Conference Room LT1  
3628 S. 35<sup>th</sup> Street  
Tacoma, Washington 98409

**Minutes**

**Call to Order**

Andy Cherullo, Second Vice Chair, called the meeting to order on Thursday, June 13, 2019.

**Roll Call**

Members Present: Andy Cherullo, Gordon Cavanaugh, Matthew Hedges, Kim Moore, Jim Sant, Jonathan Schlaudraff, Tadd Wille and Wayne Reed

Members Absent: Mayor Victoria Woodards and Sam Benscoter

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

**Citizen Comments**

None.

**Consent Agenda**

Upon motion by Gordon Cavanaugh, seconded by Tadd Wille, the Retirement Board moved to adopt the Consent Agenda and approve the drafted minutes of the May 9, 2019 Retirement Board meeting.

**Change the Order of Business**

The Chair adjusted the agenda to move Old Business – Investment Update to follow New Business – Citizen Board Member Candidates and the Washington State Auditor Exit Interview.

Before the Board moved on to the New Business item, Tim Allen formally welcomed and introduced newly elected Board member, Jonathan Schlaudraff. Andy Cherullo also welcomed Jonathan and asked that all present introduce themselves to Jonathan.

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## **New Business**

### **Citizen Board Member Candidates**

The Board was provided with interview materials; Citizen Board Member position description and interview questions.

Current Citizen Board Member, Matthew Hedges, was asked to leave the room for the purpose of interviewing potential candidates.

The two candidates were brought in individually for 10 minute sessions.

After careful deliberation, the Board agreed to extend the term for Matthew Hedges. Upon motion by Tadd Wille, and seconded by Gordon Cavanaugh, the Board confirmed the re-appointment of Matthew Hedges as the Citizen Board member.

Tim indicated that he would contact the candidates to thank them for their interest and their time.

### **Exit Interview – Washington State Auditor**

Joanne Klein, Audit Manager and Linda Mastin, Assistant Audit Manager of the Washington State Auditor's Office (WSAO), presented the Exit Conference for the 2018 Tacoma Employees' Retirement System's financial audit. The Washington State Auditor's Office Financial Statements Audit Report No. 1024036, was distributed to the Board in the Board packet.

The auditors indicated that Report No. 1024036 will be available on the WSAO website.

It was noted in the Independent Auditor's Report that the Tacoma Employees' Retirement System had received an unqualified audit opinion for calendar year 2018. There were some exit recommendations provided to management, no uncorrected misstatements and no material misstatements in the audited financial statements or schedules.

The link to the finalized report will be provided to the Board.

The next annual financial statement audit for TERS is scheduled to begin in April 2020, although an audit of GASB 68 disclosures will occur in 2019.

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### **New Business continued**

#### **Performance Review – Retirement Director**

The Chair asked for a motion to move to Executive Session. Upon motion by Matthew Hedges, seconded by Jim Sant, the Board moved to Executive Session at 1:50 p.m. for 15 minutes to resume at 2:05 p.m.

Tim Allen, Catherine Marx and Kathleen Mason were asked to leave the room.

The Board needed additional time. Upon motion by Jim Sant, seconded by Matt Hedges the Board extended the Executive Session by 10 more minutes at 2:05 p.m. to resume at 2:15 p.m.

Regular session reconvened at 2:15 p.m.

Tim Allen, Catherine Marx and Kathleen Mason joined the meeting.

The Board concluded the Performance Review and reported that overall Tim Allen's performance meets/exceeds expectations. The Board expressed appreciation and satisfaction with TERS' communication with members and the Retirement Director's performance. The Board provided some suggestions for future Board meeting topics and also asked to be kept informed regarding progress in succession planning.

### **Old Business**

#### **Investment Update**

Tim reported on efforts to evaluate potential real estate managers, using a photograph as a visual aid: two separate managers had acquired contiguous portions of a particular property, demonstrating the limits of purported diversification.

Tim reported on current conditions in the credit markets and provided the Board with updates from his recent meetings with some of TERS' existing managers.

Wilshire is researching potential Private Real Assets investments for TERS; this work will be performed on a one-time basis for a contractual fee.

#### **Actuarial Contract**

TERS' contract with Milliman for actuarial services expires at the end of 2019. Tim reviewed all the work they perform for TERS and recommended a contract extension of two years with two optional one-year renewals for a total amount not to exceed \$550,000. Tim noted that an actuarial audit is currently being conducted by another actuary, with the results expected to be presented to the Board at the November 2019 meeting. Upon motion by Kim Moore, seconded by Gordon Cavanaugh, the Board approved the proposed contract extension.

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

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

### **Good of the Order**

### **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 May 9, 2019 was distributed to the Board.

### **Retirement Transactions Report – May 2019**

The Retirement Transactions Report – May 2019 was provided to the Board.

### **Additional Topics**

#### **Board Educational Seminars**


Deputy City Attorney Charles Lee will be attending the National Association of Public Pension Attorneys Conference in June, 2019 on behalf of TERS.

Upon motion by Tadd Wille, seconded by Kim Moore, the Board approved the attendance of Charles Lee at the NAPPA Conference held in San Diego, CA from June 24-28, 2019.

### **Adjourn**

Andy Cherullo adjourned the meeting at 2:54 p.m.

  
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Kathleen Mason  
Recording Secretary

  
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Mayor Victoria Woodards  
Board Chair