

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

1:00 p.m., Thursday, February 9, 2023
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 9, 2023.

Roll Call

Members Present: Justin Angove, Sam Bencoter, Gordon Cavanaugh, Michael Hall, Katie Johnston, and Kim Moore

Members Absent: Mayor Victoria Woodards, Andy Cherullo, Wayne Reed, and Jim Sant

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

Investment Advisor Committee Absent: None

Others Present: Tim Allen, Retirement Director
Tim Atwill, Deputy Chief Investment Officer
Catherine Marx, Asst. Retirement Director
Melanie Panui, Recording Secretary
Charles Lee, Deputy City Attorney

Presenters: Felicia Bennett, Wilshire
Ali Kazemi, Wilshire

Resident Comments

Will be accepted in written form at TERSretirement@cityoftacoma.org and will receive written acknowledgement upon receipt. There were none received.

Consent Agenda

Motion: Upon motion by Justin Angove, seconded by Gordon Cavanaugh, the Board of Administration accepted and approved the Administrative Consent Agenda to include the drafted minutes of the January 12, 2023, Retirement Board meeting.

Old Business

Investment Update

Deputy Chief Investment Officer Tim Atwill reported that TERS will be consolidating bank loan investments with Eaton Vance into the Eaton Vance Senior Loan Fund Plus vehicle, bringing the total of that investment to roughly \$65 million. In addition, he gave an update on TERS' Core Plus investment manager search and the documentation status for TERS overlay with Parametric and TERS' commitment to American Rivers Fund.

New Business

Investment Beliefs

Deputy Chief Investment Officer Tim Atwill presented a draft copy of Investment Beliefs to the TERS Board. He noted that these were developed in collaboration with Wilshire and the Investment Advisory Committee and are based on observations of the investment portfolio's current composition and evolution over the years. This document is meant to guide this Board (and future TERS Boards) in their decision-making process with regards to portfolio construction and allocations to investment managers. One typographical error was identified, but the Board was largely supportive of these core beliefs. The final document will be brought before the TERS Board at a subsequent meeting for final approval.

Wilshire – Quarterly Investment Report

The Retirement Board and Investment Advisory Committee received the Executive Summary – 4th Quarter 2022 from Wilshire Advisors in electronic format.

Felicia Bennett provided an overview of economic and market conditions, noting the particularly challenging investment environment in 2022. Ali Kazemi then provided the Total Fund Overview and reported the Tacoma Employees' Retirement System's rates of return as follows: 4.04% for the Fourth Quarter, -8.02% for the one-year period, 4.63% for the three-year period, 5.31% for the five-year period, and 7.22% for the ten-year period all ended December 31, 2022.

It was noted that TERS outpaced the comparable Policy Benchmark over all these periods. Also, TERS' -8.02% one year return was in the 13th percentile for returns of public pension plans with assets greater than \$1 billion, with the median for this group posting a -11.31% return over the trailing one-year period.

The Executive Summary of Performance for the period ending December 31, 2022, serves as an addendum to the minutes.

New Business -continued

Wilshire – Private Credit Education

Ali Kazemi walked the Board through an introduction to Private Credit as an investable asset class, something the TERS Board may consider once new strategic asset allocation targets are adopted later this year.

Wilshire – Asset Allocation Update

Ali and Felicia presented updated optimized efficient frontiers, using capital market assumptions as of December 31, 2022. The importance of constraints in this process was again emphasized. Wilshire's team will incorporate TERS' projected liabilities and will come with a proposed strategic asset allocation for the TERS Board to consider at their May 11th meeting.

Investment Advisory Committee Report

Investment Advisory Committee member Alva Butcher discussed the IAC's involvement to date in the asset allocation review effort, sharing some observations. The IAC noted that a mean variance optimization approach is very sensitive to inputs, and that the IAC is generally in agreement with the recommendation to make incremental changes based on the MVO output. The IAC also wanted to note allocations to asset classes at or below 5% in terms of their contribution to the overall portfolio. Finally, the IAC believes an increased allocation to private investments makes sense given TERS' limited cashflow needs. However, the group wanted to point out to the Board that in periods of significant public market declines these allocations to private investments are likely to move well above targets.

Retirement Director's Report

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

Good of the Order

Retirement Transactions Report – January 2023

The Retirement Transactions Report for January 2023 was provided electronically to the Board in the Board Packet.

Investment Advisory Committee Statement – 2022

The Investment Advisory Committee Statement for 2022 was presented to the Board and summarized several investment-related activities the IAC was involved in during the year.

Annual Cost of Living Adjustment Letter to TERS Member

Milliman's annual cost of living (COLA) letter showed that TERS retirees who retired on or after July 2, 1979, will receive a 2.125% COLA adjustment beginning with the July 2023 pension payment. TERS retirees who retired prior to that date will receive COLAs ranging from 5.198% to 8.81%; this is due to the need to restore the 50% purchasing power floor for these individuals.

Good of the Order - continued

Mayor's Letter to City Council dated February 9, 2023

The Mayor's quarterly Report to the City Council showing TERS investment results through December 31, 2022, was presented to the TERS Board.

Additional Topics- None.

Adjourn

Sam Benscoter, Vice Chair adjourned the meeting at 12:10 p.m.

Melanie Panui

Melanie Panui
Recording Secretary

Victoria R. Woodards

Mayor Victoria Woodards
Board Chair