

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

10:15 a.m., Thursday, May 13, 2021

The meeting was held online, with dial-in available for the public

Minutes

Call to Order

Sam Bencoter, Chair, called the meeting to order on Thursday, May 13, 2021.

Roll Call

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

Members Absent: Mayor Victoria Woodards and Kim Moore

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

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

Presenters: Felicia Bennett, Wilshire Advisors
Ali Kazemi, Wilshire Advisors
Brian Bubrick, Wilshire Advisors
Claire Armstrong-Hahn, Milliman
Mark Olleman, Milliman
Julie Smith, Milliman
Daniel Wade, Milliman

Citizen 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 Andy Cherullo, seconded by Gordon Cavanaugh, the Board of Administration accepted and approved the Administrative Consent Agenda to include the drafted minutes of the March 11, 2021 Retirement Board meeting.

Change the Order of Business

The Chair adjusted the agenda to move Old Business – Budget Update to follow New Business – Backfile Conversion/ECM Project.

New Business

Wilshire – Quarterly Investment Report

The Retirement Board and Investment Advisory Committee received the Executive Summary – 1st Quarter 2021 from Wilshire Advisors in electronic format.

Felicia Bennett provided an overview of economic and market conditions, setting the context for recent results. Brian Bubrick then provided the Total Fund Overview and reported the Tacoma Employees' Retirement System's rates of return as follows: 3.88% for the First Quarter, 26.69% for the one-year period, 7.70% for the three-year period, 8.46% for the five-year period, and 7.89% for the ten-year period ended March 31, 2021. Brian noted the 1.1% Cash balance was due to a pending capital call in the INVESCO Core Real Estate mandate that occurred on April 1, 2021. Ali Kazemi presented further details of individual asset manager performance returns and attribution. He also spent time on a detailed attribution of TERS' public equity mandates.

The Executive Summary of Performance for the period ending March 31, 2021 serves as an addendum to the minutes.

Milliman – Actuarial Annual Valuation

The January 1, 2021 Actuarial Valuation had been previously distributed to the Retirement Board in electronic form. Julie Smith provided an introduction to the report, including the Actuarial Terminology and Funding Principles and the Board's Funding and Benefits Policy. Claire Armstrong-Hann then reported on the mechanics and elements used for the actuarial valuation consisting of data, assumptions, assets and a review of the plan benefits. Daniel Wade and Mark Olleman presented an in-depth yet succinct summary of the many exhibits contained in the valuation report.

Key metrics discussed included the Normal Cost Rate of 18.97% (up from the prior 18.59%), the Actuarial Funding Ratio of 96.3% (down from the prior 98.0%) and the Fair Value Funding Ratio of 96.2% (down from the prior 101.1%). The amortization periods for the unfunded liabilities are 17.5 years on an Actuarial basis and 17.8 years on a Fair Value basis. The 21% combined contribution rate (9.66% for employees and 11.34% for employers) is equal to the Actuarially Determined Contribution rate.

Given these metrics, the Board's Funding and Benefits Policy indicates that no action is required at this time as the Funding Ratio is between 95% and 120%, the contribution rate is greater than or equal to the Actuarially Determined Contribution rate and the unfunded liabilities are projected to amortize in less than 25 years on both an Actuarial and Fair Value basis.

However, Milliman staff noted that a decline of just 1.1% in the Funding Ratio would result in the present 21% contribution rate being insufficient to amortize the projected liabilities over 25 years, highlighting the sensitivity of the results.

Finally, after working for more than two decades on the TERS relationship, Mark Olleman announced that he would be retiring from Milliman at the end of 2021. Board members thanked him for his dedicated service and the valuable role he has played in helping ensure the financial stability of the TERS plan.

Backfile Conversion/ECM Project

Tim Allen reviewed the ongoing project to scan TERS' paper records and convert member files to an electronic format. The effort will begin with the retiree member files, leveraging an existing contract between the vendor and the City.

Motion: Upon motion by Andy Cherullo, seconded by Matthew Hedges, the Board of Administration voted to approve the expenditure for an amount not to exceed \$50,000 to convert the TERS retiree records into an electronic format.

Old Business

Budget Update

Assistant Retirement Director Catherine Marx presented a review of the 2019-2020 biennium budget report, explaining notable differences in the actual versus budgeted results.

Retirement Director's Report

The Retirement Director's report serves as an addendum to the minutes. Tim noted that at the end of April, TERS' funded ratio had rebounded to just under 100% even with the more conservative assumptions adopted by the Board late last year. He also noted that Retiree Representative Kim Moore and Active Representative Sam Benscoter had both been reelected to serve three-year terms.

Good of the Order

Investment Advisory Committee Annual Letter

As required in RCW 35.39, a copy of the 2020 Investment Advisory Committee Statement was distributed to the Board.

Mayor's Letter 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 13, 2021 was distributed to the Board.

Milliman COLA Letter

Tim reported on the July 2021 Cost of Living Adjustment (COLA) letter provided by Milliman, showing that most eligible retirees would receive a 2.125% adjustment starting with the July 1, 2021 pension payment.

Retirement Transactions Report – March and April 2021

The Retirement Transactions Reports – March and April 2021 were provided electronically to the Board in the Board Packet.

Additional Topics- None.

Adjourn

Sam Bencoter adjourned the meeting at 1:38 p.m.

Melanie Panui

Melanie Panui
Recording Secretary

Victoria R. Woodards

Mayor Victoria Woodards
Board Chair