

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

10:00 a.m., Thursday, November 10, 2022
Tacoma Public Utilities
Administration Building North
Retirement Conference Room
3628 S. 35th Street
Tacoma, Washington 98409

Minutes

Call to Order

Mayor Victoria Woodards, Chair, called the meeting to order on Thursday, November 10, 2022.

Roll Call

Members Present: Mayor Victoria Woodards, Sam Bencoter, Gordon Cavanaugh, Andy Cherullo, Katie Johnston, Kim Moore, Wayne Reed, Jim Sant

Members Absent: Michael Hall

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

Others Present: Tim Allen, Retirement Director
Tim Atwill, Deputy Chief Investment Officer
Catherine Marx, Asst. Retirement Director
Charles Lee, Deputy City Attorney
Justin Angove, Special Projects Assistant Supervisor
Jennifer Shen Lee, Assistant Water Division Manager
Tammy Liddle Lobban, Management Analyst III
Tosha Siebert, Assistant Water Division Manager

Presenters: Felicia Bennett, Wilshire
Ali Kazemi, Wilshire
Brian Bubrick, Wilshire
Lauren Gelhaus, Wilshire
Saada Gegoux, Risk Manager

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 Wayne Reed, the Board of Administration accepted and approved the Administrative Consent Agenda to include the drafted minutes of the October 13, 2022, Retirement Board meeting.

Change the Order of Business

The Chair adjusted the agenda to move New Business – TERS Overlay Manager Decision to follow Consent Agenda.

New Business

TERS Overlay Manager Decision

Deputy Chief Investment Officer Tim Atwill walked the Board through the process utilized in the search for an Overlay Manager for TERS. It was noted that both TERS staff and Wilshire independently ranked Parametric as their first choice from the seven candidates.

Motion: Upon motion by Andy Cherullo, seconded by Katie Johnston, the Board of Administration authorized the hiring of Parametric to run a cash equitization and currency hedging assignment for TERS, to be managed in accordance with TERS' Overlay Investment Policy.

Wilshire – Quarterly Investment Report

The Retirement Board and Investment Advisory Committee received the Executive Summary – 3rd Quarter 2022 from Wilshire Associates in electronic format.

Felicia Bennett introduced new Wilshire employee Lauren Gelhaus who will be working with TERS going forward. Felicia then gave 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: -3.41% for the Third Quarter, -7.58% for the one-year period, 4.48% for the three-year period, 5.15% for the five-year period, and 7.06% for the ten-year period all ended September 30, 2022. Ali Kazemi presented further details of individual asset manager performance returns and attribution.

The Executive Summary of Performance for the period ending September 30, 2022, serves as an addendum to the minutes.

Wilshire – Asset Allocation Education

Ali Kazemi and Felicia Bennett gave a background primer on the Asset Allocation process used to establish strategic asset allocation targets. This discussion covered the importance of setting the plan objectives, evaluating key risks, and reviewing investment beliefs. They then reviewed the Mean Variance Optimization approach and the need to determine constraints.

New Business - continued

Wilshire – Asset Allocation Education - continued

They went on to discuss the need to consider investments in growth, defensive-growth, defensive, inflation-sensitive and diversifying categories when assembling an investment portfolio. The overall goal remains maximizing the safety of the promised pension benefits while minimizing the cost of funding those benefits. They wrapped up the presentation with a comparison of the asset class expected returns used in the prior asset allocation study (with data as of September 2018) with those expected returns seen today (with data as of September 2022). Further Wilshire presentations on this topic will occur at 2023 TERS Board meetings.

The Asset Allocation Approach & Assumptions Review serves as an addendum to the minutes.

Change the Order of Business

The Chair adjusted the agenda to move New Business – Fiduciary Liability Insurance to follow New Business – Wilshire Asset Allocation Education.

Fiduciary Liability Insurance

City of Tacoma Risk Manager Saada Gegoux explained the process used to obtain Fiduciary Liability insurance coverage, defined the coverage limitations, and talked about the trend of escalating insurance premiums.

TERS Investment Policy Statement

Deputy Chief Investment Officer Tim Atwill provided an updated version of TERS' Investment Policy Statement which removed references to investments in TIPS and removed Appendix B (Derivatives Investment Guidelines For Overlay Managers), as that will be broken out into its own separate and distinct TERS Policy.

Motion: Upon motion by Katie Johnston, seconded by Andy Cherullo, the Board of Administration approved the revised Investment Policy Statement as presented.

TERS Overlay Investment Policy Statement

Deputy Chief Investment Officer Tim Atwill walked the Board through the new Overlay Investment Policy Statement, which includes a permitted list of derivative strategies and instruments.

Motion: Upon motion by Wayne Reed, seconded by Kim Moore, the Board of Administration approved the Overlay Investment Policy Statement as presented.

Retirement Director’s Report

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

Good of the Order

Retirement Transactions Report – October 2022

The Retirement Transactions Report for October 2022 was provided electronically to the Board in the Board Packet.

Terms of Office

An update to the Terms of Office was tabled until the following Board meeting, as the active Board Member election required a second round of voting.

Mayor’s Report to the City Council - November 2022

The Mayor’s quarterly report to the City Council as of November 2022 was presented to the Board.

Additional Topics- None.

Adjourn

Sam Benscoter, Vice Chair adjourned the meeting at 12:21 p.m.

Melanie Panui

Melanie Panui
Recording Secretary

Victoria R. Woodards

Mayor Victoria Woodards
Board Chair