

Funding Progress

TERS benefits are funded by employer and employee contributions, as well as investment earnings. The Board of Administration's funding policy is intended to promote inter-generational fairness by establishing contribution rates that are tied to the benefits currently being accrued. Contributions for active members are currently 21% of pay, shared by the employer and the employee.

A pension fund is considered well-funded when it is projected to have sufficient assets to meet expected future benefit obligations to its members. The TERS actuarial accrued liability is determined by calculating the present value of all future benefits promised to past and present members. The funding ratio measures the relationship between the smoothed actuarial value of assets in the pension trust and the actuarial accrued liability. As of 1/1/2021, the funding ratio for TERS was 96.3%.

The following table provided historical information on actuarial valuations.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (a-b)	Funding Ratio (a/b)
1/1/2021	\$1,916.90	\$1,991.00	(\$74.10)	96.3 %
1/1/2020	1,818.70	1,856.00	(37.30)	98.0
1/1/2019	1,713.90	1,761.70	(47.80)	97.3
1/1/2018	1,667.00	1,680.70	(13.70)	99.2
1/1/2017	1,585.00	1,648.10	(63.10)	96.2

Dollars expressed in millions.

Tacoma Employees' Retirement System Administrative Organization

Mayor and Chair	Victoria Woodards
Director of Finance	Andrew Cherullo
Designee of the City Manager	Tadd Wille
Designee of Tacoma Public Utilities Director	James Sant, CPA
Employee Representatives	Samuel Benscoter Gordon Cavanaugh Jonathan Schlaudraff
Retiree Representative	Kim Moore
Citizen Representative	Matthew Hedges, CFA, CAIA
Alternate Board Member	Wayne Reed
	Administrative Staff
Retirement Director/CIO	Tim Allen, CFA
Assistant Retirement Director	Catherine Agnes Marx, MAcc
Senior Accountant	Trina Ealey
Accountant	Linh Nguyen
Retirement Specialist	Marni Moore
Retirement Specialist	Melanie Panui
Retirement Specialist	Cecilia Grey
	Professional Consultants
Legal Consultant	Davis Wright Tremaine, LLP
Consulting Actuary	Milliman
Custodian Bank	The Northern Trust Company
Investment Consultant	Wilshire Associates
Investment Managers	Adelante Capital Management BlackRock Dimensional Fund Advisors Eaton Vance Management Hamilton Lane HarbourVest Partners INTECH INVESCO Melody Investment Advisors Metropolitan West Asset Management/TCW Neuberger Berman Northern Trust Global Investments Pantheon PIMCO/Research Affiliates Prudential Trust Company Tortoise Capital Advisors, LLC
Investment Advisory Committee	Dr. Alva Butcher Dr. Lynda Livingston, CFA Dr. Kevin K. Boeh Geoffrey Curran, CPA, CFP, CFA Michael Thomas, CFA

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Tacoma Employees' Retirement System 2020

Summary Annual Financial Report

This summary annual report has been designed to provide a summary of information for the Tacoma Employees' Retirement System (TERS), as of December 31, 2020. It includes a summary of the System, financial and actuarial information, asset allocation, investment activities, as well as the administrative organization.

The year 2020 marked the System's 80th year of operation. At year-end there were 2,653 retirees and beneficiaries receiving benefits, 790 terminated vested and other terminated members, and 3,037 active members. The System's fiduciary net position at December 31, 2020 was \$1.92 billion.

The Board of Administration conducts its monthly meetings on the second Thursday of the month. These Board meetings are held virtually at either 10:00 a.m. or 1:00 p.m. and are open to the public.

If you have any questions regarding the Retirement System, please feel free to contact the Retirement Office at (253)502-8200 or by email at TERSretirement@cityoftacoma.org. The entire 2020 Comprehensive Annual Financial Report is available through our website at www.cityoftacoma.org/ters.

Victoria Woodards
Mayor and Chair of the Board of Administration

Summary of the System

The Tacoma Employees' Retirement System (TERS) is:

- * Organized under the official code of the City of Tacoma for the purpose of providing a uniform program of retirement, disability and death benefits for its eligible members.
- * At the direction of the City Council, the System is administered by the Board of Administration (the Board) consisting of nine regular members and one alternate member. The members of the Board are the Mayor, who serves as Chair, the Director of Finance, the City Manager (or designee), the Public Utilities Director (or designee), three elected employee representatives, one elected retired representative, and one City resident (not employed by the City) elected by the other eight members. The nine regular Board members appoint a TERS member, either active or retired, as an alternate Board member. The Board, subject to City Council approval, appoints the Director who is responsible for managing the daily operations of the System.

2020 Key Statistics

Active Members	3,037
Benefit Recipients	2,653
Terminated Vested and Other Terminated Participants	790
Fiduciary Net Position (at Fair Value of Assets).....	\$1,915,760,355
Benefits Paid	\$94,001,225
Refund of Contributions.....	\$2,699,669
Administrative Expenses.....	\$1,839,268
Member Contributions	\$27,657,640
Employer Contributions	\$31,047,707
Funded Ratio (at Actuarial Value of Assets)	96.3%
Funded Ratio (at Fair Value of Assets).....	96.2%
Investment Rate of Return (time-weighted, net of fees)	5.5%

Fiduciary Net Position

	2020	2019
Cash and short-term investments	\$ 44,716,264	\$ 12,062,873
Receivables	14,027,803	9,110,764
Investments	1,909,255,473	1,868,002,580
Securities lending collateral	49,336,334	52,384,912
Capital assets, net of accumulated depr	7,597	8,441
Total assets	<u>2,017,343,471</u>	<u>1,941,569,570</u>
Accounts payable and other liabilities	1,985,545	1,479,371
Investment purchases	50,261,237	11,609,932
Securities lending collateral	49,336,334	52,384,912
Total liabilities	<u>101,583,116</u>	<u>65,474,215</u>
Net position restricted for pensions	<u>\$1,915,760,355</u>	<u>\$1,876,095,355</u>

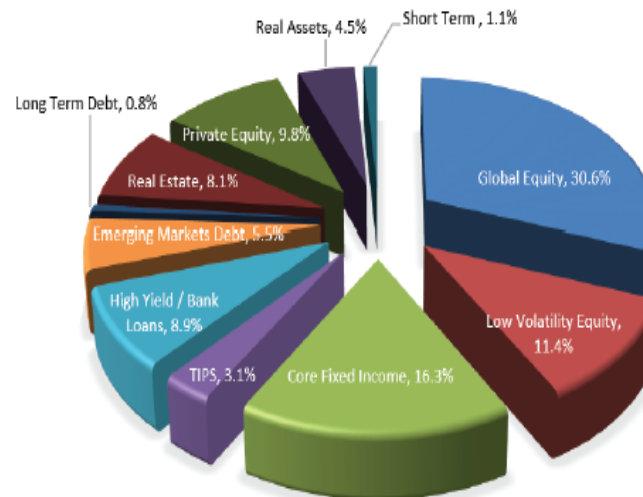
Changes in Fiduciary Net Position

	2020	2019
Total contributions	\$ 58,705,347	\$ 56,542,714
Net investment income	<u>79,499,815</u>	<u>275,414,254</u>
Total additions	<u>138,205,162</u>	<u>331,956,968</u>
Benefits and refunds of contri	96,700,894	89,092,294
Administrative expenses	<u>1,839,268</u>	<u>1,789,700</u>
Total deductions	<u>98,540,162</u>	<u>90,881,994</u>
Net increase	39,665,000	241,074,974
Net position beginning of year	<u>1,876,095,355</u>	<u>1,635,020,381</u>
Net position end of year	<u>\$ 1,915,760,355</u>	<u>\$ 1,876,095,355</u>

Benefits and Refunds Paid

Year	Service	Survivor	Disability	Refunds	Totals
2020	\$86,730,152	\$6,511,664	\$511,850	\$2,947,228	\$96,700,894
2019	79,765,472	6,228,727	494,023	2,604,072	89,092,294
2018	73,639,003	5,913,125	482,088	2,199,211	82,233,427
2017	68,597,676	5,986,221	463,074	2,420,673	77,467,644
2016	64,019,898	5,621,915	480,628	1,873,613	71,996,054

2020 Actual Asset Allocation



Annualized Rate of Return

	1-Year	3-Year	5-Year
Total Fund	5.5%	6.05%	8.09%
Custom Policy Benchmark Index	7.59%	7.04%	8.78%
Global Equity	9.97%	7.58%	11.08%
Custom Global Equity Index	11.96%	9.11%	11.91%
Low Volatility Equity	3.13%	7.41%	9.65%
MSCI ACWI Min Volatility Index	2.69%	6.96%	9.17%
Core Fixed Income	9.20%	6.11%	4.96%
Barclays U.S. Aggregate Index	7.51%	5.34%	4.44%
TIPS	10.87%	5.85%	5.05%
Barclays U.S. TIPS Index	10.99%	5.92%	5.08%
High Yield / Bank Loans	4.51%	4.95%	6.56%
Custom High Yield Index	6.07%	5.85%	8.41%
Emerging Markets Debt	4.36%	4.30%	7.62%
JPM EMBI Global Diversified Index	5.26%	5.05%	7.08%
Real Estate	-4.45%	3.90%	5.02%
Custom Real Estate Index	-4.05%	3.76%	4.89%
Private Equity	11.89%	10.97%	11.64%
Custom Private Equity Index	27.95%	13.98%	15.55%
Real Assets	-16.24%	-6.04%	-0.62%
Custom Real Assets Index	-15.06%	-4.47%	-0.61%

Note: performance calculations were prepared by Wilshire Consulting using market value time-weighted rates of return.

Total returns include cash income plus gains and losses due to changes in fair value, whether realized or unrealized.

Supplemental Benchmark Information:

The Custom Total Fund Policy Benchmark Index at year-end 2020 was 27% Russell Global Equity Index (50% Hedged on Developed ex-US Countries), 11.5% MSCI ACWI Minimum Volatility Index, 18% Barclays U.S. Aggregate Index, 2.5% Barclays U.S. TIPS Index, 6.0% Merrill Lynch High Yield Master II Constrained Index, 3.0% S&P LSTA Leveraged Loan, 5.0% JP Morgan EMBI Global Diversified Index, 1.5% Barclays U.S. Treasury Long, 4.0% Wilshire REIT Index, 5.0% NCREIF ODCE Index, 3.0% Alerian MLP Index, 3.5% CPI +3%, and 10.0% Custom Private Equity Index.

The Global Equity Index from April 2020 is the FTSE Global All Cap Equity (50% Part Hedged). Prior to that it was the Russell Global Equity Index (50% Hedged on Developed ex-U.S. Countries).

The Custom Private Equity Index is dynamically calculated based on the actual weights of the private equity investments and the private equity source fund.

To coincide with private equity investments reporting, 1-quarter lagged fair values are used for the private equity component in the custom benchmark calculation.