

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 1/1/2022, the funding ratio for TERS was 98.9%.

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)
1/1/2022	\$2,043.50	\$2,065.70	(\$22.20)	98.9%
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

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	Kathryn Johnston
Designee of Tacoma Public Utilities Director	Jim Sant, CPA
Employee Representatives	Samuel Benscoter, MBA 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
Deputy CIO	Tim Atwill, PhD, CFA
Accountant	Linh Nguyen
Retirement Specialist	Cecilia Grey
Retirement Specialist	Marni Moore
Retirement Specialist	Melanie Panui
	Professional Consultants
Legal Consultant	Davis Wright Tremaine, LLP
Consulting Actuary	Milliman
Custodian Bank	The Northern Trust Company
Investment Consultant	Wilshire Associates LLC
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

Tacoma Employees' Retirement System

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Tacoma Employees' Retirement System 2021

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, 2021. It includes a summary of the System, financial and actuarial information, asset allocation, investment activities, as well as the administrative organization.

The year 2021 marked the System's 81st year of operation. At year-end there were 2,695 retirees and beneficiaries receiving benefits, 842 terminated vested and other terminated members, and 3,096 active members. The System's fiduciary net position at December 31, 2021 was \$2.23 billion.

The Board of Administration conducts its monthly meetings on the second Thursday of the month. These Board meetings are held at either 10:00 a.m. or 1:00 p.m. in the Tacoma Public Utilities Building, Room ABN-LT4 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 2021 Annual Comprehensive 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.

2021 Key Statistics

Active Members	3,096
Benefit Recipients.....	2,695
Terminated Vested and Other Terminated Participants.....	842
Fiduciary Net Position (at Fair Value of Assets).....	\$2,225,610,594
Benefits Paid.....	\$97,015,404
Refund of Contributions	\$2,218,394
Administrative Expenses	\$2,052,886
Member Contributions.....	\$28,443,497
Employer Contributions.....	\$32,335,463
Funded Ratio (at Actuarial Value of Assets).....	98.9%
Funded Ratio (at Fair Value of Assets).....	107.7%
Investment Rate of Return (time-weighted, net of fees).....	18.1%

Fiduciary Net Position

	2021	2020
Cash and short-term investments	\$ 58,200,599	\$ 44,716,264
Receivables	64,699,136	14,027,803
Investments	2,231,721,269	1,909,255,473
Securities lending collateral	111,556,301	49,336,334
Capital assets, net of accum. depreciation	6,753	7,597
Total assets	<u>2,466,184,058</u>	<u>2,017,343,471</u>
Accounts payable and other liabilities	2,783,043	1,985,545
Investment purchases	126,234,120	50,261,237
Securities lending collateral	<u>111,556,301</u>	<u>49,336,334</u>
Total liabilities	<u>240,573,464</u>	<u>101,583,116</u>
Net position restricted for pensions	<u>\$2,225,610,594</u>	<u>\$1,915,760,355</u>

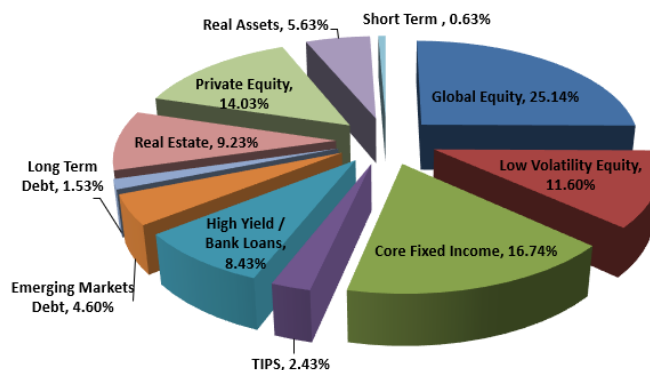
Changes in Fiduciary Net Position

	2021	2020
Total contributions	\$ 60,778,960	\$ 58,705,347
Net investment income (loss)	<u>350,357,963</u>	<u>79,499,815</u>
Total additions (deductions)	<u>411,136,923</u>	<u>138,205,162</u>
Benefits & refunds of contributions	99,233,798	96,700,894
Administrative expenses	<u>2,052,886</u>	<u>1,839,268</u>
Total deductions	<u>101,286,684</u>	<u>98,540,162</u>
Net increase (decrease)	309,850,239	39,665,000
Net position beginning of year	<u>1,915,760,355</u>	<u>1,876,095,355</u>
Net position end of year	<u>\$ 2,225,610,594</u>	<u>\$ 1,915,760,355</u>

Benefits and Refunds Paid

Year	Service	Survivor	Disability	Refunds	Totals
2021	\$ 89,745,861	\$ 6,727,134	\$ 542,409	\$ 2,218,394	\$ 99,233,798
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

2021 Actual Asset Allocation



Annualized Rate of Return

	1-Year	3-Year	5-Year
Total Fund	18.06%	13.32%	9.81%
Custom Policy Benchmark Index	14.16%	12.98%	9.76%
Global Equity	21.79%	18.76%	13.18%
Custom Global Equity Index	19.17%	19.24%	13.75%
Low Volatility Equity	14.18%	12.70%	10.89%
MSCI ACWI Min Volatility Index	13.94%	12.31%	10.46%
Core Fixed Income	-1.02%	5.64%	4.16%
Barclays U.S. Aggregate Index	-1.55%	4.79%	3.57%
TIPS	5.81%	8.33%	5.27%
Barclays U.S. TIPS Index	5.96%	8.44%	5.34%
High Yield / Bank Loans	4.39%	6.96%	4.87%
Custom High Yield Index	5.33%	8.53%	6.07%
Emerging Markets Debt	-1.59%	5.89%	4.90%
JPM EMBI Global Diversified Index	-1.80%	5.94%	4.65%
Real Estate	32.93%	13.64%	9.87%
Custom Real Estate Index	32.13%	13.32%	9.26%
Private Equity	53.76%	25.59%	20.07%
Custom Private Equity Index	31.14%	22.67%	19.14%
Real Assets	28.11%	4.53%	1.31%
Custom Real Assets Index	22.87%	3.55%	1.24%

Additional Information:

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 2021 was 27% FTSE Custom Global All Cap Index (50% Hedged on Developed x-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 Index, 5.0% JP Morgan EMBI Global Diversified Index, 1.5% Barclays U.S. Treasury Long Index, 4.0% Wilshire REIT Index, 5.0% NCREIF ODCE NOF Index, 3.0% Alerian Midstream Energy Index, 3.5% CPI+3%, and 10.0% Custom Private Equity Index.

The Global Equity Index from October 2019 is the FTSE Custom Global All Cap Index (50% Hedged on Developed x-US Countries); prior to that it was the Russell Global Equity Index (50% Hedged on Developed x-US Countries).

The Custom High Yield Index from April 2020 is 66.67% Merrill Lynch High Yield Master II Constrained Index and 33.33% S&P LSTA Leveraged Loan Index, prior to that date was the Merrill Lynch High Yield Master II Constrained Index.

The Custom Real Estate Index starting from April 2020 is 55.56% NCREIF ODCE NOF Index and 44.44% Wilshire REIT Index and from January 2013 was 50% NCREIF ODCE NOF Index and 50% Wilshire REIT Index.

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 market values are used for the private equity component in the custom benchmark calculation.

The Custom Real Assets Index from April 2020 is 53.85% CPI+3% and 46.15% Alerian Midstream Energy Index; from October 2015 is 50% Alerian MLP Index and 50% CPI+3%. Prior to that it was the Alerian MLP Index.