



ESG Considerations – TERS

City of Tacoma | Retirement Department

Government Performance and Finance
Committee

June 5, 2018

ITEM #

OVERVIEW



- We will review the investment approach of the Tacoma Employees' Retirement System (TERS)
- We will discuss exposure to companies involved with the production of fossil fuels.
- Particular attention will be given to the fiduciary duty of the TERS Board of Administration.

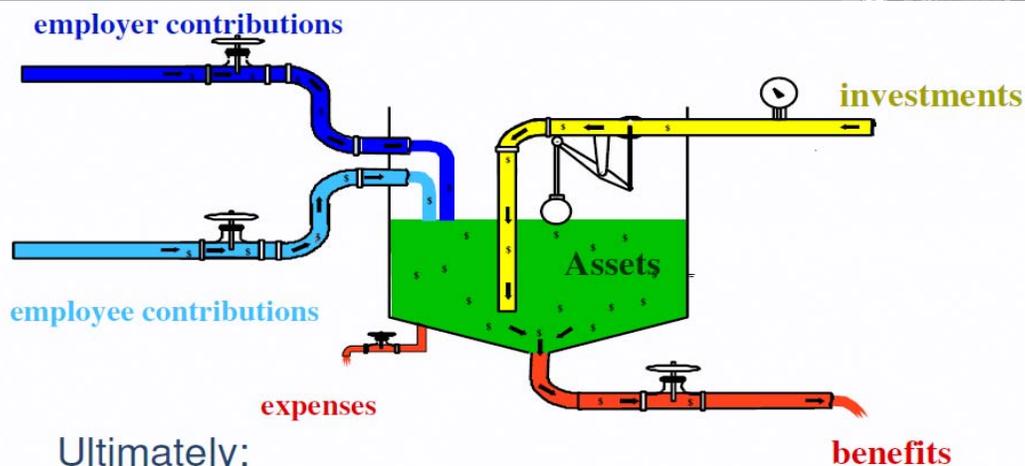
BACKGROUND



- This presentation is in response to the presentation made by a local family foundation to the GPFC on May 1, 2018.
- This discussion comes at the request of the GPFC Chair.

3

ISSUES



Ultimately:

$$\text{Contributions} + \text{Investment Earnings} = \text{Benefit Payments} + \text{Expenses}$$

4

ISSUES – Fiduciary Duty



Duty of loyalty –

The obligation to act for the exclusive benefit of the plan participants and beneficiaries. The trustees must put the interest of all plan participants and beneficiaries above their own interests or those of any third parties. Regardless of their selection process, fiduciaries must be reminded that they do not represent a specific constituency or interest group.

5

ISSUES – Fiduciary Duty



Duty of care –

The responsibility to administer the plan efficiently and properly. The duty of care includes consideration and monitoring of the financial sustainability of the plan design and funding practices.

6

ISSUES – Fiduciary Duty



Duty of prudence –

The obligation to act prudently in exercising power or discretion over the interests that are the subject of the fiduciary relationship. The general standard is that a trustee should act in a way that a reasonable or prudent person acts in a similar situation or in the conduct of his or her own affairs.

7



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