

DEFERRED COMPENSATION MANAGEMENT PLAN BOARD Regular Meeting Minutes

Pursuant to A.R.S. § 38-431.02, notice is hereby given to the members of the Deferred Compensation Plan Management Board and to the general public that the Deferred Compensation Plan Management Board will hold the following meeting virtually (remotely) using Microsoft Teams on:

Thursday, February 10, 2022, at 9:00 A.M.

MEETING NOTE: Due to the impacts of the COVID-19 pandemic, which have prompted declarations of a public health emergency at the local, state and federal levels, this meeting will be conducted using measures to protect public health. This meeting will be held remotely through technological means, as permitted under Arizona law. The meeting will not include any items that will involve time set aside for public comments. The meeting will be recorded and posted to City Boards, Committees, and Commissions website for public review.

IN-PERSON ATTENDANCE BY MEMBERS OF THE PUBLIC WILL BE PROHIBITED.

PLEASE BE AWARE THAT THESE MEASURES ARE IN PLACE TO LIMIT THE NEED FOR MEMBERS OF THE PUBLIC TO PARTICIPATE IN LARGE PUBLIC GATHERINGS, WHILE ENSURING THAT THE DISCUSSIONS, DELIBERATIONS AND ACTIONS OF THE DC BOARD ARE TRANSPARENT AND CONDUCTED OPENLY.

For those individuals new to Microsoft Teams, please download the application and be ready when the meeting starts using the following information:

Join on your computer or mobile app

[Click here to join the meeting](#)

Or call in (audio only)

[+1 213-293-2303, 906171540#](#) United States, Los Angeles

Phone Conference ID: 906 171 540#

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A) Call to Order

Chairman Joe Barkenbush calls meeting to order at 9:02 a.m.

Elsa Quijada absent at roll call.

B) Consent Agenda

1. Approval of Special Board Meeting Minutes from December 1, 2021
2. Approval of Regular Board Meeting Minutes from November 10, 2021

Motion to approve Consent agenda made by Dennis Woodrich, 2nd by Joe Barkenbush. Motion passes 4-0.

C) Investment Performance Review and Discussion

1. Q4 2021 Market Review

Paul Nacario with Innovest provided the 4th Quarter review which included a complete 2021 update of the plan assets. Innovest is currently celebrating their 25th anniversary and for the 6th year in a row, Innovest received the “Best places to work” award from Pensions and Investments. A survey of over 200 clients reported an overall satisfaction score of 4.8 out of 5, a customer service score of 4.9 out of 5, along with a net promoter score of 86 from an average negative -100 score to 100 points.

The 4th quarter review focused on retention of plan assets for participants who separate from service and how the plan can continue to lower fees over a 10-year projection. Participants have significant pricing leverage by remaining in the City of Tucson plan as the current plan structure is listed at 38 basis point for recordkeeping and administrative costs, versus the industry average of similar sized plans which are averaging at 61 basis points. Paul finished with a review of the City’s plan for lowering fees over a 10-year projection, and importance of asset allocation focusing more on Retirees by leveraging record keeping resources, campaigns, and a personalized messaging system through Empower for the 457 and 401a plans.

The 457 plan with 20 investment options through Empower at the end of the 3rd quarter totaled at \$309,044,306.00. In the 4th quarter ending in December 2021, total estimated investment of funds \$319,900,115.00 showing growth for the DC plan.

2. Q4 2021 Investment Fund Line-up Performance Review

Gordon Tewell with Innovest reviewed the complete investment lineup for the 4th quarter. Reflecting on the current issues for the market’s global economy, inflation, and fixed income markets. Large Cap Stocks continuing strong in the 4th quarter at 28.7%, Small Cap stocks at 14.8%, International developed markets at 11.3%, Emerging markets down -2.5%, and Core Markets down -1.5%. Gordon addressed global economics and the growth outlook, stating that global GDP growth is slowing, but expected to remain strong in 2022. While leading economic indicators reflect a strong recovery, economic momentum may have peaked in 2021. Topics on inflation based on the S & P report shows an increased inflation rate at 7.5% in the 4th quarter market. The surge in Retirements continues to add to the labor shortages in the US. Supply chain challenges, and stock valuations remain elevated globally, although international equities appear more reasonably priced versus US equities. Real estate and real assets in infrastructure, farmland and timberland have provided downside protection during prior equity market declines with allocation to alternatives generally has reduced the expected downside risks of the current portfolio. For the 4th quarter, real estate led the way in sector performance, while the energy sector led the way for 2021.

Gordon Tewell then reviewed the current investment options and Manager Score Card. Overall, the Manager Score Card for the City’s investment options looked very strong. He cited 1 new minor concern for Buffalo Discovery regarding a resignation from a comanager and 1 minor concern for T. Rowe QM US Small Cap Growth due to performance. Gordon finished by addressing several funds, reviewing performance, performance against the benchmark, and performance against peer group.

3. Putnam Stable Value Fund Update – Mike Foy, Putnam Investments

Mike Foy Putnam Stable fund Portfolio manager gives overview of Putnam’s Bond investment performance. Total book value of the Putnam

fund investment is \$14,066,458,499.00 with an average 34.97% fee rate. Traditional GCI rates against similar plans average at a 23.41% fee rate.

Joe Barkenbush questions if the fees can be negotiated and when?

Mike states that a traditional GCI rate typically is locked in at a 5-year term. The Bond funds could see a negative return in the next few years to come, but adjustments could be made with purchases of more Bonds to lower fee percentage rate.

Elsa Quijada joins the meeting at 10:03 a.m.

Vivian Newsheller leaves meeting at 10:46 a.m

D) Empower Plan Analytics Review and Report

1. 457 & 401 Plan Review

Jeff Cruz and Michela Palmer presented the City of Tucson 2022 Strategic Partnership Plan and Online launch of new website during the 2nd quarter in 2022.

A review of the plan design and administrative features was presented. Jeff noted that the City of Tucson has approved available plan designs with Empower administrative service features, keeping within applicable retirement law for the 457(b) and 401(a) plans and added numerous enhancements to the participant experience for both desktop and portable devices.

Michela Palmer reviewed 2021's marketing campaigns delivered, which resulted in 2 awards. The Pension and Investments (P&I) Eddy first place award for Transition Campaign, and the MarCom Gold Award for the New Year's Checklist Campaign. Marketing accomplishments showed a successful increase in participants with investments into the 457(b) plan.

Empowers website shows online participation at 59% from plan participants who logged into the website. 2,315 participants averaged login sessions estimated at 16 sessions per user. Michaela shows the projected 2022 Campaigns and participant outreach plans to engage further employee participation which will include incentives for signing up and support for advertising the newest website information for participants to access accounts efficiently and utilizing online financial retirement planning.

Jeff presented an overview of the new Participant Experience online through the online portal where participants can access financial statements, information about their plan account, make changes of beneficiaries and any personal information that need adjusting such as address changes, phone number updates, etc. The financial planning options including adding any debts to the account to aide in debt relief, and additional retirement planning to assist participants with their financial goals.

Art asks if there is an option to add student loan debts in the financial planning option online which might also help with participants financial future planning, due to the City of Tucson now offering Student loan options for employees enrolled or completed ongoing education?

Jeff answers yes. The new online portal for participants does allow for all or any debts including Student loans, to be aggregated into the participants financial planning allowing for accurate financial goals of participants to be met.

Art request for Empower to bring a discussion of Cyber security safety to the Board during the 3rd or 4th quarter, to ensure participant information and retirees' information with the new launch of the portal is secured within protected guidelines. Jeff agreed and will bring the Cyber security team to present how they are working to ensure participant information protection.

Jeff presented 4th quarter 2021 plan review. Participant balance in the 4th quarter totals \$321,819,352.00 for the 457(b), 401(a), and 401(a)* plans. Total participants registered in the plan 3,990. In the 4th quarter there has been an increase in participants changing contributions from 1%, 2% and 3% range and numbers of funds being contributed more in a range of 4%, 5%, and even 6 % contribution rates.

Chairman Joe Barkenbush asked about the amount discrepancy between Innovest and Empower reports on the PIMCO Total Return Bond Fund?

Jeff mentions he will review that information and present the answer at the next regular DC Board meeting.

Vivian Newsheller re-joins the meeting at 10:49 a.m.

E) Administrative Discussions

1. Update on Board Chair and Code Amendments

Art informed the Board of his conversation with the City Manager's Office and City Attorney and indicated both were supportive of the code amendments and revisions to the Board Rules and Regulations and the path the Board has set forth with each of these documents. Art also informed the Board about the City Manager's desire to maintain flexibility with the ability to appoint an external citizen to the Board but supported the idea of appointing the Plan Administrator to the Board and having the Board chose a Chair from amongst the existing Board members.

Elsa Quijada leaves meeting at 10:59 a.m.

Motion to instruct Art and Cassie to review and clarify rules for the Chair role term limit, and how the Chair may rotate amongst the Board Members. In addition, Art and Cassie will also review and clarify if the City Manager will continue to appoint a position on the Board, and whether the Plan Administrator can fill this role. Motion passes 3-1. (John O'Hare dissenting vote)

2. Update on Election Status for Expired Board Member Term

Art informed the Board that an election in November 2021 was not conducted as it did not allow for sufficient time for interested candidates to submit the required documentation needed to be considered for the Board. Art went on to explain that after his conversation with the City Manager, his desire is to get through approval of all the code amendments and conduct all the necessary elections at one time. He noted that

he did receive tacit City Clerk approval for Dennis to continue serving as a Board member until such time as an election could be run.

Joe asked about the timeline of the code amendments and Art responded that he anticipated April/May timeframe.

Discussion held: No formal action taken.

F) For the Board's Consideration

1. Brokerage Windows Open to Whet Broader Investment Appetites
2. Consumer Pessimism Grows as Inflation Accelerates

F) Adjournment

**Motion to adjourn made by Joe Barkenbush, 2nd by John O'Hare.
Motion passes 4-0.**

Adjourned 11:42 a.m.

Members Remotely Present:

Joe Barkenbush, Chairman
Dennis Woodrich, Elected Member
John O'Hare, Elected Member
Elsa Quijada, Deputy Director Human Resources (arrived at 10:03;
departed 10:59 a.m.)
Vivian Newsheller, Deputy Director Controller

Staff Remotely Present:


Art Cuaron, Pension & Benefits Administrator
Dawn Davis, Lead Pension Analyst
Noemi Gonzalez, Pension and Benefits Administrative Assistant

Guest Remotely Present:

Catherine Langford, Yoder & Langford
Gordon Tewell, Innovest
Paul Nacario, Innovest
Michela Palmer, Empower
Jeff Cruz, Empower
Cory Sprott-Cox, Empower
Stephanie Sanchez, Empower
Michael Foy, Putnam

 6-12-22

Joe Barkenbush Date
Chairman of the Board

 6.15.2022

Art Cuaron Date
Pension & Benefits Administrator