

TUCSON SUPPLEMENTAL RETIREMENT SYSTEM BOARD OF TRUSTEES

Regular Meeting Minutes

Pursuant to A.R.S. § 38-431.02, notice is hereby given to the members of the Tucson Supplemental Retirement System (TSRS) Board of Trustees and to the general public that the TSRS Board will hold the following meeting virtually (remotely) using Microsoft Teams on:

Thursday, August 25, 2022, at 8:30 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 TSRS 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](#)

Meeting ID: 255 790 098 409

Passcode: CNHphk

Or call in (audio only)

[+1 213-293-2303, 299632584#](#) United States, Los Angeles

Phone Conference ID: 299 632 584#

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A) Call to Order

Chairman Mark Rubin calls meeting to order 8:30 a.m.

Board members Jorge Hernandez and Kevin Larson absent at roll call.

B) Consent Agenda

1. Approval of July 2022 Ratification Report
2. Approval of August 2022 Ratification Report

3. Approval of June 23, 2022, Regular Minutes
4. June 2022 Budget to Actual Report
5. July 2022 Budget to Actual Report
6. June 2022 Investment Performance Report
7. July 2022 Investment Performance Report

Art notified the Board that the June 2022 minutes were not available for review at this meeting and would be included at the next Board meeting in September for approval.

Motion to approve Consent agenda excluding June 23, 2022 TSRS Board Minutes made by Jim Wysocki, 2nd by Jeffrey Whiting. Motion passes 5-0.

C) Disability Application

1. Lani Dzicek

Disability applicant provided new documentation to the Board for reconsideration of their previous decision.

Motion to enter Executive session at 8:34 a.m. made by Jeffrey Whiting, 2nd by Jim Wysocki. Motion passes 5-0

Motion to begin Executive session at 8:36 a.m. made by Jeffrey Whiting, 2nd by Jim Wysocki. Motion passes 5-0.

Motion to exit Executive session made by Elsa Quijada, 2nd by Vivian Newsheller. Motion passes 5-0.

Motion to resume Regular session at 8:55 a.m. made by Jim Wysocki, 2nd by Elsa Quijada. Motion passes 5-0.

Motion to approve Disability application for Lani Dzicek made by Jim Wysocki, 2nd Jeffrey Whiting. Motion passes 5-0.

D) Investment Performance Review

1. TSRS Quarterly Investment Review for 6/30/2022 – Callan

Gordie introduced Craig Chaikin who is new to Callan and will be working with Gordie. Craig will assist in the review and reporting of the TSRS Plan Investment portfolio.

Craig begins with the market update. Inflation has dropped down from 9% to 8.5 % during this 2nd quarter driven by declines in oil prices. Unemployment rates continue at 3.6% but could forecast a recession in the next 18 months. Two negative quarters with GDP, consumer sentiment is below benchmark compared to survey data, and purchasing manufactures index remains at 50%. Inverted 2-year treasury yields are above the 10-year treasury yield mark, creating a significant yield curve

which shows a definite slowdown in the economy and would support this estimated 18-month recession theory.

Gordie reports the end of Fiscal year Public funds have reported negative returns. Reports show a heavy allocation in Private Equity Infrastructure and Real Estate held larger returns during the last fiscal year.

Craig continues the discussion reviewing the Fixed Income portfolio which reflects a down curve and continues to underperform. Rising interest rates aid in the decline of Bond prices. PIMCO is overweight in this investment and continues to underperform. Equities and Bonds are still below benchmark.

Jeffrey Whiting questioned if there are any modern similar examples that can be benchmarked against our Fixed income portfolio to compare and correlate a timeline of how long this will last?

Gordie mentions the investment portfolio is benchmarked against a 40-year market report which consistently shows volatility in the Equity market. The recent volatility in the Bond markets is new to the market making this forecast of a recession possible.

Gordie presents the quarterly report. Fixed income lower at 25% target versus 26% and Real estate is at 12 % versus 10%. International at 24% and real assets at 5%. Gordie mentions that other public pension funds have Private Equity in their investment portfolios, whereas the TSRS Portfolio does not. TSRS portfolio is ranked with an 8.2 % scorecard for the year amongst similar Pension plans.

PIMCO, Champlain, and Aberdeen all underperformed against the benchmark in the last year. Although Aberdeen has underperformed there is no suggestion to make any changes to this portfolio at this time but will continue to be monitored. PIMCO Fixed income rate is high at 15% versus the Bloomberg aggregate index at 10%. JP Morgan Strategic Property Fund still underperformed slightly at 27% versus a 28% benchmark.

2. Core Bond Manager Evaluation – Update

Callan streamlined candidates and have selected 5 Core Bond Managers that could manage 40% of TSRS Fixed Income Portfolio. These 5 candidates were selected based on stable performance and strategic type:

- Capital group (U.S. Core Fixed Income)
- Income Research + Management (IR+M Aggregate)
- Loomis, Sayles & Company, L.P. (Core Disciplined Alpha)
- Merganser Capital Management, LLC (Core Aggregate)
- SLC Management (U.S. Core Fixed Income)

Callan then compared each candidate's strategic investment style and risk factor over long track records, and tenured years reported, against the current Managers in the TSRS Portfolio. The Board decided the 5 candidates should be narrowed down to 3 presenters to join either in person or via teams, during the TSRS October Retreat. One of these 3 managers are meant to compliment the PIMCO Core manager portfolio.

Jim questioned if all these candidates provide a CIT within the portfolio?

Gordie mentions Merganser and SLC do not offer CIT within their current portfolios.

The Board narrowed down the 5 candidates based on Strategic profile and CIT versatility. Final 3 candidates selected are Capital Group, Income Research + Management, and Loomis, Sayles & Company, L.P. They will be invited to present their portfolios to the TSRS Board for final hiring of one active manager to compliment 40% of PIMCO's Core Fund.

Motion to interview 3 candidates Capital Group, Income Research + Management, and Loomis, Sayles & Co, L.P. to manage a portion of the Fixed Income portfolio. The interview will be scheduled at the TSRS Board retreat on October 28, 2022 and may be attended in person or via Teams, made by Jim Wysocki, 2nd by Jeffrey Whiting. Motion passes 5-0.

E) Administrative Discussions

1. Update on BNY Mellon Transition

Art updated the Board on the Retiree payroll transition to BNY Mellon. The transition is on track with a Go Live date of October 1, 2022, which coincides with the Workday go launch date for the City of Tucson. Most Retirees will not be impacted, except those that wish to take advantage of the online service for updating or changing personal information, viewing paystub information, and adjusting Tax withholdings or Direct deposit changes.

2. Disability Audit Update

Only one Disability Retiree has failed to contact the Pension department regarding their status. This Retiree's benefit payment continues to be suspended until satisfactory paperwork is submitted and received by Retirement department.

F) For the Board's Consideration

1. Public Pension Funds – the Next Battleground for Human Rights
2. Public Pension Contend with Falling Markets and Rising Inflation

G) Adjournment

**Motion to adjourn made by Jeffrey Whiting, 2nd by Jim Wysocki.
Motion passes 5-0.**

Adjourned at 10:25 a.m.

Members Remotely Present:

Mark Rubin, Chairman
Elsa Quijada, Interim Director Human Resources
Vivian Newsheller, Deputy Director Controller
James Wysocki, Elected Retiree Representative
Jeffrey Whiting, Elected Representative

Members Absent:

Jorge Hernandez, Elected Representative
Kevin Larson, City Manager Appointee

Staff Remotely Present:

Art Cuaron, Pension & Benefits Administrator
Pete Saxton, Pension Manager
Noemi Gonzalez, Pension & Benefits Administrative Assistant
Tina Gamez, Pension Assistant

Guest Remotely Present:

Catherine Langford, Yoder & Langford
Lani Dzicek, Guest (Disability Applicant)
Craig Chaikin, Callan
Gordie Weightman, Callan

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Mark Rubin	Date	Art Cuaron	Date
Chairman of the Board		Pension & Benefits Administrator	

Please Note: Legal Action may be taken on any agenda item

*Pursuant to A.R.S. 38-431.03(A)(3) and (4): the board may hold an executive session for the purposes of obtaining legal advice from an attorney or attorneys for the Board or to consider its position and instruct its attorney(s) in pending or contemplated litigation. The board may also hold an executive session pursuant to A.R.S. 38-431.03(A)(1) for the discussion or

consideration of matters specific to an identified public officer, appointee, or employee or pursuant to A.R.S. 38-431.03(A)(2) for purposes of discussion or consideration of records, information or testimony exempt by law from public inspection.