

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 22, 2024, 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 the meeting now](#)

Meeting ID: 269 373 895 403

Passcode: zvEuEr

Dial-in by phone

[+1 213-293-2303, 742738468#](#) United States, Los Angeles

[Find a local number](#)

Phone conference ID: 742 738 468#

For organizers: [Meeting options](#) | [Reset dial-in PIN](#)

A) Call to Order

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

Elsa Quijada absent at roll call.

B) Consent Agenda

1. Approval of June 27, 2024, Regular Minutes

2. Approval of July 2024 Ratification Report
3. Approval of August 2024 Ratification Report
4. June Budget to Actual Report
5. July Budget to Actual Report
6. June 2024 Investment Performance Report

Motion to approve Consent Agenda made by Jim Wysocki, 2nd by Kevin Larson. Motion passes 5-0.

C) Disability Application and Disability Audit Updates

1. Dorothy Benjamin* (Board may enter Executive Session pursuant to A.R.S. 38-431.03(A)(1) to discuss this agenda item)
2. Lani Dzicek* (Board may enter Executive Session pursuant to A.R.S. 38-431.03(A)(1) to discuss this agenda item)

Motion to move to executive session at 8:33 a.m. pursuant to A.R.S 38-431.03(A)(1) made by Jeff Whiting, 2nd by Kevin Larson. Motion passes 5-0.

Executive session begin at 8:34 a.m.

Executive session ends at 9:18 a.m.

Jeff Whiting leaves meeting at 9:18 a.m.

Motion to resume regular session at 9:21 a.m. made by Kevin Larson, 2nd by Aaron Williams. Motion passes 4-0.

Motion to notify the candidate that as of October 1st that they will lose their disability pension payment if still gainfully employed, made by Kevin Larson, 2nd by Jim Wysocki. Motion passes 4-0.

Motion to move to executive session at 9:28 a.m. pursuant to A.R.S 38-431.03(A)(1) made by Kevin Larson, 2nd by Aaron Williams. Motion passes 4-0.

Executive session begin at 9:33 a.m.

Elsa Quijada joins meeting at 9:35 a.m.

Executive session ends at 9:46 a.m.

Motion to resume regular session at 9:48 a.m. made by Kevin Larson, 2nd by Elsa Quijada. Motion passes 4-0.

Motion to approve disability application made by Kevin Larson, 2nd by Aaron Williams. Motion passes 5-0.

D) Investment Performance Review

1. TSRS Quarterly Investment Review for 06.30.2024 – Callan
2. 2024 Asset/Liability Study Results and Discussion – Callan

Gordie Weightman begins the discussion by presenting the overall economic summary. He notes that GDP was positive as well as a reduction in inflation. He states that the unemployment curve is still inverted, which has been for 2 years. He shows on page 4 that the S&P 500 is up, and equity markets are very strong; however Small Cap and Emerging Markets are both negative. He finishes with stating that over 10 years there is a net 6.9% for the combination of all TSRS asset classes, and with the 1.4% from bonds at a fourth of the portfolio, TSRS is in a good place with performance.

Craig Chaikin notes that Acadian started to be funded this quarter, and it is reflective in the final analysis. He reiterates the 6.9% over 10-year net earnings, and states that 2022 was a difficult year for the investment managers. On slide 28 he shows that Champlain underperformed and is down 3.35% from the benchmark. He also highlights that American Century had a negative return, while the quarter benchmark is up. Both negative performances he attributes to stock selection.

Art Cuaron inquires as to how patient the Board should be for American Century to yield a positive return again. Gordie answers that the Board should wait, as this particular manager was chosen because they are cyclical and can fluctuate between positive and negative results. Craig Chaikin finishes the performance presentation by emphasizing the chart on slide 35, which summarizes the TSRS funds versus the fund target amounts.

Adam Lozinski begins the Asset Liability-Study presentation by reminding the Board that in 2019 when the last study was done, they voted to increase real estate. The key point of the study is a decision on how much fixed income versus a more volatile asset class with higher returns is the Board willing to choose; with the goal being to establish a long-term allocation policy. Callan notes that they use actuarial data from GRS for liability modeling. On slide 10 he notes that the current policy is approximately 58% public equity, 25% fixed income and then 17% in private markets through real estate and infrastructure, which puts the market funding status at 72% and actuarial funding at 75%. On slide 12 Adam emphasizes that the 27.5% City contribution is a key component, as it creates strong cash flow.

On slide 15 he shows that a 7.34% return every year with no variability and 6.75% growth of the liability, the model moves from 72% funded now up to 100% funded in 10 years. He moves on to varying different scenarios for the TSRS fund. On slide 18 he shows the variability in asset returns, and states that the 50th percentile is the expected outcome, but that the 97.5 percentile is the worst-case scenario. On slide 19 he shows the variability in actuarial liability, which is only inflation. Again, on this slide the 50th percentile being the expected outcome, but the 97.5 percentile being the worst-case scenario. Putting both the previous charts together on slide 20, it shows the range of potential fund status levels. He compares the original chart shown

with no variability being fully funded in 10 years, whereas when volatility is present, it decreases to only 96% funded in that same time.

On slide 23 Callan shows different asset allocations, with the Core US Fixed assets allocated at 25%, with the variability with expected returns on the next slide. He goes through similar charts as previously seen, with the variance of probability of full funding due to the different asset allocation. He summarizes the findings on slide 31, that though the aggressive mixes get more favorable median expectations, the net cost is less favorable downside expectations. Art reminds the board that these models are taking into account that the real estate is reallocating the dollars from JP Morgan into another real estate manager, he also notes that there might be pressure in the future from Mayor and Council to reduce the City contribution rate from 27.5%. Gordie and Kevin both state that if the contribution rate is to change it is a significant change to the models, which would include liquidity issues as well as what the overall economic recession might be.

Board directed Staff to place the 2024 Asset/Liability Study as an action item for the next scheduled meeting.

E) Administrative Discussions

1. JPMorgan Fee Credit Program

Art Cuaron states that upon Board direction, the staff have made the decision to participate in the fee credit program, which over the 18 months that they are offering it, the program will save approximately \$180,000 in fees.

2. Disability Code Updates

Catherine Langford suggests bringing this item back in the September meeting, to which Chairman Mark Rubin agrees.

Discussion held; no action taken.

F) For the Board's Consideration

1. The Rise of Layered Amortization
2. NASRA Disability Incidence

G) Adjournment

**Motion to Adjourn was made by Kevin Larson, 2nd by Elsa Quijada.
Motion passes 6-0.**

Adjourned at 11:03 a.m.

Members Remotely Present:

Mark Rubin, Chairman

Elsa Quijada, Deputy Director of Human Resources - joined the meeting at 9:35 a.m.

Jorge Hernandez, Elected Representative

Kevin Larson, City Manager Appointee

Aaron Williams, Interim Deputy Director Controller

Jim Wyscoki, Retiree Elected Representative

Jeffrey Whiting, Elected Representative - left meeting at 9:18 a.m.

Staff Remotely Present:

Art Cuaron, Treasury & Pension Administrator

Pete Saxton, Pension Manager

Anastacia Sanders, Pension Assistant

Dawn DePorter, Lead Pension Analyst

Angelica Cota, Pension Assistant

Guest Remotely Present:

Catherine Langford, Yoder & Langford

Joe Ebisa, WithIntelligence

Adam Lozinski, Callan

Gordie Weightman, Callan

Craig Chaikin, Callan

Lani Dzicek, Disability Retiree

Dorothy Benjamin, Disability Applicant

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.

Mark Rubin

Date

Art Cuaron

Date

Chairman of the Board

Treasury & Benefits Administrator