

DEFERRED COMPENSATION PLAN
MANAGEMENT BOARD

RULES AND REGULATIONS

CITY OF TUCSON, ARIZONA

Revised March 17, 2022

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CITY OF TUCSON

RULES AND REGULATIONS

OF THE

DEFERRED COMPENSATION PLAN MANAGEMENT BOARD

Amended March 17, 2022

I. BOARD MEMBERSHIP

A. Membership. The Deferred Compensation Plan Management Board (the “Board”) shall consist of the following seven (7) voting members as set forth in Tucson City Code (“TCC”) Section 22-61:

(1) A member to be appointed by the City Manager;

(2) The City's Finance Director;

(3) The City's Human Resources Director;

(4) Two (2) active City employees who are contributing Participants or active account holders in a DC Plan, nominated and elected by the active DC Plan Participants, in a manner determined by the Board; and

(5) Two (2) former City employees who hold accounts in a DC Plan, nominated and elected by the inactive DC Plan Participants who hold accounts, in a manner determined by the Board.

B. Delegations. The City’s Finance Director and the City’s Human Resources Director have the authority to delegate their Board position to a senior level management employee of the City with experience in the applicable area of finance or human resources and who is expected to serve as a long-term voting member of the Board. Any such delegation shall be made to an individual who is expected to serve on the Board on a consistent and ongoing basis, subject to personnel changes, to provide a reasonable level of continuity to the Board. If a Board position is delegated to an individual who terminates from employment with the City, the Director of Finance or the Director of Human Resources, as applicable, shall serve as a Board member on an interim basis until the vacant employment position is filled or the delegation of the Board position is revoked.

C. Acting and Interim Employment. Any individual serving on an “acting” or “interim” basis in a City position that automatically holds a Board position under TCC Section 22-61(a) (Director of Finance, Director of Human Resources, or a delegate of either) shall serve as a voting member of the Board until such time as the

City employment position is filled by the City. An interim or acting Director or delegate shall take all steps necessary to assist in the smooth transition of Board member duties to his or her successor.

D. TCC Section 10A-134. The Board is exempt from the provisions of TCC Sec. 10A-134.

E. Qualifications. The Board member appointed by the City Manager shall be a resident of Pima County and may be a local citizen or an employee of the City, including the Pension and Benefits Administrator (the "Administrator"), as determined by the City Manager in their discretion. The candidates for the City Manager's appointee and the elected employee and former employee positions shall have relevant secondary education or employment experience in the areas of business administration, finance, accounting, human resources, investments, law, procurement, management or retirement administration.

F. Terms of Service. The City Manager's appointee to the Board shall serve at the pleasure of the City Manager and without a specified term, subject to the Board member's ability to resign from the position with ninety (90) days' notice to the Board and the City Manager. Effective with regard to elections held after the enactment of TCC Sec. 22-61(d), the term of office of individual Board members who are nominated and elected by DC Plan Participants shall be four (4) years and such members shall serve no more than two consecutive terms on the Board (non-consecutive terms are permitted), except as set forth in Section II.C. below. If an active employee is elected to the Board and resigns or retires from City employment during their four (4) year term, the Board member may complete their term despite their change in employment status or the Board member may elect to resign the Board position. The Directors of Finance and Human Resources, or their delegates, shall be standing members of the Board and not subject to specified terms.

G. Election of Chairperson. The Board shall elect a Chairperson from among the Board membership, who shall serve as Chairperson for a term of three (3) years, subject to paragraph F above. The Board shall elect a successor Chairperson from time to time as necessary, and it is expected that the Chairperson position shall rotate among Board members.

H. Compensation. The City Manager's appointee to the Board shall serve without compensation. Employees of the City who serve on the Board shall receive no additional compensation for their Board service. No compensation shall be paid by the Board to the Chairperson for the execution of Chairperson duties. All Board members shall be reimbursed for expenses incurred by them in the performance of their Board duties.

I. Vacancies. Should a vacancy occur in any of the elected Board member positions prior to the expiration of the scheduled term, the Board shall appoint a qualified DC Plan participant to complete the unexpired term of the departed trustee. Any Board service completed pursuant to an appointment made in accordance with this paragraph H shall not be considered for purposes of determining whether an individual is term-limited under paragraph G. If the Board

position appointed by the City Manager becomes vacant, the City Manager shall be asked to appoint a new member as soon as reasonably possible.

II. ELECTION OF EMPLOYEE AND FORMER EMPLOYEE BOARD MEMBERS.

A. Solicitation of Nominations. Prior to the expiration of an elected Board member's term of service, the Administrator shall solicit nominations of qualified individuals to participate in the upcoming election for the open employee or former employee Board position. Nominations shall be solicited from all active or former City employees who maintain balances in any of the DC Plans, depending upon which type of Board seat is coming open. The Administrator shall prepare and distribute materials regarding the open Board seat and the upcoming election of a new Board member. The solicitation materials shall include instructions on how to submit a statement of interest or a nomination for the upcoming election, as well as details regarding the qualifications for Board membership.

B. Review and Approval of Nominations. The Administrator shall review all responses and nominations submitted by current and former City employees, and confirm that each potential nominee meets the minimum qualifications to serve on the Board as an elected representative. Beneficiaries and alternate payees are not eligible to be nominated for a former employee Board election. All viable nominees shall be submitted to the Board for its consideration. The Board shall review the nominees submitted by the Administrator and approve or reject each nominee as a potential candidate for the Board position based on the requirements of TCC Sec. 22-61(b) and sections 1(E) and 1(G) of these Rules and Regulations. Following the Board's approval of nominees, the Administrator shall confirm that the nominees are agreeable to participating in the election for the Board seat, will accept the Board position if elected and perform to the best of their ability the duties required of the Board position.

C. Board Appointments. In the event only one candidate applies for nomination and the Board finds that the candidate is qualified, the Board may appoint that person to the Board without an election being held. In the event no candidates apply for nomination, the position is considered vacant and the Board may appoint an active or former City employee, as applicable, who is a qualified DC Plan Participant to the serve on the Board. The individual appointed to a vacant Board seat in accordance with the preceding sentence may be the departing Board member, if the departing Board member consents and regardless of whether the departing Board member has served two (2) consecutive terms on the Board.

D. Preparation and Distribution of Ballots. The Administrator shall prepare a ballot form listing the names of the nominees (along with biographical information submitted by the nominated candidates). The ballot form shall be distributed with instructions to each individual eligible to participate in the Board seat election. If the open Board seat is available to an active City employee, the ballots shall be distributed to all active City employees who are considered active participants in any of the DC Plans. If the open Board seat is available to a former City employee, the ballots shall be distributed to all former City employees, beneficiaries and alternate

payees who hold balances in any of the DC Plans at the time of ballot distribution. An envelope shall be enclosed with each ballot for return to the Administrator. Ballots are to be returned by the deadline specified on the ballot, which shall be approximately 15 calendar days after distribution. Ballots received after the stated deadline will not be counted.

E. Tabulation of Ballots. The Administrator shall form an Election Committee to assist with the tabulation of ballots. The Election Committee shall consist of three members:

(1) The incumbent elected Board member who is not scheduled for re-election in the forthcoming election; and

(2) Two participants in the DC Plans who are not Board members. The non-trustee members of the Election Committee may include the Administrator (assuming the Administrator is not serving as an appointed Board member) and/or Retirement Office staff members.

As expeditiously as possible after the close of the election, the Election Committee shall open and tabulate all valid ballots received and certify the results of the election to the Board. The nominee receiving the highest number of valid votes shall be declared the winner and seated as an elected Board member at the next regular meeting of the Board of Trustees.

F. Recusals. Any sitting Board member who is a nominee or candidate in an election for an upcoming Board term shall recuse themselves from any Board discussion or vote pertaining to the election in which they are a participant.

G. Administration of Election. The Administrator shall oversee the nomination and election process described herein and shall set a schedule designed to complete the election process prior to the expiration of the term of the incumbent Board member. In the event that an election results in a tie vote, such tie shall be resolved by the two nominees drawing lots. All ballots returned to the Board shall be retained for thirty (30) days after the new Board member is sworn in. Any ballots returned to the Board due to insufficient address shall be deemed invalid. Upon expiration of the thirty (30) day period, all ballots shall be destroyed by the Administrator.

III. BOARD OFFICERS.

A. Chairperson. The Chairperson shall preside at all meetings of the Board. In the event of the absence of the Chairperson or if the Chairperson is impacted by a conflict of interest, the longest-tenured elected Board member present at the meeting shall perform the Chairperson's duties. In the absence of both, the Board members shall appoint a chair for the current meeting. The Chairperson shall vote on all matters.

B. Chairperson Duties. The Chairperson shall, subject to these rules and further instructions from the Board, direct the official business of the Board, decide all

points of procedure, supervise the work of the Administrator, request necessary help, direct the work of staff to fulfill Board requests and exercise general disciplinary power over the Board. The Chairperson shall report on all official transactions that have not otherwise come to the attention of the Board and shall exercise such other duties as are commonly exercised by a chair. In the event that the Administrator is appointed to the Board and elected to serve as Chairperson, the duty to supervise the Administrator shall be fulfilled by the longest-tenured elected Board member while the Administrator is serving as the Chairperson of the Board.

C. Secretary. The Administrator shall serve as the Secretary of the Board. The Secretary may delegate administrative tasks associated with administration of Board matters, such as the taking of minutes and the administration of elections, to staff members of the City's Retirement Office.

IV. BOARD MEETINGS

A. Board Calendar. The Administrator, as Secretary of the Board, shall prepare an annual calendar of Board meetings for review and approval by the Board. Meetings typically shall be held at 9:00 a.m. on the second Thursday of the second month in each calendar quarter. The Administrator may modify the Board meeting schedule when necessary to accommodate legal holidays and scheduling conflicts, with the consent of the Board Chair. Also with the consent of the Chairperson, the Administrator may cancel a regularly scheduled meeting if the Board does not have pressing business that must be addressed at the time of the scheduled meeting. In the event that the Administrator also serves as a Board member and the Chairperson, any consent of the Chairperson required pursuant to this paragraph A shall be waived and the consent of three (3) of the four (4) elected Board members shall be required in place of the consent of the Chairperson.

B. Special Meetings. Special meetings may be called by the Chairperson or by four Board members, for any purpose related to the DC Plans. Notice of special meetings shall be given to the Board members not less than 24 hours prior to the scheduled special meeting, except when sooner required by urgency. Call of a special meeting at any regular meeting shall be notice thereof as to members in attendance.

C. Board Meeting Agendas. The Chairperson shall direct the Secretary to prepare and distribute an agenda for each regular meeting, in accordance with the requirements of the Arizona Open Meeting Law. The agenda shall list any standard matters of business in the following order, subject to the Administrator's discretion to modify the agenda format to conduct an efficient meeting:

- (1) Call to order.
- (2) Consent agenda – routine and procedural matters to be approved without discussion (subject to modification by the Board when discussion is requested).
- (3) Service provider reports.

- (4) Administrative discussions.
- (5) Old business – matters pending action or further report.
- (6) New business – new business matters.
- (7) Call to the audience.
- (8) Adjournment.

D. Quorum. A quorum of the Board shall consist of four (4) members. Individuals serving on the Board pursuant to Section I.B. (Delegation) or Section I.C. (Acting and Interim Employment) shall be counted for purposes of establishing a quorum.

E. Meetings Open to Public. Meetings shall be open to the public and held in the City limits at a public place. In the event that meetings are held virtually, public access information shall be included on the agenda pursuant to the policies of the City Clerk.

F. Robert's Rules of Order. Robert's Rules of Order shall be followed where applicable, where not in conflict with Board rules, or the City Code, or City resolutions.

G. Meeting Minutes. In their role as Secretary, the Administrator shall keep minutes of all official meetings of the Board. Minutes shall be maintained as public records of the Board in accordance with the Arizona Revised Statutes. To promote operational efficiency of the Retirement Office and to control administrative costs, minutes of Board meetings may be maintained electronically, through the City Clerk's website. Summary minutes of Board meetings shall include specific notation of agenda items, Board actions and cross-references to the audio recording of the full Board meeting. Summary transcriptions of the minutes of Board meetings shall be similar in form to Legal Action Reports filed with the City Clerk. The Board may, in its discretion and if deemed appropriate for the efficient administration of the DC Plans, request that the minutes of a Board meeting, or a portion thereof, be transcribed in detail in lieu of a summary report.

H. Voting. A motion that has been made and seconded shall be carried by a majority vote of the members present, provided that a quorum has been established. Motions shall be determined by voice vote at in-person meetings. If a meeting is held virtually or telephonically, motions shall be determined by roll call voting. The Chairperson shall vote on all motions, absent a conflict of interest or other disqualifying circumstance. Individuals serving on the Board pursuant to Section I.B. (Delegation) or Section I.C. (Acting and Interim Employment) shall be eligible to vote on all Board matters.

I. Publicity. Publicity releases relating to Board meetings, Board actions or Board policy shall be cleared with the Chairperson of the Board.

V. POWERS AND DUTIES OF THE BOARD

The powers and duties of the Board are those established in Article 22, Chapter III.A of the Tucson City Code, the governing plan documents for the Internal Revenue Code (the “Code”) Section 457(b) and Section 401(a) retirement plans maintained by the City (the “DC Plans”) and these rules. Specifically, the Board has the following powers and duties with regard to the DC Plans, which may be delegated to or shared with the Administrator, staff of the City’s Retirement Office or the service providers engaged to work with the DC Plans, as determined by the Board in its discretion:

A. General Powers. The Board shall have the power and discretion to perform the administrative duties, investment management and financial oversight described in the governing plan documents for the DC Plans. Without limiting the generality of the foregoing, the Board shall have the power and discretion to construe and interpret the governing documents for the DC Plans and to decide all questions and disputes arising under the Plans. The Board shall determine, in the exercise of its discretion, the eligibility of employees to participate in the DC Plans, the service credited to the employees, the status and rights of a participant, and the identity of the beneficiary or beneficiaries entitled to receive any benefits payable on account of the death of a participant.

B. Benefit Payments. The Board shall determine, subject to the terms of the DC Plans, the manner and time of payment of benefits thereunder.

C. Plan Amendments. The Board shall have the power and discretion to approve discretionary, compliance and administrative amendments to the Plan documents, provided, however, that any DC Plan amendment that addresses employer contributions or results in a material cost increase to the City must be approved by the Mayor and City Council. Any amendment approved by the Board must also be reviewed and approved by legal counsel for the City before it is adopted. The Chairperson of the Board shall execute all Board approved DC Plan amendments.

D. Correction of Errors. The Board shall oversee the correction of errors occurring in the administration of the DC Plans and shall ensure that errors are corrected in a manner designed to preserve the tax-qualified or tax-deferred status of the DC Plans.

E. Service Providers and Legal Counsel. The Board shall engage service providers including recordkeepers, third party administrators, investment consultants and investment managers to provide services related to the DC Plans and shall monitor the performance of such service providers. When necessary or appropriate, the Board shall terminate and replace a service provider. The City Attorney’s Office or its designated representative shall serve as legal counsel with regard to the DC Plans.

F. DC Plan Investments. The Board shall oversee the investment consultant’s provision of participant education, and shall monitor, select and replace

investment alternatives made available to DC Plan participants, with the advice and counsel of the investment consultant. The Board shall develop and maintain one or more Investment Policy Statement(s) governing the selection of investment options and default investments for the DC Plans. The Investment Policy Statements shall be reviewed and updated as necessary, and no less frequently than every five (5) years. The Investment Policy Statement(s) shall guide the Board's monitoring and oversight of the investment options made available to the DC Plan participants.

G. Participant Communications. The Board shall cause the DC Plan service providers and the Administrator to provide all necessary and appropriate communications to the DC Plan participants and beneficiaries, including but not limited to benefit statements, notices of DC Plan design changes and notices of investment modifications.

H. Resolve Disputes. The Board shall hear and resolve disputes or claims lodged by employees, participants and beneficiaries regarding the DC Plans. The Board's determination of a claim, following a thorough review of the facts and information presented by the claimant, shall be final and binding. If the Board develops a detailed claim procedure for the DC Plans, all claimants shall be required to comply with the claim procedure.

I. Exercise of Discretion. All powers and duties conferred on the Board shall be exercised or performed by the Board in the exercise of its discretion regardless of whether a DC Plan document provision conferring such power or imposing such duty specifically refers to the Board's discretion.

J. Payment of Plan Expenses. Expenses of the DC Plans, to the extent that the City has not obligated itself to the payment of an expense, may be paid out of the assets of the DC Plans. Expenses that may be paid by the DC Plans shall include any expenses incurred by the Board in the exercise of their duties under the DC Plans, including, but not limited to, expenses for recordkeeping and other administrative services; accounting and legal expenses; fees and expenses of the custodian; expenses for investment education and investment management services; and direct costs that the City incurs with respect to the DC Plans. All Plan expenses payments shall be authorized and directed only from the trust fund of the DC Plan for which the expense is incurred.

VI. CONFLICTS OF INTEREST AND ETHICS.

All Board members shall comply with the following:

A. Individual Board members are fiduciaries and trustees. As such, Board members will at all times act in the best interest of the DC Plan Participants and beneficiaries, consistent with the Board member's fiduciary duty, and take positive steps to prohibit breaches of duty through negligence or intentional action.

B. Board members will never act where the Board or the individual member has determined that a conflict of interest exists. A conflict of interest is understood to be a situation where a relationship exists that could reasonably be expected to diminish independence of judgment in performance of official responsibilities as a Board member.

C. Board members may not participate in decisions which might result in significant personal economic advantage.

D. Neither an ex-officio member nor an appointed member who also is employed by the City shall not use their position with the City to influence Board decisions in which the City has a material financial interest, or where they have a duty or responsibility that may give the appearance of a conflict of interest.

E. Board members will take positive steps to prohibit unauthorized communications with and from individuals seeking to influence the Board or who may receive personal benefit or gain as a result of Board actions.

F. To avoid the appearance of undue influence, Board members will refrain from communications with staff, outside of a Board meeting, wherein the Board member advocates for or directs a specified action, decision or course of conduct regarding any existing or prospective DC Plan transaction or service contract. The foregoing is not intended to place limitations on a Board member's ability to work with staff on routine Board matters or to request public information.

G. If the Administrator serves as a member of the Board, the Administrator shall take all steps necessary to avoid actual and perceived conflicts of interest and shall, when appropriate, recuse themselves from Board decisions.

H. Board members will not seek nor accept any compensation or political contributions that would violate Arizona or City law.

I. Board members shall not solicit or accept any gift, service, favor anything of value, or any compensation for any service rendered in connection with that individual's Board duties and responsibilities. Board members shall not accept or solicit, directly or indirectly, anything of economic value such as a gift, gratuity, favor, entertainment or loan that may appear to be designed to influence the Board member. This provision does not prohibit acceptance of minor promotional items such as calendars and pens; food and refreshments delivered as a gift to the work

place for consumption on the premises by all employees at the work place; and business meals paid for by vendors or consultants in the normal course of business.

J. Each Board member shall have the authority to call an actual or perceived conflict to the attention of the Board for discussion and consideration. Similarly, any Board member shall have the authority to ask whether any Board member has a conflict to disclose prior to discussion or action on any Board item.

K. Any Board member who is affected by an actual conflict of interest must (i) inform the Board of the conflict and (ii) refrain from voting upon or otherwise participating in the Board decision or action.

L. All Board members and the Administrator shall comply with the City of Tucson Code of Ethics adopted August 6, 2013 by Ordinance No. 11102.