

TUCSON SUPPLEMENTAL RETIREMENT SYSTEM BOARD OF TRUSTEES

Regular Meeting Minutes

PLACE: Tucson Fire Department Central Headquarters
300 S Fire Central Pl. Room 121 Tucson, AZ 85701

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 which will be open to the public:

Thursday, October 23rd, 2025, at 8:30 A.M.

This meeting can be accessed from your computer, table, or smartphone by clicking on the link below.

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A. Call to Order

Chairperson Mark Rubin called the meeting to order at 8:32 a.m.

B. Consent Agenda (5 min)

1. Approval of September 25, 2025, Regular Minutes
2. Approval of October 2025 Ratification Report
3. September 2025 Budget to Actuals Report

It was moved by John O'Hare, seconded by Dave Samer and passed by a roll call vote of 7 to 0, to approve the Consent Agenda.

C. Economic Update, Market Review and Portfolio Review (60 min)

Trevor Gurwich – Senior Portfolio Manager – American Century

Jim Shore, CFA – Senior Client Portfolio Manager – American Century

Angie Senderson – Relationship Manager – American Century

American Century reports healthy overall performance, with over \$3.4B in assets and positive year-to-date net flows. The firm continues expanding its capabilities across asset classes, including recent fixed-income ETF launches and growth of the Avantis platform. Macroeconomically, the investment teams expect two additional U.S. rate cuts and note that Europe has already cut rates multiple times, creating a broadly supportive backdrop—especially for equities. Their outlook calls for moderating (but not recessionary) U.S. growth, offset by improving monetary conditions and global stimulus, particularly in Europe and China.

Tariff and policy uncertainty persists, but management teams signal that the impact has eased somewhat. Effects vary by chains or small-cap businesses benefit from local-for-local models, diversify supply chains, or pass on costs through pricing. Small caps are viewed favorably due to their sensitivity to falling rates, local business models, and greater agility. Declining rates reduce financing costs, lift consumer sentiment, and improve valuations through lower discount rates.

International small caps have recently faced multi-year headwinds as rising rates favored value and large-cap names, but the team expects a reversal. They highlight strong bottom-up earnings drivers, attractive valuations (now at a discount to large caps), and broad global earnings acceleration forecast for 2025–26. The strategy's long-term process focuses on identifying companies with fundamental inflection points and earnings revisions. Despite geopolitical noise, the team emphasizes bottom-up analysis, historically strong alpha generation, and a belief that small caps are positioned for renewed outperformance as rate and growth dynamics improve.

D. Investment Portfolio Review (45 min)

Corey Bronner, CFA – Deputy CIO - Champlain
Margaret O'Brien – Client Services - Champlain

Margaret O'Brien discussed the make-up and longevity of investment professionals working for the firm.

Corey Bronner explained Champlain's investment goals and how the firm works toward them through risk management, buying discounted stocks, and selling them when they become overvalued. The portfolio construction consists of between 50 and 75 holdings, with no more than 25% of the portfolio's value in any one sector. The portfolio's performance has been heavily affected by sectors that Champlain purposely avoids investing in because they belong to highly cyclical markets.

Mr. Bronner explained that though the numbers show 10 years of underperformance, that underperformance is concentrated within the last 3 years when Champlain's investment strategy has been out of favor in the market. The portfolio is in a position to outperform when the market corrects because the quality of the portfolio is the highest it has ever been.

Teri J. Traaen departed at 10:44AM

Mark Rubin departed at 10:45AM

Teri J. Traaen returned at 10:53AM

Mark Rubin returned at 10:54AM

E. Actuarial Valuation Report for June 30, 2025

Dana Woolfrey - GRS (1 hour)

1. June 30, 2025, TSRS Draft Valuation Report
2. Discussion of Glide Path
3. Recommended Contribution Rates for 2027 Plan Year
4. Review of TSRS Funding Projections
5. Acceptance of 06/30/25 Draft Valuation Report; Adoption of FY27 Contribution Rates
6. Review of Funding Policy with Potential Alternative

Dana Woolfrey explained that TSRS had a great year. The factor causing the most volatility in the actuarial valuation is investment returns. In FY 2025 TSRS had an investment return of 12.5%, well above the assumed 6.75%. Other factors contributing to the changes in the

valuation are an increase in active participants, decreased administrative expenses, and City contributions of 27.5%. As of June 30, 2025, plan liabilities were down, and \$8M net gain in assets, and the funded ratio was up. The funding trajectory of the plan was also improved with anticipation of reaching full funding in 2033. Based on the Board's funding policy, Ms. Woolfrey recommended employee contribution rates of 7.75% for Tier I variable members and 6.00% for Tier II variable members, and an employer contribution rate of 18.68% in accordance with the City Code and Plan Funding Policy. The funded ratio as of June 30, 2025, is 78.97% based on the actuarial value of assets.

Angele Ozoemelum departed at 11:25AM

Angele Ozoemelum returned at 11:28AM

It was moved by Tarlton Ferrin, seconded by Teri Traaen and passed by a roll call vote of 7 to 0 to adopt the recommended FY27 employee contribution rates, based on the TSRS Funding Policy, for recommendation to Mayor and Council.

Ms. Woolfrey recommended adopting proposed changes to the Plan Funding Policy soon instead of waiting until the Plan reaches full funding.

Catherine Langford reminded the Board that its ultimate responsibility was to ensure the 18.68% required employer contribution rate is funded by the City. Contributions exceeding that rate are helpful and should be encouraged, but it is beyond the parameters of the Board to recommend how the city does it.

Ms. Woolfrey recommended making a recommendation of an employer contribution rate lower than the current 27.5% but higher than the required 18.68% to provide the City with some relief as more difficult financial times are expected.

Teri J. Traaen departed at 11:57AM

Ms. Langford clarified that the goal of the Plan Funding Policy has always been to reach full funding and incorporate the rounding policy for the contribution rates recommended to Mayor and Council. Language in the policy has been changed to remove the recommendation of an employer contribution of at least 27.5%. The second change to the Policy acknowledges the difference between the contribution rates required by the City Code and the contribution rates recommended to Mayor and Council by the Board. The language has also been updated to include the language of how the actuary will calculate the recommended employer contribution rate to decrease from 27.5% incrementally over time as the Plan approaches full funding. The Policy has also been updated to address a potential COLA for retirees should the plan reach a point where funding allows for it.

It was moved by Tarlton Ferrin, seconded by Angele Ozoemelum and passed by a roll call vote of 6 to 0, to adopt the TSRS Funding Policy effective November 1, 2025 (Teri Traaen absent).

F. Fiduciary Responsibility

Catherine Langford – Yoder & Langford (45 minutes)

Teri J. Traaen returned at 1:18PM

Catherine Langford provided the Board's annual fiduciary training. As the fiduciary, the Board oversees, manages, and administers the trust; they do not have the authority to change it. This is why the Board makes recommendations to Mayor and Council to make changes to the Plan. Fiduciaries must act as an experienced or knowledgeable expert might act. Part of the fiduciary duty is to educate yourself. The Board's actions are governed by the Tucson City Code, Arizona State Law, Arizona Constitution, Arizona Common Law, Internal Revenue Code, and TSRS Board rules and governance policies. Fiduciary duties arise for the Board in the areas of system governance, investment

selection and monitoring, actuarial management, administrative oversight, and communications to membership. The duty of prudence requires prudent process, not positive results, and the process must be documented. Prudent process requires education as fiduciaries are assumed to be experts. The Board also owes a duty of loyalty to TSRS members and beneficiaries in accordance with Tucson City Code Section 22-32. The Arizona Constitution protects public pension plans and gives them elevated rights by creating a rule that a public employee's interest in his retirement pension is a contraction right that vests at the beginning of employment.

Teri J. Traaen departed at 1:29 PM

G. Investment Portfolio Education

1. Asset Allocations and Performance Monitoring for Pension Plans

Craig Chaikin explained that the Plan was significantly underweight in real estate investments due to the transition from J.P. Morgan Strategic Property and Income and Growth funds to Harrison Street and the Principal. American Century's poor performance can be explained by the current market environment. Callan would be more concerned if American Century were making changes in their office and staff, but recommends the Board gives them more time to recover now that their investment strategy has come back into favor. Overall, the fund is slightly below the benchmark in terms of performance, but at 8.31% outperformed the Plan's assumed rate of return of 6.75%.

Mr. Chaikin provided training on asset allocations and performance monitoring. Asset allocation is the primary determinant of investment return and portfolio volatility. An asset allocation review should be conducted annually. Modern Portfolio assumes investors are risk averse and expect to be compensated accordingly for risk. Diversification occurs when asset classes have different return cycles. Overall risk can be reduced through diversification. Asset allocation policies vary widely by plan type. Long-term investors typically allocate more of the portfolio to growth assets such as public and private equity. According to asset allocation modeling prepared by Callan, the likelihood of TSRS incurring a negative total return over the next five- and ten-year periods is low. Liabilities are promised obligations, so it is important not to look at assets in isolation. The goal of an asset-liability study is to establish a long-term strategic asset allocation target, so it is important to evaluate the interaction of the investment, funding, and benefits policies to determine an appropriate investment policy for the Plan. Callan runs an asset liability study for the Plan every few years.

Mr. Chaikin told the Board that performance monitoring is one of the Board's most important fiduciary duties. Callan prepares monthly and quarterly documents for the Board to monitor performance. The evaluation is comparing the performance to relevant metrics and putting it into context. Benchmarks are the industry standard for evaluating investment manager performance. Managers should be able to explain how they are monitoring their own performance against benchmarks. Callan also prepares an actual vs. policy asset allocation review as well as an asset allocation peer comparison for the Board's review. Callan also provides attribution allocations to highlight the effects of asset allocation and investment manager selection on the Plan's rate of return. A total fund evaluation evaluates the performance of the total fund from a long-term perspective and relative to the goals set out for the total fund.

Mark Rubin departed at 2:59 PM

Mark Rubin returned at 3:07PM

H. Administrative Discussions (30 min)

1. FY 2024 ACFR Award
2. Review of TSRS organizational structure, role of Board, staff and consultants
3. Current Board term review

Tarlton Ferrin departed at 3:41PM

Lisa Lopez advised the Board that TSRS had been awarded the GFOA Certificate of Achievement for Excellence in Financial Reporting for the FY 2024 ACFR.

I. Call to Audience

J. Future Agenda Items

Review of TSRS Organizational structure, role of Board, staff and consultants
Current Board Term Review

K. Adjournment

It was moved by Angele Ozoemelam, seconded by Dave Samer and passed by a roll call vote of 5 to 0, to adjourn (Teri Traaen and Tarlton Ferrin Absent).

Adjourned at 3:50PM

Members Present:

Mark Rubin, Chairman
Angele Ozoemelam, Director of Business Services
Teri J. Traaen, Ed.D., D.P.A., Director of Human Resources (Remote, TEAMS)
Dave Samer, City Manager Appointee
Tarlton Ferrin, Active Member Representative
Kimberly Swanberg, Active Member Representative
John O'Hare, Retiree Elected Representative

Staff Present:

Lisa Lopez, Interim Pension & Banking Administrator
Dawn DePorter, Interim Pension Manager
Anastacia Sanders, Pension Assistant

Guest Present:

Catherine Langford, Yoder & Langford
Craig Chaikin, Callan
Dana Woolfrey, GRS
Carol Clark, Retiree
Trevor Gurwich – American Century
Jim Shore, CFA – American Century
Angie Senderson – American Century
Corey Bronner, CFA – Champlain
Margaret O'Brien – Champlain

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.