



TUCSON SUPPLEMENTAL RETIREMENT SYSTEM BOARD OF TRUSTEES 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 which will be open to the public:

Thursday, February 26, 2026, at 8:30 A.M.

Doors will open to the public at 8:15 am at 255 W Alameda, 8th floor east conference room.

or

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

NOTE: one or more members of Tucson Supplemental Retirement System may participate by telephonic, video or online communications.

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

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TUCSON SUPPLEMENTAL RETIREMENT SYSTEM BOARD OF TRUSTEES
Thursday, February 26, 2026, at 8:30 A.M.

A) Call to Order

Chairman Mark Rubin called the meeting to order at 8:30 a.m.

B) Consent Agenda Approval of:

1. February 2026 Ratification Report
2. Budget vs. Actuals
3. Minutes regular meeting January 22, 2026

It was moved by John O'Hare, seconded by Dave Samer, and passed by a roll call vote of 6 to 0, to approve the consent agenda. Teri Traaen absent.

C) Champlain Investment Partners

1. Portfolio Review 4Q 2025
2. Champlain Terminations

Judy O'Connell explained that the investment process is their most valuable player and focuses on three goals: first to make money, second to manage risk, and third to be consistent. It is that third goal that has caused their process to go out of favor. In 2022 Champlain developed a co-deputy CIO role. In hindsight that model was not as effective as it could have been and in the fourth quarter went back to a single deputy CIO role, eliminating Cory Bronner's position as part of that. They also decided to streamline the organization after substantial investment in their enterprise data platform over the last four years to create more efficiency within the organization.

Scott Brayman told the Board that reviewing the portfolio would show that they own exceptional quality companies that are operating efficiently and growing fast. In a weaker period of the economy their earnings will hold up.

Ms. O'Connell advised that they entered a revenue share in 2015, at that time the assets under management were around \$6B, to address the issue of several partners getting ready to retire. They had a decline in assets under management and a revenue share roll off which affected net income. They are a conservative organization with no debt. In many cases, when assets have declined that has been the result of reallocation. They believe that when small cap investments and their process come back into favor those assets will be reallocated back.

Mr. Brayman said that the stimulus spending has kept Champlain's process out of favor because they will not outperform in markets where consumer discretionary spending is higher. Large corporations continue to buy their companies and provide affirmation of their valuation work. Their discount to fair value is very high now. While they do not need a recession, they would outperform in one. Much of the current deficit is process-related but they have made changes to staff and execution for improvement, but they will recover as they have not changed their process.

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Craig Chaikin asked for clarification of the process not working and how that relates to the removal of Mr. Bronner, as well as what kind of safeguards have been put in place to prevent such issues going forward.

Mr. Brayman answered the execution of the process was what had been changed. Mr. Bronner was too patient with companies that were struggling or out of favor and held them too long. He also held companies that did well too long rather than selling when he should have. This is why the firm decided to terminate him when they decided to return to a strategy that would protect capital. The process is fine; they cannot undermine the process. Mr. Brayman accepted accountability for giving Mr. Bronner too much leeway to avoid undermining his morale and confidence.

Ms. O'Connell stated over time patterns showed that the investment process was out of favor, but a deep dive showed execution could have been better, especially in sectors where Mr. Bronner was responsible.

Mr. Brayman said the firm encourages debate and for leaders to worry about the portfolio, not just their sectors. They would never have noticed the issues caused by Mr. Brayman in a market where the process is in favor. He stressed that time would fix all the current issues experienced by Champlain.

John O'Hare advised that in his experience on the Board, the mistake the Board tends to make is to act later than they should when it comes to underperforming managers.

Mr. Chaikin explained that the bigger concern is what appears to be a process issue and the team dynamics. It is also a red flag that Mr. Brayman says they would not have had issues if their process was in favor. This is problematic because one of their core tenants is protection of capital. The lack of investment oversight in the team is also concerning.

Chairman Mark Rubin asked if Callan recommended a manager utilizing the same strategy should the Board decide to replace Champlain.

Mr. Chaikin answered yes, and they would suggest looking for a replacement in the same allocation place. It is the Board's decision whether to replace Champlain, but he felt less confident in them after their presentation.

Kimberly Swanberg expressed concerns about Champlain's lackluster performance.

Tarlton Ferrin expressed concern over the poor performance and the structural reorganization occurring at the same time. While he shares a lot of the concerns already expressed, he also worries about replacing them too soon. They were not

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convincing when speaking to the Board, and while they kept referring to the process, but the process does not work without oversight.

Angele expressed frustration at the blame placed on the terminated employee and the lack of information on the path forward. The amount of time it took to realize and correct the stated issue implies a lack of oversight by management and she advised caution should the Board decide to continue with Champlain.

Dave Samer advised that the Board should consider managers to replace Champlain.

The Board directed Callan to bring options to replace Champlain to the meeting scheduled for May 28, 2026.

D) Investment Performance Review – Callan

1. Q4 Market Update
2. Performance Review December 31, 2025
3. Asset Allocation Update
4. Fee Analysis

Gwen Lohman provided a market update. The unemployment rate declined to 4.4%. U.S. real DDP came in at 1.4% for the fourth quarter. Inflation was 2.7%. The Federal Reserve (Fed) approved a 25-basis point cut to the Fed Funds Rate at each of its meetings in September, October, and December. The new 3.5% to 3.75% target range is the lowest in three years, as officials anticipate a sharper slowdown in hiring. The biggest theme in the market was that non-U.S. equities outperformed U.S. equities by the widest margin in the last 15 years. The S&P 500 Index rose 2.7% in the fourth quarter, supported by a strong earning season and continued enthusiasm around artificial intelligence. All S&P sectors posed gains except Real Estate and Utilities. Large cap indices outperformed small cap indices slightly. Value outperformed growth across the market cap spectrum for the quarter. Market leadership has begun to broaden beyond the hyper-scalers; for example, only two of the Magnificent Seven stocks outperformed the S&P 500 Index in 2025. Lower-quality stocks including unprofitable companies outperformed in 2025. Most small-cap active managers were underweight non-earners, resulting in significant relative underperformance. There was positive performance in Fixed Income due to the Fed cutting rates. Real Estate shows signs of being in the early stages of recovery, however, office and hotel experienced negative appreciation.

Craig Chaikin provided a performance review for the fourth quarter of 2025. The Fund's total assets are \$1.1B. Target allocation to real estate is 12% and the Plan is at 11% which is reasonable as staff tries to balance the funding of Principle and Harrison Street coincides with divesting from J.P. Morgan. The Plan is slightly underweight in fixed income relative to target but everything is still within investment guidelines. This can also be explained by the fact that the Plan has

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seen greater performance from equity than fixed income. Staff do a good job of pulling funds for benefit payments to keep asset allocations within the approved ranges. The Fund had a return of 2.89% in the fourth quarter and 16.48% in the last year, outperforming the benchmark. The portfolio outperformed, net of fees by about 40 basis points. T. Rowe Price has been performing right at or slightly below benchmark, though there are no significant concerns on that front. When Callan reached out to T. Rowe Price for clarification on the requested changes to their investment guidelines an involved discussion developed and Callan did not have finalized information in time for the Board meeting. Ultimately, they are requesting the ability to hold 10% more than what is in the benchmark. American Century has shown a sharp recovery over the last year, and Causeway has continued to have good performance due to underlying selection. FIAM has had an improved fourth quarter because they hold some of the lower quality companies that outperformed. Active management has added value to the Fund consistently over time. The Fund is also performing very well relative to peers.

Mr. Chaikin provided a summary of Callan's market assumptions for the next 10 years. There are not a lot of changes in their assumptions between 2025 and 2026. Return assumptions and risk assumptions were adjusted slightly. Because expected returns haven't changed the projected outcomes for the current asset allocation did not change. The probability of the Plan reaching its expected return of 6.75% is above 50%. A projection for expected returns if the Board invested and additional 5, 10, or 15 percent in fixed income was also provided. Callan is comfortable with the current allocations, and the projections have only been provided in response to discussion held in January.

Ms. Lohmann summarized the management fee study Callan performed at the Board's direction. Alliance, BlackRock, J.P. Morgan, Harrison Street, and Principal all charge more than the peer group median but are still within their peer group range. Chaplain's fees are higher than the 10th percentile range. PIMCO charges higher fees that are outside their peer group range, but performance shows the Board is getting what they pay for from PIMCO. All the management fees are tiered so as the asset value increases the fees will decrease. Using a weighted average, the total fees for the plan are 50 basis points compared to the peer group medium of 59 basis points which comes out to about \$900 thousand. When Callan reached out to the managers for this information Black Rock proposed reduced fees for both funds in the Trust. For the Russell 1000 Value Index they proposed decreasing the fee from 4 basis points to 3.5 basis points, and for the U.S. Debt Index they proposed a decrease from 5.5 basis points to 3 basis points.

- E) Administrative Discussions
1. Candidate Approval
 - i Silvia Amparano
 - ii Salvador Servin
 - iii Scott Espinoza

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- iv Kimberly Swanberg
- v Teresa Nowak

Lisa Lopez advised that the Board was provided with the rules and regulations regarding the nominations and candidate approval. The letters of interest submitted for the active employee representative have also been provided.

Kimberly Swanberg stated she was one of the candidates and would recuse herself from discussion of the candidates and voting.

Chairman Mark Rubin asked if any Board members were aware of any reasons any of the nominees should not be on the election ballot.

Angele Ozoemelum stated she did not have issue with any of the nominees but wondered whether staff without a financial background should be considered.

Catherine Langford advised that the Board has discussed candidate qualifications in the past. Currently the only required qualification is to be an actively contributing member. It does not require any specialized or specific background. It is important that the Board respects the parameters in the City Code and the Board Rules. In the past there have been Board members with no financial background and while those members have had a steeper learning curve, they ultimately became valuable Board members. From her perspective all the nominees meet the qualifications.

It was moved by Angele Ozoemelum, seconded by Tarlton Ferrin, and passed by a roll call vote of 4 to 0, to approve the candidates for the elected employee representative seat on the Board. Kimberly Swanberg recused, Teri Traaen and John O'Hare Absent.

F) Future Agenda Items

**T. Rowe Price Guidelines
BlackRock Fee Reduction
Alternatives to Champlain
Mayor and Council Climate Action Plan**

G) Adjournment

It was moved by Angele Ozoemelum, seconded by Tarlton Ferrin, and passed by a roll call vote of 5 to 0, to adjourn. Teri Traaen and John O'Hare absent.

Meeting Adjourned at 10:30 a.m.

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Members Present:

Mark Rubin, Chairman
Dave Samer, City Manager Appointee
Angele Ozoemelum, Director of Business Services
Tarlton Ferrin, Active Member Representative
Kimberly Swanberg, Active Member Representative
John O'Hare, Retiree Representative (left at 9:45 a.m.)

Members Absent:

Teri Traaen, Director of Human Resources

Staff Present:

Lisa Lopez, Interim Pension and Banking Administrator
Dawn DePorter, Interim Pension Manager

Guests Present:

Catherine Landford, Yoder & Langford
Craig Chaikin, Callan
Gwen Lohmann, Callan
Gar Chung, FIN-News
Ronan O'Brien, Champlain
Margaret O'Brien, Champlain
Judy O'Connell, Champlain
Scott Brayman, Champlain