

## DEFERRED COMPENSATION PLAN MANAGEMENT BOARD Meeting Minutes

Pursuant to A.R.S. § 38-431.02, notice is hereby given to the members of the Deferred Compensation Board and to the general public that the Deferred Compensation Board will hold the following meeting which will be open to the public.

**Thursday, February 12, 2026, at 9:00 A.M.**

This meeting can be attended in person at City Hall 255 W Alameda St on the 3<sup>rd</sup> floor East conference room. Alternatively, this meeting can be accessed from your computer, tablet, or smartphone by clicking on the link below.

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1) Call to Order

**Chairman Dennis Woodrich called the meeting to order at 9:00 a.m.**

2) Consent Agenda:

a) Approval of minutes from November 13, 2025

**It was moved by Jobe Dickinson, seconded by Jason Winsky, and passed by a roll call vote of 5 to 0, to approve the minutes from November 13, 2025. Tari Traaen and Angele Ozoemelum absent.**

b) Approval of minutes from November 17, 2025

**It was moved by Jason Winsky, seconded by Lisa Lopez, and passed by a roll call vote of 5 to 0, to approve the minutes from November 17, 2025. Tari Traaen and Angele Ozoemelum absent.**

3) Innovest Q4 Report (Troy Jensen and Rick Rodgers - Innovest)

a) Continuing Innovest Services

**Rick Rodgers introduced himself to the Board.**

**Troy Jensen explained the dangers of starting to run the plan with the goal of increasing the dollars in the plan rather than running the plan in the best interest of participants and how these dangers increase as larger companies buy up and combine smaller companies. The purpose of independent advisory firms is to provide advice to fiduciaries as a third party that does not profit from the investments they are advising on. Employee ownership is a significant part of how Innovest performs and has become a challenge as partners begin to approach retirement age. The firm has chosen to meet this challenge by bringing on a family office client as a minority owner which will allow Innovest to continue to provide the same service they have been providing to their clients. The consent that Innovest has requested from the Board is just a way to document that their clients have acknowledged the change in ownership, not agreeing to any changes in service.**

**Lisa Lopez advised the Board that they would probably have to renew for another year with Innovest when the contract expires in June because that year to is needed to perform an RFP.**

**Rolf Averill confirmed that even with a change in ownership Innovest was still required to abide by the contract currently in place.**

**Troy clarified that the SEC requires notification of changes in ownership of more than 25% but Innovest chose to seek client consent as a good practice. With a 40% stake the new owner would belong to high level boards but would not be involved in the day-to-day operations.**

**The Board requested an executive session with the board attorney present to further discuss this matter.**

**b) Q4 Portfolio Review**

**Rick Rodgers provided a portfolio review for the fourth quarter of 2025. Tariffs and trade negotiations waned in the second half of the year. Equities across geographies demonstrated strong returns for the calendar year. In aggregate, actual company earnings came in above expectations throughout the year, which helped to propel U.S. equity returns. A decline in the U.S. Dollar boosted international and emerging market stock returns for U. S. Investors. Federal Interest rate cuts and an overall downward shift in the yield curve fueled strong fixed income returns. Reviewing the manager's scorecard, T. Rowe Price is very concentrated in technology with more than 50% in tech. They have been flagged due to trailing 3- and 5-year returns, though their performance has improved. Innovest recommends continued patience with T. Rowe Price with continued monitoring. JP Morgan had a staffing change at the co-manager level which is why they have been flagged though it is not a major concern. The Invesco Developing Markets Fund has been flagged for several concerns. They have lost more than 50% of their assets over the last twelve months. The losses are explained by various political events in Russia, China, as well as poorly performing investments in Mexico. The firm has also had significant staffing changes, which is also concerning. Innovest recommends considering other options at the next scheduled meeting.**

**The Board directed Innovest to provide a manager search book for the emerging markets asset class to the meeting scheduled on May 14, 2026.**

**c) Annual update of Investment Policy Statement – discussion**

**Chairman Dennis Woodrich advised he had already signed the updated Investment Policy Statement as approved by the Board at the last meeting.**

**d) Brokerage Window Service Provider**

**Troy Jensen stated that only 2 to 3% of participants even utilize the self-directed brokerage account option. Some challenges identified with the current SDBA provider, Pershing, are that technology and interface for participants is dated or limited. There have been reports of the platform being down or unavailable. Reporting and output do not interface well with other platforms. Account owners or their brokers cannot direct trades as they must generally be submitted via encrypted Excel files sent to Empower's trading desk. Restrictions and fees on certain funds and investments are not seamlessly communicated between Empower and Pershing, and trade execution for block-trade transactions is inconsistent sometimes. When reviewing the plan setup and services, and investment types available across both providers are consistent. Schwab has slightly higher trading fees than Pershing. Schwab also charges higher recordkeeping fees than Pershing. According to Innovest this seems to be a comparison of equals excepting the higher fees charged by Schwab.**

**Jobe Dickinson reminded the Board that if they chose to make the change to utilizing Schwab participants would have to reenroll in the service and there would be a backend cost to the transition because it was built into the contract. He suggested requesting Galloway, the broker requesting the transition, pay the transition costs.**

**Jeff Cruz clarified the transition costs may not cost the participants outside of the higher fees, but there will be blackout periods and communications about the transition. The recordkeeping price charged to participants would also be reconsidered due to the revenue lost when trading fees go to Schwab instead of Empower.**

**Mr. Jensen clarified that the challenges listed came from a list provided by Galloway.**

**Mr. Cruz explained that the City of Tucson Plan has a feature that allows third party advisors to manage funds with self-directed brokerage. Galloway is a prominent public safety advisor that works with a lot of plans throughout Arizona. When deferred comp. plans started allowing third party brokers to manage deferred compensation plans there were only two brokers, Schwab and T D Ameritrade. Since then, Schwab bought T D Ameritrade, so Galloway only had to utilize the Schwab platform. Once Empower developed their own product it utilized a different process, and Galloway asked the Board to consider switching to Schwab to make their job easier.**

**Chairman Dennis Woodrich stated that there were no costs to the plan for the transition outside of the time of Empower staff working on it and expressed concern that participants would not appreciate the blackout window if the market was good during that time.**

**Lisa Lopez advised that it was unknown how much TSRS staff would be affected by a transition, but it was uncertain whether they have the availability required to complete it. More information should be provided before any decision is made.**

**Mr. Cruz confirmed that staff time would be required because the service agreement would have to be changed for the entire plan, new brokerage paperwork and transition paperwork would be required, and communications would need to be reviewed before distribution.**

**Mr. Jensen asked if Empower could provide numbers on the contract change and timing costs would incur and suggested the Board consider asking Galloway to cover that cost before the Board decides.**

**Dawn DePorter stated that Catherine Langford, the Board's attorney, would also have to be involved, which would be a significant cost.**

- 4) Empower Q4 Reports (Jeff Cruz – Empower)
  - a) Q4 2025 Portfolio Review
  - b) Q4 2025 457b and 401a Plans Review

**Jeff Cruz provided a summary of the Plans performance as of December 31, 2025. At the end of the fourth quarter participant assets totaled \$356.7M, over 4,238 participants. The average balance across the 457b and 401a plans is \$84,186, which is up a little from the end of the third quarter. Participant assets in the 457b plan totaled \$350.2M, over 4,193 participants. The average account balance is \$83,525, which is slightly higher than at the end of the third quarter, but below the benchmark of \$92,525. About 37.8% of participants are utilizing the do-it-yourself strategy, which is low compared to other plans Mr. Cruz works with throughout Arizona and California. This means that most participants are enrolled in target-date funds and managed accounts or using online advice which is good. There was an increase in non-active participants rolling their funds into another qualified retirement plan which partially explains the net cashflow of \$15.1M out of the plan in the fourth quarter. Participant assets in the 401a plan totaled \$5.1M, over 40 participants. Participant assets in the 401a executive plan totaled \$1.3M over 5 participants.**

- 5) Administrative Discussions
  - a) Fee Holiday Invoices FY26 Q2

**Chairman Dennis Woodrich stated that the invoice for the fee holiday for the second quarter of the City's fiscal year came out to \$42 plus to be paid out of the administrative fund.**

**Jeff Cruz reminded the Board that the funds had already come out of the administrative fund, but it does spur the conversation about the fee holiday ending on June 30, 2025. The holiday went into effect on July 1, 2025, so two quarters had been billed and paid utilizing roughly \$83 thousand from the administrative fund. As of February 11, 2026, the administrative fund balance was \$396 thousand. There are still two more quarters to be billed so once the full year of fees has been paid the balance should be in the low three hundred thousand the interest from the Putnam Stable Value Fund also contributes to the account balance.**

**Chairman Woodrich asked staff to include extending the fee holiday on the agenda for the meeting scheduled on May 14, 2026.**

- b) Elections process

**Lisa Lopez advised that three members of the Board, Dennis Woodrich, Jason Winsky, and Rolf Averill had terms expiring.**

**Jobe Dickinson advised that he was supposed to serve a four-year term, based on the new ordinance, but the paperwork only reflects a three-year term.**

**The Board directed staff to follow up with the City Clerk's Office on term dates.**

**Jeff Cruz requested an update on whether elections were necessary yet as the process for preparing mail outs had begun.**

6) Adjournment

**Meeting adjourned at 10:54 a.m.**

**Members Present:**

Dennis Woodrich, Chair

Teri Traaen, Director of Human Resources, entered 9:35 a.m. exited 10:00 a.m.

Lisa Lopez, City Manager Appointee

Jobe Dickenson, Elected Former Employee Representative

Rolf Averill, Elected Employee Representative

Jason Winsky, Elected Employee Representattive

**Members Absent:**

Angele Ozoemelum, Director of Business Services

**Guests Present:**

Troy Jensen, Innovest

Rick Rogers, Innovest

Jeff Cruz, Empower, entered 9:30

**Staff Present:**

Dawn DePorter, Interim Pension Manager