TUCSON SUPPLEMENTAL RETIREMENT SYSTEM BOARD OF TRUSTEES
Virtual 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, May 28, 2026, 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

Chairman Tarlton Ferrin called the meeting to order at 8:31 a.m.

B) Consent Agenda Approval of:
1. May 2026 Ratification Report
2. Budget vs. Actuals
3. Minutes regular meeting April 23, 2026

Chairman Tarlton Ferrin directed staff to correct the meeting minutes from April 23, 2026, to reflect his dissenting vote to deny the transfer request as submitted, on page four.

Lisa Lopez advised that Dave Samer had concerns about the grouping of items in the budget vs. actuals report provided to the Board. It is possible to include the separate line items in the reports going forward.

Silvia Amparano requested the report at ledger level going forward, and expressed concern that the report does not match the budget because of the grouping issues.

The Board directed staff to provide a more detailed version of the Budget vs. Actuals report going forward.

Catherine Langford directed staff to provide a reconciliation for FY26 to address the grouping issues in the Budget vs. Actuals reports for that year.

It was moved by John O'Hare, seconded by Teri Traaen, and passed by a roll call vote of 5 – 0 to approve the consent agenda with the amendment to the April 23, 2026, meeting minutes. Mark Rubin and Dave Samer absent.

C) Quarterly Investment Review – Callan
   1. Market Update
   2. TSRS Investment Results Q1 2026
   3. Alternatives to Champlain Mid Cap Composite
   4. PIMCO: Spirit Airlines Corporate Action

Gwen Lohmann provided a market update for the end of the first quarter of 2026 U.S. real GDP expanded at an annualized rate of 2%. The unemployment rate declined slightly to 4.3%. Headline CPI increased 3.3%, and the Fed held rates steady at 3.5 to 3.75%. Fed projections anticipate a continued pause as inflation remains above target and labor market conditions stabilize. Over the first quarter U.S. small caps gained 0.9%, developed ex-U.S. stocks fell 0.9%, and emerging markets slipped only 0.2% compared to the S&P500 which dropped 4.3%. The Bloomberg Aggregate posted a small loss of 5 basis points while long duration lost 0.8% and global ex-U.S. declined almost 1.9%. Cash outperformed gaining 0.69%. Headline CPI-U rose 3.3% through March as energy climbed 12.5%. hit by supply constraints from the Iran war. The core index rose by a more modest 2.6%, in line with the prior quarter. The job market has slowed while GDP growth cools. Bifurcation between the wealthy, who are propping up consumer spending, and the average consumer is evident.

Ms. Lohmann discussed the TSRS performance review for the first quarter of 2026. Callan has no concerns regarding the Plan's current asset allocation. Over the last 10 years TSRS returns have been about 8.9% net of fees, compared to the benchmark return of 8.1%. The Plan has benefited from being underweight in real estate as the sector has been underperforming.

Eugene O'Neill went over the information for four investment managers the Board could consider to replace Champlain in the portfolio. Systematic funds are model-driving and fundamental funds are driven by human analyst judgement with deep, company specific research. The two Investment Managers utilizing a fundamental process are EARNEST Partners, LLC with their Mid-Cap Core strategy, and Loomis, Sayles & Company, L.P. with their Small/Mid Cap strategy. The two Managers utilizing a systemic process are Vanguard Group, Inc. with their Vanguard Strategic Equity Fund, and T. Rowe Price Associates, Inc. with their Integrated US Small & Mid-Cap Core Equity fund. EARNEST is the most concentrated with 40 – 70 holdings and low turnover of only about 15%. Their portfolio style may exhibit value basis over short-term time periods but remains within expectations of a core style strategy. Vanguard tends to have from 350 to more than 500 holdings. Style will vary, may be biased to value and growth depending on market signals and positioning. The Loomis, Sayles & Company fund tends to have 90 – 100 holdings with the majority of the firm's assets in fixed income strategies. The T. Rowe Price Associates, Inc. Fund has a diversified portfolio with between 500 and 600 holdings. The portfolio will tend to struggle in speculative/aggressive markets and perform well in down/choppy markets. An overview of performance when paired with the TSRS Fidelity investment was provided, comparing all four of the suggested managers and Champlain.

It was moved by Angele Ozoemelam, seconded by Silvia Amparano, and passed by a roll call vote of 4 – 0, to invite all four investment Mid Cap managers to present to the board at a future meeting. Mark Rubin, Dave Samer, and Teri Traaen absent.

Craig Chaikin asked the Board whether they would also like to hear from Champlain.

Angele Ozoemelam suggested conducting interviews with the new candidates before deciding whether the Board should also meet with Champlain.

Chairman Ferrin advised that the Board had agreed to keep the funds invested with Champlain until suitable candidates had been identified and decide from there.

Mr. Chaikin explained that Spirit Airlines recently declared bankruptcy while PIMCO held some of their warrants in the portfolio, which is allowable by the Board's guidelines. Those warrants have since been converted into equity which is not technically allowable according to the guidelines. PIMCO does not want to be forced to sell the approximately $8,100 worth of warrants while the market is so volatile and are requesting an exception to be able to hold that equity until a more appropriate time to dispose of it.

It was moved by John O'Hare, seconded by Silvia Amparano, to approve PIMCO's proposed action regarding their Spirit Airlines investment.

Ms. Ozoemelam asked for clarification on what the motion was seeking.

Mr. Chaikin explained that the PIMCO specific guidelines did not allow them to hold equity, they are requesting an exception to hold the equity received through corporate action until it is a better time to sell. This motion does not affect the general TSRS investment policy or guidelines; it is specific to PIMCO.

The motion passed by a roll call vote of 4 – 0. Mark Rubin, Dave Samer, and Teri Traaen absent.

D) Alternatives to Champlain – Callan

This is a duplicate item discussed under agenda item C.

E) Proposed Code Changes
   1. Prohibition Against Double Service Credit
   2. Small Refund Balances
   3. Employee Contribution Rates

Lisa Lopez explained that the prohibition against double service credit will prevent members from receiving double service credit for periods of overlapping service between two separate pension systems. The small refund balances provision change will increase the rollover threshold for terminated non-vested members in accordance with IRS rules. The employee contributions rates change updates the code language to allow the City to hold member contribution rates flat and pay any difference through additional employer contributions.

Catherine Langford explained that some of the changes have already been approved by the Board. The first change deals with the potential for double service credit by specifically preventing any transfer from another system within the state of Arizona would not be allowable if the member is already credited for the same period of time in TSRS. The new language is meant only to fill a gap within the existing Code language to prevent double service credit for the same period. The City Code also has a force out provision that says if a terminated non-vested member has a balance below $5,000 it can be forced out into an IRA held in the name of the individual so that the balance does not remain in the system. This only happens when the member is not already requesting a refund of their funds and is not responding to communication from staff regarding the funds. Previously the Board approved the increase from $5,000 to $7,000, it just has not gone to Mayor and Council yet. The current rule says that if the small refund is valued at $1,000 or less, the member is paid out via check with a taxable cash distribution and if the amount is between $1,001 and $7,000 it is sent to an IRA. The proposed change is to say that all of the small refund amounts will be sent to an IRA. This is meant to lessen the number of checks that do not get cashed, and the number of people staff are unable to locate because the IRA provider will take those amounts and continue to search for the participant. The next change addresses the City setting the annual member contribution rates. The City Manager did not recommend the increase in member contributions for fiscal year 2027 as a part of the budget process. Because the City is continuing to contribute the 27.5% employer contribution rate under the funding policy, there is access funding going into the plan based on the actuarially determined rates.

Angele stated that the City Manager's concern was recommending an increase in the employee contribution rates without recommending a decrease in the employer contribution rate.

Ms. Langford explained that the recommendation for employee contribution rates and the employer contribution rates are set up under the City Code to be two separate determinations. This provision of the code addresses the member contribution rate calculation, and it is based solely on the employee segment normal cost, which is the cost of benefits earned each year. The member contribution rates are supposed to be, under the code, at least 50% of the employee segment normal cost, which is a separate calculation that is run separate of the calculation of City's contribution. That is why there are always two separate recommendations, one for the employee contribution rates and another for the employer contribution rate. The update is intended to place a longstanding exception into the Code language that the City may determine that the member contribution rate should not increase because they recognize that the employer contribution rates are sufficient to cover the funding for the year. The Board makes recommendations based on two separate calculations based on the City Code and the City Manager is taking a practical view as the separate rates being two pieces of one pie, not two separate calculations independent of each other. The update that has not previously been approved by the Board will allow the City to approve contribution rates as a part of the annual budget process.

Silvia Amparano asked for confirmation that there would not be a negative actuarial impact to the Plan because of this Code change.

Ms. Langford answered the member contribution rates are falling behind the recommendations under this provision each year so there is a cumulative effect building. The gap between the actual rate for the members and the recommended rate is growing because of the annual determinations to hold the member contribution rate flat. But the City is funding substantially more than its recommended rate. It is her opinion that there is not any damage to the system by the City's refusal to change member contribution rates because they continue to fund the plan at 27.5%.

It was moved by Angele Ozoemelam, seconded by Silvia Amparano, and passed by a roll call vote of 4 – 0, to approve the proposed City Code changes. Mark Rubin, Dave Samer, and Teri Traaen absent.

F) Administrative Discussions

G) Call to the Audience

H) Future Agenda Items

Communication Plan for Educating Employees
MID Cap Manager Interviews
Update on Code Changes
Mayor and Council Climate Action Plan

I) Adjournment

It was moved by Silvia Amparano, seconded by Angele Ozoemelam, and passed by a roll call vote of 4 – 0, to adjourn the meeting. Mark Rubin, Dave Samer, and Teri Traaen absent.

Meeting adjourned at 10:18 a.m.

Members Present

Angele Ozoemelam, Business Services Director
Teri Traaen, Human Resources Director
Silvia Amparano, Elected Employee Representative
Tarlton Ferrin, Elected Employee Representative
John O'Hare, Elected Retiree Representative

Members Absent

Mark Rubin, Chairperson
Dave Samer, City Manager Appointee

Staff Present

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

Guests Present

Catherine Langford, Yoder & Langford
Kimberly Swanberg, City of Tucson Employee

James Callahan, Callan
Craig Chaikin, Callan
Gwen Lohman, Callan
Eugene O’Neill, Callan
Kevin Ballad, With. Intelligence