DEFERRED COMPENSATION PLAN MANAGEMENT BOARD
Virtual Meeting Minutes

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

Thursday, May 14, 2026, at 9:00 A.M.

This meeting can be attended in person at City Hall 255 W Alameda St on the 8th floor conference room. Alternatively, this meeting can be accessed from your computer, tablet, or smartphone by clicking on the link below.

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A. Call to Order

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

B. Consent Agenda:
1. Approval of Minutes from February 12, 2026

It was moved by Jobe Dickinson, seconded by Lisa Lopez, and passed by a roll call vote of 7-0, to approve the consent agenda.

C. Innovest Q1 Report
1. Ownership Change
2. Q1 2026 Portfolio Review
3. Emerging Market Fund Manager Search

Catherine Langford advised it was required that the Board receive the notice regarding the change in ownership at Innovest. If the Board consents, they still can make changes in the future based on the contract. The consent will allow the current relationship to continue.

Rick Rogers explained that the consent acknowledges that Innovest informed the Board about the ownership change and the Board would like to continue under the current agreement.

Ms. Langford asked whether the new owner has the option to take their ownership to a majority share.

Mr. Rodgers advised they could take their ownership to a majority share over the course of three years, at the soonest, if certain conditions are met.

Ms. Langford advised the Board that potential ownership changes should be considered when deciding whether to renew the contract or go out for an RFP.

It was moved by Angele Ozoemelam, seconded by Rolf Averill, and passed by a roll call vote of 7 – 0, to acknowledge the notification of ownership change provided by Innovest.

Mr. Rodgers summarized some key 2026 retirement plan regulatory changes and limits and how they pointed towards increased automation and rules requiring contributions be post-tax under certain conditions. Innovest is continually monitoring fees and expenses. The City of Tucson weighted average investment expense, administration and recordkeeping costs are about 32 basis points which compares favorably to the median of comparable plans at 49 basis points. The first quarter of 2026 was rough for the markets with the start of the war in Iran in February. Since the end of the quarter the market has significantly improved. U.S. large cap stocks are up 8.8%, U.S. small cap stocks are up 14.6%, developed international stocks are up 7.9%, and emerging market stocks are up 22.2% through May 13, 2026. Real GDP increased at an annualized rate of 0.5% in the fourth quarter of 2025. The labor market was largely unchanged with an unemployment rate of 4.3%. The Federal Reserve maintained the policy target of the Federal Funds Rate at a range of 3.5% to 3.75%. Historically markets have been more volatile during geopolitical events, but history still suggests that it is best to take a long-term approach with retirement fund investments.

Gordon Tewell reviewed the investment manager scorecard. There is a minor concern regarding the performance of the T. Rowe Price Growth Stock I. The qualitative characteristics are still positive and Innovest will continue to monitor the fund. The JPMorgan Mid Cap Growth R6 fund has had some personnel shifting, no one has left the organization, so this is a minor concern. Victory Sycamore Small Company Opp R6 has lagged the benchmark and peers on a rolling 3- and 5-year basis due primarily to weak stock selection. Innovest will continue to monitor this fund as well. The Invesco Developing Markets R6 Fund lost a long-time manager, there has been a significant outflow of assets, and they have a performance concern leading Innovest to recommend the Board consider replacements for this fund. Investment manager search and selection process is an important fiduciary responsibility. The fund recommended to replace the Invesco Developing Markets R6 is the DFA Emerging Markets Core Equity 2 Fund. The fund has 7,641 holdings and has $37 Billion in assets. It has a tenured manager group with an average tenure of about 11 years. They do not turnover stocks often, lowering expenses associated with transaction costs. The strategy follows an academically based investment approach that seeks to overweight market risk premiums, resulting in strong long-term outperformance. They use a sophisticated quantitative trading model and have added value through trade optimization over time. The investment team leverages a robust investment staff and significant research and development to continuously improve the firm's quantitative models. The portfolio's sizable mid and small market cap exposure can lead to increased volatility compared to other emerging market strategies. Assessing the effectiveness and accuracy of the strategy's quantitative factors can be difficult due to the complexity of the firm's algorithms. The DFA Emerging Markets Core Equity 2 Fund has had better performance and better consistency than the Invesco Developing Markets R6 Fund over long-term periods.

It was moved by Jobe Dikinson, seconded by Angele Ozoemelam, and passed by a roll call vote of 7-0, to transition from Invesco Developing Markets R6 to DFA Emerging Markets Core Equity 2 within the fund lineup.

D. Empower Q1 Report
   1. Q1 2026 457b and 401a Plans Review
   2. New Personal Dashboard

Jeff Cruz summarized the plan performance insights review as of March 31, 2026. The 4,194 participants with balances in the 457b plan share total assets of $334.7 Million. The average participant balance is a little over $81 thousand with 27.9% participating in My Total Retirement, 31.1% utilizing the Target-date strategy funds, and 37.1% utilizing a do-it-yourself strategy. The 457b plan had net activity of negative $2.9 million primarily because of a large balance, nearly $1 million, rolled out of the plan and several employees rolling the funds into the retirement savings accounts sponsored by new employers. In the 401a plan there are 40 participants with assets totaling $5.1 million. The 401a executive plan has 6 participants with assets totaling $1.3 million.

Mr. Cruz summarized a brief history of the features available to participants on the Empower website and highlighted new features anticipated with the next update. The updated website is expected to clear out financial clutter, bring clarity to financial health, provide participants with guidance at every step, and provide a better experience for those utilizing the site on their phones.

E. Administrative Discussions
   1. Brokerage Window Service Provider
   2. Fee Holiday Invoices FY26 Q3
   3. Use of Administrative Account Funds
   4. Update on Empower Integration File
   5. NAGDCA Attendance

Chairman Dennis Woodrich acknowledged the request to change the self-directed brokerage window service provider was put forward by an outside advisor and that the change would only benefit around 90 of the 4,194 total participants and that the change would come with significant costs to Pension staff, Empower, and involve blackout periods with possible loss of revenue to participants.

Jeff Cruz explained that the entire process is estimated to take between 90 and 120 days with a seven-to-ten-day blackout period where participants cannot transact within the self-directed brokerage window. The service agreement needs to be updated also. The estimated cost of the transition would be between $17,500 and $20,500. The City would have to absorb the cost of the transition unless Empower absorbed it, which they are willing to do with consideration of an extension of the current contract, pending approval from City of Tucson Procurement.

Catherine Langford advised that the cost cannot come out of the plan assets in terms of a charge to participants, but the Board can choose to use money from the forfeiture fund. While the cost per person, given the number of participants using the self-directed brokerage window, is relatively high, it is still an acceptable use of the funds in the forfeiture account as ultimately the change would be a plan enhancement.

Lisa Lopez expressed concern over the increased complexity and workload to Pension staff for an issue that affects such a small number of participants, none of whom have complained about the current service provider. There is also a concern that the change may have an impact on fees for all participants.

Mr. Cruz stated that participant fees would not increase because of this transition, which is why out-of-scope costs must be considered.

Bryan Jeffries explained that even just for research purposes the Charles Schwab platform provides more information than the Pershing platform. Using the Pershing platform, it can take months to set up a new account, and making trades requires using a spreadsheet sent via email rather than just making real time trades within the platform like the Charles Schwab platform allows. The Charles Schwab and Fidelity platforms are the most robust available. The Pershing platform is archaic and cumbersome, and the City of Tucson deferred comp. plan is the only plan that uses it.

Rolf Averill agreed that the Charles Schwab platform is the better product and asked whether the disruption to service would affect all participants.

Mr. Cruz answered that the disruption would only affect the participants utilizing the self-directed brokerage window.

Jason Winsky asked if Public Safety Financial, as the vendor requesting the change, would be willing to absorb the cost because it is a large cost for the Plan to absorb for so few participants.

Ms. Langford reminded the Board that, based on the comments about the Charles Schwab platform being the better product, the transition would be a plan enhancement available to all participants even though there are only approximately 93 using it currently.

Mr. Jeffries stated that as more PSPRS employees are exposed to the Charles Schwab platform through their 401a with Nationwide as a part of the PSPRS plan this will become a bigger issue with participants who use the self-directed brokerage window, and Public Safety Financial can help absorb the cost of the transition.

Ms. Langford advised if the Board approves the change the expense is billed by Empower to the City of Tucson and the question is how that is paid. If there is funding available from Public Safety Financial, it will reduce the City's cost, but the firm will not receive any special access to plan participants or any special relationship. It would be a voluntary contribution from Public Safety Financial to assist its current clients with improving the service within the City of Tucson Plan.

Mr. Averill requested a side-by-side comparison of the platforms before deciding.

The following slides, provided by Innovest at the Board meeting held on February 12, 2026, were shared.

Empower Self-Directed Brokerage
Schwab Personal Choice Retirement Account

Plan setup and services	EMPOWER	charles SCHWAB
Separate Roth and non-Roth accounts	🟢	🟢
Client logos on brokerage communications	🟢	🟢
Brokerage website messaging	🟢	🔴
Supports Custom Fact sheet on part web* exception only and maintained by the plan's service team	🟢	🟢
Brokerage website access via SSO from the participant website	🟢	🟢
Service center support	Empower Personal Wealth	Schwab
Historical account balances	🟢	🟢
Projected cash flow	🟢	🟢
Mobile app	🟢	🟢
Mobile browser	🟢	🟢

Empower Self-Directed Brokerage
Schwab Personal Choice Retirement Account

Security types available	EMPOWER	charles SCHWAB
Equities and exchange-traded funds (ETFs)	🟢	🟢
Mutual funds	🟢	🟢
Covered options	🟢	🟢
Treasuries, Corporates and Gov't bonds	🟢	🟢
Municipal bonds	🟢	🟢
Certificates of deposit (CDs)	🟢	🟢
Non-exchange traded funds	🔴	🔴
Private investments	🔴	🔴
Employer stock	🔴	🔴
Crytpocurrencies	🔴	🔴

Empower Self-Directed Brokerage
Schwab Personal Choice Retirement Account

		EMPOWER	charles SCHWAB
Trading fees			
Equities and ETFs	Electronic	$0 [1]	$0 (Listed) $6.95 (OTC)
	Broker-assisted	$19.99	$25 (Listed) $31.95 (OTC)
Transaction Fee (TF) Mutual Funds	Electronic	$25 per buy or sell; $5 per exchange; additional $10 surcharge for certain funds	$49.95 / buy; $0 / sell
	Broker-assisted	Same as electronic	$74.95 / buy; $25 / sell
No Transaction Fee (NTF) Mutual Funds	Electronic	$0	$0
	Broker-assisted	Same as electronic	$25
	Short-term redemption (STR) fees	$50 NTF funds held 30 days or less may be subject to a STR Fee	$49.95 NTF funds held less than 90 days may be subject to a STR Fee
Options	Electronic	$0.65 per contract	$0.65 per contract
	Broker-assisted	$19.99 + $0.65 per contract	$25 + $0.65 per contract
	Assignments	$0	$0
Fixed Income	Electronic	N/A	Treasuries and Certificates of Deposit- no fee; Bonds - $1 / bond ($10 min / $250 max)
	Broker-assisted	$20 per trade; Certificates of Deposits - $0	$25 plus electronic rate
	Note	Empower may act 'as principal' and will charge a markup that is included in the price	Schwab may act 'as principal' and will charge a markup that is included in the price

Rick Rodgers explained that the Charles Schwab platform was the gold standard, they along with Fidelity are the most widely used platforms. The Fidelity platform is so widely used because Fidelity holds the most retirement accounts.

Angele Ozoemelam asked what percentage of the fees Public Safety Financial would be willing to pay.

Mr. Jeffries stated that the firm is willing to pay the entire cost because it is such a better product and will improve the service provided to all participants.

It was moved by Jason Winsky, seconded by Jobe Dickinson, and passed by a roll call vote of 7-0, to transition to Charles Schwab as the brokerage window service provider.

Mr. Cruz reminded the Board that the current fee holiday expires on June 30, 2026, and the Board needs to decide whether they want to continue it.

Chairman Woodrich stated the current fee holiday should bring the forfeiture account balance down to around $200,000 and expressed concern over spending the balance down further by providing another fee holiday.

Mr. Dickinson said it was a good idea to keep money available for Plan enhancements and training for the Board and staff because the only money coming into the account is from interest.

Ms. Langford agreed that it is helpful to have the money in the account but from an IRS perspective old money needs to be spent down and it is all old money as no new money is coming into the account. It is important to see some withdrawals every year. When the Plan transitioned from Empower the intention was to spend down the balance, it is not an account that is meant to be maintained over the long term.

Chairman Woodrich asked how much should be in the fund.

Ms. Langford explained from the compliance standpoint there is no need to have this fund at all. The Board should not be looking at it as a reserve fund because the IRS would not like it. It should be spent down to keep no more than $50,000 in it, though it does not have to be spent down immediately. If there is something like annual training that is predictable the Board can set a budget to justify what the money will be used for over the next few years, that is helpful, but the Board should spend down beyond the current balance.

Chariman Woodrich asked whether the Board wanted to entertain the idea of another fee holiday or a partial fee holiday.

Ms. Langford advised that a partial fee holiday was a good idea to remind participants that they do have to pay fees on their accounts.

The Board directed staff to provide a budget for the Empower forfeiture account balance showing travel and training expenses, and full and partial fee holidays.

Chairman Woodrich reminded the Board about the early bird discount on registration fees for the NAGDCA conference and advised Board members to let staff know if they are interested in attending.

Ms. Lopez explained that the files used for reconciling the data file associated with payroll contributions sent to Empower contained social security numbers, which was not necessary for the work performed. IT now provides staff with a file for reconciliation that no longer includes social security numbers. Anastacia Sanders is in the process of removing the social security numbers from the historical files saved to the shared drive.

F. Future Agenda Items

Innovest Contract
Post Employment Health Plans
Fee Holiday
Rotation of Chairmanship

G. Adjournment

Adjourned at 11:56 a.m.

Members Present:

Dennis Woodrich, Chairman
Angele Ozoemelam, Business Services Director
Jobe Dickinson, Elected Former Employee Representative
Teri Traaen, Human Resources Director
Lisa Lopez, City Manager Appointee

Rolf Averill, Elected Employee Representative
Jason Winsky, Elected Employee Representative

Staff Present:

Dawn DePorter, Interim Pension Manager
Angelica Cota, Pension Assistant

Guests Present:

Catherine Langford, Yoder & Langford
Gordon Tewell, Innovest
Rick Rodgers, Innovest
Jeff Cruz, Empower
Keenan Larson, Empower
Bryan Jeffries, Public Safety Financial