

Virtual Meeting Minutes

Pursuant to A.R.S. § 38-431.02, notice is hereby given to the members of the PARS 115 Trust Board and to the general public that the PARS 115 Trust Board held the following meeting, which was open to the public.

CITY OF TUCSON PARS 115 BOARD OF TRUSTEES

Monday, August 31, 2026, at 10:30 am

1. Call to Order

Chairman Keith Dommer called the meeting to order at 10:33 a.m.

2. Arizona SB1221

Jeff Kletti, with PFM Asset Management (PFMAM), summarized the AZ SB1221 presentation objectives to include an overview of the Bill and impact to the portfolio, including fees, asset allocation, and management. While there are recommended changes, the portfolio is currently in compliance with all regulations.

Chad Stapleton gave a brief background of AZ SB1221 which was signed into law on May 12, 2025, and discussed the divestment requirements related to Chinese investments for publicly managed funds which mandates compliance by September 26, 2026.

Mr. Kletti reviewed the portfolio and stated the investment managers for International Equity and Fixed Income can access the Chinese market and the recommendation is to remove all current and potential exposures. The Domestic Equity part of the portfolio is not subject to Chinese exposure. PFMAM also recommends that the Strategic Asset Allocation targets be adjusted with the removal of the emerging markets. They strived for clarity in what was implemented and therefore customized a solution in that way.

Mr. Kletti discussed two new solutions encompassing International Equity to be managed by Parametric and Fixed Income to be managed by PFMAM, the City's current investment manager. Parametric and PFMAM are highly recognized, long outstanding investment firms. Parametric is used when one wants a customized passive investment portfolio with \$764 billion assets under management, owned by Morgan Stanley. PFMAM is a leader in fixed income, high quality and liquidity and the City has a relationship with them. The estimated overall portfolio fees would drop approximately .12% largely due to replacing active management and that PFMAM is the current in-house solution. There should not be a significant impact on performance or volatility as a result of these changes.

Chairman Keith Dommer asked about the Separately Managed Accounts (SMA) as to how that worked as that is different than the mutual funds and exchange-traded funds that are currently in place.

Mr. Letti stated the portfolio would now own stocks and bonds as opposed to owning shares. The mandate to the SMA managers would state that securities classified by MSCI as China, Hong

Kong, or Macau are not eligible for investment. Jeff stated that their contracts and the Investment Policy Statement (IPS) state that they will comply with all relevant federal and state regulations. The Board should look at the IPS to determine if there should be any additional language or changes. Possible changes include the addition of the two SMA's and updates to language and asset class names. The proposed timeline for the Fixed Income transition is September 10, International Equity is September 21, with completion by September 25.

3. Call to the Audience

None heard.

4. Adjournment

It was moved by Anna Rosenberry, seconded by Angele Ozoemelum, and passed by a roll call vote of 4 to 0, to adjourn the meeting.

Meeting adjourned at 11:04 a.m.

Members Present:

Keith Dommer, Chairperson
Ash Mehta, Board Member
Anna Rosenberry, City of Tucson CFO
Angele Ozoemelum, City of Tucson Business Services Director

Board Members Absent:

Vacant, Board Member

Staff Present:

Kimberly Swanberg, City of Tucson Interim Pension and Banking Administrator
Dawn DePorter, City of Tucson Interim Pension Manager

Guests Present:

Jennifer Stash, City Attorney's Office
Angela Tang, PARS
Jeff Kletti, PFMAM
Chad Stapleton, PFMAM