

TUCSON SUPPLEMENTAL RETIREMENT SYSTEM BOARD OF TRUSTEES
Virtual Meeting Minutes

Thursday, August 27, 2026, at 8:30 A.M.

A) Call to Order

Chairperson Tarlton Ferrin called the meeting to order at 8:33 a.m.

B) Consent Agenda Approval of:

1. August 2026 Ratification Report
2. Budget vs. Actuals
3. Minutes regular meeting July 23, 2026

Kimberly Swanberg advised there was \$7.5M in benefit payments that is not yet recorded and reflected in the Budget vs. Actuals report.

Silvia Amparano requested improved labeling on the report as it is difficult to tell what period the report covers; and asked when the Board could expect to see the final numbers for FY26.

Ms. Swanberg answered that information would be available at the next meeting scheduled for September 24, 2026.

It was moved by Silvia Amparano, seconded by John O'Hare, and passed by a roll call vote of 6 – 0, to approve the consent agenda with a correction to the minutes to reflect that Teri Traaen left early not Tarlton Ferrin. Mark Rubin absent.

C) Investment Review Q2 – Callan

1. Economic Update
2. Investment Performance Review

Eugene O'Neill explained that the Federal Reserve held the federal funds rate steady at 3.5% - 3.75% throughout the second quarter of 2026 and again at its July meeting, marking the fifth consecutive meeting with no change. Three members dissented from the July decision, while markets are anticipating either another hold or a potential rate hike in September. Public market equities rebounded sharply in the second quarter of 2026. Coupon income and spreading tightening offset higher Treasury yields so fixed income gained despite rising rates. Exposure to AI in portfolios remains important, but stock selection within the AI cohort matters. Software re-priced in early 2026 and remained impaired through June 30, 2026. Hyperscalers struggled due to investors questioning future returns on capital amid accelerating capex. Semiconductor and hardware performance were boosted by increasing demand from the hyperscalers for compute and memory. Power stocks have been boosted by continued infrastructure buildouts. Private real estate had positive returns across the sector with the bulk of that coming from income as appreciation remains negative.

Chairman Tarlton Ferrin asked elaboration on AI investments.

Mr. O’Neil answered that the AI build-out continues, funded both by cashflow, from the hyperscalers, and debt issuance from both the hyperscalers and non-hyperscalers. As the hyperscalers are all investment grade-rated, debt issued by these companies typically comes in the form of corporate bonds. However, a significant portion of debt issuance comes from non-hyperscalers in a variety of forms, including asset-backed securities, off-balance sheet financing via special purpose vehicles, joint ventures, commercial mortgage-backed securities, bank loans, and private credit. Despite the heavy wave of debt issuance, new deals largely remain oversubscribed, meaning there is more demand than supply. However, there is evidence that demand has become more selective compared to earlier in the issuance cycle, putting upward pressure on spreads for AI-related debt, specifically within the hyperscaler space.

Mr. O’Neill discussed the target vs actual Plan asset allocation. The Plan is underweight in real estate and fixed income as the equity markets have been buoyant. However, nothing seems particularly out of line with the targets. The Plan had withdrawals of about \$8.2M and investment returns of \$109M in the second quarter. The fund continues to outperform the benchmark with returns of 9.2% over the last 10 years compared to the benchmark’s 10-year return of 8.9%.

D) SB 1221 Update – Callan and Staff

1. Causeway IMA Redline
2. Acadian Collective Investment Trust

Eugene O’Neill advised that Acadian offers an Ex-China share class utilizing the same investment process and the Plan’s funds are being transferred to that vehicle. The Board also needs to update Causeway’s Investment Manager Agreement to exclude China, Hong Kong, and Macau and provide clarity on how the proceeds from the liquidation of the emerging market exposure, gained through a mutual fund, will be redeployed.

Catherine Langford responded that the Board authorized the liquidation of the current Causeway investment and requested information on the best option to redeploy that capital with Causeway going forward. The Board has an individual Investment Management Agreement to which they can add restrictions to comply with SB 1221. The statute is not specific about Hong Kong and Macau, but the Board has the opportunity to be conservative and instruct Causeway to avoid investments in those locations until there is clarification provided on the statute. The Board should amend the agreement to instruct Causeway to avoid investments in the three jurisdictions as opposed to just China.

It was moved by Silvia Amparano, seconded by Teri Traaen, and passed by a roll call vote of 5 – 0, to update the Causeway Investment Management Agreement to exclude China, Hong Kong, and Macau; and provide direction on how to redeploy the proceeds from the liquidation of the emerging market exposure. Mark Rubin absent, John O’Hare did not respond.

E) Mid Cap Manager Candidates – Callan

Eugene O’Neill explained that all four finalists have outperformed Champlain over trailing five-and-10-year periods. Key considerations include investment approach, fundamental vs. systematic, Portfolio structure, and the relative cost and fit within the overall fee structure. Vanguard offers the lowest fees and EARNEST offers the highest. EARNEST differentiates themselves by offering analysts with direct industry experience. Vanguard utilizes a pure

systematic approach, Loomis offers a team with a very stable history, and T. Rowe Price has more of a distinctive hybrid process utilizing both systematic and fundamental analysis elements. Any of these managers would pair well with Fidelity.

Chairman Tarlton Ferrin asked if Fidelity had more of a fundamental process.

Mr. O'Neill confirmed they did. All the candidates show strong performance over time. The three-year returns for T. Rowe Price and Vanguard stand out, highlighting their systematic approaches. Vanguard and T. Rowe Price also stand out over seven and ten years. Performance shows that all four managers are strong candidates. On a combined basis, EARNEST, Loomis, and T. Rowe Price offer the strongest five-year risk/return profiles, with all four managers outperforming Champlain. T. Rowe Price offers the strongest downside protection while capturing more than 100% of the market's upside. Vanguard captures the most upside but also experiences the most downside among the new candidates.

Silvia Amparano stated that any one of the four candidates would be better than the current manager. A systematic approach would be better for diversification and T. Rowe Price stood out as the most attractive option.

Dave Samer said he agreed with the consensus that T. Rowe Price seems like a good choice and that they seem to provide protection against downside risk.

Chairman Ferrin expressed appreciation for the approaches of both EARNEST and T. Rowe Price and asked whether the net outflows experienced by T. Rowe Price were a concern.

Mr. O'Neill answered no and that other clients had recently invested in this fund with T. Rowe Price.

It was moved by Dave Samer, seconded by Angele Ozoemelum, and passed by a roll call vote of 6 – 0, to replace the Champlain Mid Cap fund with the T. Rowe Price Integrated US Small & Mid -Cap Core fund. Mark Rubin absent.

F) Alliance Bernstein Merger - Callan

Eugene O'Neill explained there is a merger between Equitable and Core Bridge involving the parent company of AllianceBernstein. AllianceBernstein has asked for consent in the form of an assignment of investment advisory agreement. Callan has reviewed the issue and does not see any impact to the Plan from providing that consent.

It was moved by Silvia Amparano, seconded by John O'Hare, and passed by a roll call vote of 6 – 0. to provide consent on the Assignment of Investment Advisory Agreement from AllianceBernstein.

G) Administrative Discussions

1. Update on Proposed Code Changes – Staff
2. GFOA Excellence in Financial Reporting - Staff

Kimberly Swanberg advised the Board that there are several proposed code changes previously approved by the Board and prepared for Mayor and City Council approval, but they have not been

brought to Mayor and Council yet. Staff is working to get those proposed code changes to a Mayor and Council meeting this year.

Catherine Langford noted that these code changes are quite encompassing and include all of the rewrites done for disability applications that were approved a couple of years ago. Currently the Board and staff are operating under the code provisions related to disability retirement applications that have been in place for many years. There may be some discussion with the City Council about that.

Chairman Tarlton Ferrin asked staff to bring the proposed code changes to the Board at the meeting scheduled on September 24, 2026, for review.

Angele Ozoemelum advised that based on the advice of legal counsel the item should be added to a Mayor and City Council study session agenda for discussion prior to scheduling it on a regular meeting agenda for legal action, and asked Ms. Langford to attend the study session to help address any questions the Mayor and Council members may have.

Ms. Langford answered she would work with staff to ensure the items were scheduled for a meeting she is available to attend.

Ms. Swanberg reported that TSRS received an award from GFOA for last year's reporting.

H) Call to the Audience

None heard.

I) Future Agenda Items

1. FY26 Budget vs. Actuals Reconciliation
2. Employee Education Plan
3. MC Climate Action Plan
4. IPS Update
5. Large Cap Equity Structure

Silvia Amparano requested staff update the TSRS website to ensure all the links are working.

The Board directed staff to provide updates on TSRS office staffing.

Ms. Amparano requested a future agenda item regarding SOPs and methods for retaining institutional information given the recent turnover.

Dawn DePorter advised that before one of the Pension Assistants separated, she created Teams videos of processes for staff to use until staffing issues were resolved and focus could return to creating SOPs for the division.

Teri Traaen said she would reach out to the HR Learning and Organization Development team to assist staff with preparing these materials and with educational content for participants.

The Board directed staff to bring the City Code changes as they will be presented to Mayor and Council, and the Budget Vs. Actuals through fiscal year 2026 to the meeting scheduled on September 24, 2026.

J) Adjournment

It was moved by Angele Ozoemelum, seconded by Teri Traaen, and passed by a roll call vote of 6 – 0, to adjourn.

Meeting adjourned at 10:50 a.m.

Members Present

Angele Ozoemelum, Business Services Director
Teri Traaen, Human Resources Director
Dave Samer, City Manager Appointee
Tarlton Ferrin, Elected Employee Representative
Silvia Amparano, Elected Employee Representative
John O'Hare, Elected Retiree Representative

Members Absent

Mark Rubin, Chairperson

Staff Present

Kimberly Swanberg, Interim Pension and Treasury Administrator
Dawn DePorter, Interim Pension Manager
Jennifer Stash, City Attorney's Office

Guests Present

Catherine Langford, Yoder & Langford
Eugene O'Neill, Callan
Laura Sagona Wurtz