

TUCSON SUPPLEMENTAL RETIREMENT SYSTEM BOARD OF TRUSTEES
Virtual Meeting Minutes

Thursday, July 23, 2026, at 8:30 A.M.

A) Call to Order

Chairperson Mark Rubin called the meeting to order at 8:30 a.m.

B) Consent Agenda Approval of:

1. June 2026 Ratification Report
2. July 2026 Ratification Report
3. Minutes regular meeting May 28, 2026

It was moved by John O'Hare, seconded by Angele Ozoemelum, and passed by a roll call vote of 7 – 0 to approve the consent agenda.

C) AZ Senate Bill 1221 – Cassie

Catherine Langford advised that SB1221 is state legislation limiting the exposure of government-controlled funds to investments in China. It has been determined that the legislation applies to TSRS.

Eugene O'Neill explained that Causeway and Acadian account for most of the 1.8% of China exposure for TSRS. PIMCO accounts for less than one basis point, American Century accounts for 10 basis points, and Capital Group accounts for 2 basis points of the plan's total exposure. Callan recommends the Board direct staff to implement approved changes, establish an updated benchmark, establish and implement ongoing compliance monitoring, and update the Investment Policy Statement to reflect the new restrictions.

Silvia Amparano asked about the repercussions of non-compliance.

Ms. Langford advised that the legislation was in the context of state sponsored terrorism and there were no enforcement provisions. Given that the TSRS exposure is 1.8% and the fund managers have viable alternative options available, following the recommendations provided by Callan is the best course of action.

It was moved by Silvia Amparano, seconded by Teri Traaen, to direct Causeway to liquidate TSRS' position in its emerging market mutual fund as soon as possible and present options to reinvest the proceeds in a manner that complies with SB1221; direct Acadian to liquidate TSRS' position in the Acadian All Country ex-U.S. fund as soon as possible and present documentation necessary to reinvest the proceeds in the Acadian All Country ex-U.S./ex-China fund; direct Callan to continue to assess TSRS' China and Hong Kong/Macau investment exposure and report any

additional recommendations for compliance with SB1221; and direct Callan and TSRS Staff to present proposed revisions to the TSRS Investment Policy Statement to incorporate compliance with SB1221 and adjust performance benchmarks as appropriate.

Chairman Mark Rubin advised that the statute did not clarify exactly what comprises the People's Republic of China and whether other areas controlled by the Chinese government are included. The motions function including Hong Kong and Macau within the definition of the People's Republic of China and Taiwan is outside of the definition.

A friendly amendment was made by Tarlton Ferrin to change "as soon as possible" to as soon as is prudent while observing a September 30, 2026, deadline.

The friendly amendment was accepted by the motion maker and seconder.

Angele Ozoemelum asked if it would be better to have Causeway present viable alternatives prior to the Board giving direction to liquidate.

Chairman Rubin answered that compliance was the priority and that waiting for alternatives could present issues with the September 30, 2026, deadline and create a larger burden for staff and Callan.

The motion passed by a roll call vote of 7 – 0.

D) Fidelity Land Bridge Purchase – Callan

Eugene O'Neill explained Fidelity has had several compliance flags because the team wants to invest in securities not allowed by the Board's Investment Policy Statement, particularly LLCs and MLPs. Fidelity has requested the Board remove these flags, but the concern is that a blanket removal of the flags is approval to allow LLC and MLP investments when there are instances that require tax administration. Callan recommends not creating a blanket approval for these types of investments and continuing to provide approval on a case-by-case basis so the manager can confirm that no adverse or extra tax filing is required because of the investments.

Catherine Langford advised that the Board wanted to avoid unrelated business tax (UBTI) that can arise within a retirement plan investment. The goal is to have zero tax implications from anything done by the system. The flags that fidelity compliance is raising are correct and appropriate, showing that the Investment Policy Statement is working as it should. The Board should either uphold the Investment Policy Statement and refuse the investments or request confirmation from the manager that the investment will not create tax implications for the system.

Dave Samer stated he has prepared UBTI tax forms for profit sharing plans and IRAs and the cost of preparing the return can exceed the tax involved. The tax is

also based on the underlying assets of the LLC or MLP so over time changes can occur that would make the investment subject to tax later even if they are not subject to UBTI at the time of purchase.

It was moved by Tarlton Ferrin, seconded by Angele Ozoemelum, and passed by a roll call vote of 7-0 to uphold that LLC and MLP investments are not authorized under the Investment Policy Statement.

E) Mid Cap Manager Presentation and Interview - Various

1. T. Rowe Price Associates, Inc.

John Masdea introduced the T. Rowe Price team. T. Rowe Price is known for deep fundamental research but in the 1990s they took quantitative equity capabilities and combined those alpha insights into a distinct portfolio that provides stock specific alpha over time.

Brian Dausch stated there were about \$3B in assets in the fund at this time.

David Corris advised the integration of quantitative and fundamental approaches have historically performed well over time and is best suited for SMID cap. The quantitative part of the process allows T. Rowe Price to scour the entire SMID cap universe to find undiscovered gems to invest in. Quantitative approaches are well suited for measuring and managing risks comprehensively, which is important given the volatility of small cap investments. A lot of companies in the small to mid-cap space have customer or product concentration that the quantitative models will not be aware of. Quantitative models are not suited to adjust to some industries like bio tech and early-stage software and fundamental analysts do a better job. Higher growth companies with secular changes which limit the predictive abilities of the quantitative models, making quantitative and fundamental approaches complimentary. Over a 20-year period the stocks rated well by the quantitative model and rated as buys by fundamental analysts outperformed the market by two to four percent annually compared to stocks on which the fundamental and quantitative analyses disagree. If the quantitative model and the fundamental analysis disagree, T. Rowe Price does not purchase the stock, if the stock is already owned the disagreement will trigger them to sell it. The combination of quantitative modeling and fundamental analysis results in lower model errors, allowing them to take bigger positions with less risk. A small part of the portfolio is based completely on buy ratings from the fundamental analysts because the quantitative models are unable to accurately assess sectors like biotechnology and early-stage growth companies. The core of the portfolio is made up of quantitative and fundamental intersection buys, and satellite holdings that leverage the quantitative models and fundamental analysts separately.

Eugene O'Neill asked how T. Rowe Price keeps their quantitative models up to date.

Mr. Corris answered that the team is always doing research to improve the models and often introduce 1 or 2 enhancements per year. The portfolio is both value and growth, with growth higher than the benchmark, valuation metrics show

the fund is cheaper than the benchmark, and quality and profitability metrics are double those of the benchmark. The fund delivers higher growth and higher quality at a discount to the market. The fund's track record also shows they consistently outperform the benchmark in a variety of market environments, and when it underperforms the underperformance is not generally significant.

2. Vanguard Group, Inc.

Matthew Jiannino explained that the strategic equity fund has historically performed well compared to peers, market, and the benchmark. The investment approach is mid and small-cap equity diversified across growth and value styles, seeks long-term capital appreciation, and uses a quantitative investment approach. The model is focused on measuring the fundamental economic prospects of firms and the business foundation for future returns. Vanguard Quantitative Equity Group uses a quantitative investment process that attempts to provide a long-term return greater than that of the benchmark while tightly controlling risk. Attractive securities are identified based on variables that include valuation, quality, growth, sentiment, management decisions, and defensive measures. The manager aims to achieve outperformance through stock selection as exposures to risk factors are neutralized. They look at different sectors and industry groups to determine whether the model needs to be adjusted to reflect unique characteristics within that industry or sector. For example, within biotech, research and development are critical so the model would be adjusted to reflect that. They use machine learning to assess the current market and economic environments, allowing the model to adjust the underlying characteristics it would deem most important for stocks in a particular industry for that economic environment. The model is trying to mimic what a fundamental analyst does at scale. They have access to Vanguard's IT department to help them stay at the forefront of the development of machine learning and AI as investment tools. They also have a budget to purchase data sets to continue enhancing the processes. All their technological tools are built internally to fit their unique problems. Their top ten largest holdings within the portfolio are only 7.4% of the total net assets so that no single stock should be able to deliver outsized performance to the portfolio either positively or negatively. If there is a stock that has an outsized risk contributor, they will likely hold it to offset that risk. Typically, the fund will have a valuation discount relative to the benchmark. The quantitative equity team is the sole manager of this portfolio and makes the decisions on how to construct the portfolio. The industry allocation is determined by the model. It is a rare and extreme situation that would result in the managers overriding the model. Typically, the portfolio is being turned over by about four percent per month, the model tends to degrade on a 12-to-18-month timeframe, so if they can turn the portfolio over four percent, it maintains the exposure to the model in the portfolio and controls the transaction costs.

3. Loomis, Sayles & Company, L.P.

Joe Gatz went over the SMID Equity strategy at Loomis Sayles. The strategy seeks to provide consistent, long-term investment performance superior to the Russell 2500 Index. They invest when a security sells at a significant discount to

their assessed value of the enterprise. A margin of safety is essential in helping to manage risk and allows for a variety of future developments. A long-term time horizon is essential. The average holding period within the portfolio is about four years. They have a quality orientation where they prefer fundamentally sound or improving businesses that can grow in business value over time. Management capability, with respect to value creation, incentive alignment with shareholders, and experience, is a critical aspect of the analysis. The team met with the management team of every company in the portfolio. They look for opportunities where the market inefficiencies create them. They focus on misunderstood franchises experiencing a temporary disruption of business progress or an overreaction to short-term events, underfollowed holdings that are overlooked or ignored by the investment community, and special situations including changes in management, spinoffs, and restructuring within the company. The Board should expect a stock selection driven performance. The five-year attribution is almost zero, it is 0.07 for sector allocation over three years, and negative 0.28 for allocation over five years, but stock selection is 1.28 over the benchmark for three years and 2.98 over the benchmark for five years.

4. EARNEST Partners, LLC

Chris Hovis explained that many of the EARNEST employees have experience and education related to investment sectors, which is utilized in their investment process. The research process for stock selection of assessing competitive framework, latent assets and liabilities, scrutinizing financials, and evaluating management. They have a 20 to 25% turnover which implies a four to five-year holding period for their investments. There is also a cap on the number of holdings allowed in the portfolio which means that sometimes they sell good companies in favor of owning better ones. Stocks also get sold because of risk. Fundamentally, the over and underweights in sectors within the portfolio reflect where analysts are finding more attractive opportunities at any given time.

Gwen Lohmann asked if there were thresholds for the over and underweights in the portfolio.

Patmon Malcom said that the overweights and underweights in the different economic sectors have guardrails on them. Generally, the portfolio will not have more than two or two and a half times per sector weighting.

Mr. Hovis summarized that in terms of risk they consider multiple levels including not overpaying for a security, understanding the opportunity on the upside versus the risk on the downside at the security level, and the risk model itself at the portfolio level plays a role in the weighting. At the end of the process on an ongoing basis, each holding within the portfolio has gone through rigorous review ensuring that risk is minimized.

F) Administrative Discussions

1. Pension Administrator Update
2. Disability Audit Update

Dawn DePorter advised that Lisa Lopez retired in June. Kimberly Swanberg was appointed the Interim Pension Administrator and has provided a memo introducing herself to the Board.

Catherine Langford asked whether there were any plans for making a permanent plan administrator appointment.

Angele Ozoemelum answered the position would be opened up for recruitment and the process was waiting on HR at the moment.

Ms. DePorter advised that there were 14 disability retirees who have not yet met the requirements for normal retirement. An affidavit was sent to all of them to reaffirm their disability status and confirm no earned income in 2025. All 14 have responded and no action was necessary from the Board.

G) Call to the Audience

None heard.

H) Future Agenda Items

1. FY26 Budget vs. Actuals Reconciliation
2. AllianceBernstein Merger
3. Large Cap Equity Structure
4. Employee Education Plan
5. Proposed Code Changes Update
6. Investment Policy Update
7. MC Climate Action Plan
8. Mid Cap Managers

I) Adjournment

It was moved by Tarlton Ferrin, seconded by Angele Ozoemelum, and passed by a roll call vote of 5 – 0 to adjourn. (Teri Traeen and Silvia Amparano Absent)

Meeting Adjourned at 12:15 p.m.

Members Present

Mark Rubin, Chairperson
Angele Ozoemelum, Business Services Director
Teri Traeen, Human Resources Director (left 10:56 a.m.)
Dave Samer, City Manager Appointee
Tarlton Ferrin, Elected Employee Representative
Silvia Amparano, Elected Employee Representative (left 11:30 a.m.)
John O'Hare, Elected Retiree Representative

Staff Present

Dawn DePorter, Interim Pension Manager

Guests Present

Catherine Langford, Yoder & Langford

Gwen Lohman, Callan

Eugene O'Neill, Callan

Davd Corris, T.RowePrice

Brian Dausch, T.RowePrice

John Masdea, T.RowePrice

Matthew Jiannino, Vanguard

Chelsea Westhoff, Vanguard

Joe Gatz, Loomis Sayles

John Meyer, Loomis Sayes

Patmon Malcom, Earnest

Chris Hovis, Earnest

Joe Ebisa, WithIntelligence

Gar Chung, FIN-News