TUCSON SUPPLEMENTAL RETIREMENT SYSTEM
BOARD OF TRUSTEES
Meeting Minutes

DATE: **Thursday, March 28, 2019**
TIME: **8:30 a.m.**
PLACE: **Human Resource Conference Room, 3rd floor East**
City Hall, 255 West Alameda
Tucson, Arizona 85701

Members Present:	Joyce Garland, Finance Director (Arrived at 9:11 am) Ana Urquijo, HR Director Michael Coffey, Elected Representative and Acting Chairman Jorge Hernández, Elected Representative Kevin Larson, City Manager Appointee
Staff Present	Art Cuaron, Pension & Benefits Administrator Tina Gamez, Administrative Assistant
Guests Present	Catherine Langford, Yoder & Langford – TSRS Legal Counsel (via Telephone) Dave Deibel, Deputy City Attorney Pete Saxton, Pension Manager Paul Erlendson, Callan LLC (via Facetime) Kim Dudley, HR Deputy Director Ted Price, GovInvest Mary Parker, CTRA Representative
Absent/Excused:	Mark Rubin, Chairman James Wysocki, Elected Retiree Representative

Acting Chairman Michael Coffey called the meeting to order at 8:30am

A. **Consent Agenda (00:00-01:49)**
1. Retirement Ratifications for January 2019
2. Retirement Ratifications for February 2019
3. Retirement Ratifications for March 2019
4. February 2019 TSRS Budget Vs. Actual Expenses
5. February 2019 Board Meeting Minutes
6. TSRS February Investment Measurement Service Monthly Review

Art Cuaron explained that the previous ratification reports were listed on this month's agenda as a result of a lack of a clearly motioned Consent Agenda's in prior months. The intent is to formally adopt the reports. Staff has processed as per the Board's intent and those members listed on the report have received their benefits as scheduled.

A motion to approve the Consent Agenda was made by Kevin Larson, 2nd by Jorge Hernandez, and passed by a vote of 4 to 0 (Mark Rubin and James Wysocki absent/excused).

B. **Call to Audience (01:50-01:57)**

None heard

C. **Asset/Liability Model Report (01:58-55:23)**
1. Asset/Liability Education – Callan (via Facetime)

Paul Erlendson presented information to the Board explaining several aspects of the Asset/Liability Study. This included a discussion of the importance of strategic allocation of assets, Paul stated that the allocation of

assets by class would have a highly significant impact on the investment returns, whereas the active manager selection would add or subtract an amount that is less significant. There are several important asset allocation factors for the Board to consider: time horizon of investment, liquidity needs, capital market expectations, and risk tolerance. Paul also noted that the Asset/Liability Study is a prudent investing activity which should be reviewed periodically.

Paul presented information about how Callan estimates future returns, noting that for each asset class there is a range of estimated returns, and this range has a bell curve. The expected return is correlated to the asset class, and Callan uses a method of mean-variance optimization to maximize the return and minimize the risk for any rate of return that can be realistically estimated. The Board requested and Paul Erlendson agreed to submit a written paper with more detailed information on this subject.

Paul discussed the importance of diversification along 2 axes of expected future market performance, one was inflation and the second was growth. The importance is that different asset classes will out-perform each other, depending on the conditions of inflation and growth.

At the conclusion of the presentation, Paul discussed the upcoming plan of action. Callan would submit to the individual members of the Board a questionnaire to understand their level of concern with various factors such as liquidity or funded status. The Board questioned Paul to ensure that this information was going to be used to prepare additional information, and would not be used to poll the Board, nor to remove options from the Board's consideration. Paul assured the Board that the questionnaire would be used to identify themes for discussion and encourage a round table discussion by the entire Board. Further the Board would have complete control over the upcoming discussion and could investigate any and all information prior to making a decision.

Finally, Art Cuaron stated that the tentative plan was to have a discussion about the Asset/Liability model in April, and if reasonable, a draft report could be available for review at the May meeting. However, the timing for upcoming study will depend on the Board and staff will be ready to support the Board's direction.

Presentation given by Paul Erlendson, discussion held. No formal action taken.

D. **Administrative Discussions**

1. **Post Retirement Benefit Increase Policy (55:35-01:21:41)**

Art Cuaron briefed the Board that this is a follow up from last month and last November. Art commented that he is seeking direction from the Board on how they would like to proceed with this policy. He has given the Board a few options: 1) Update the policy, 2) Use elements of the PRBI and have Cassie work with Leslie and re-write or, 3) Rescind the policy given the current time line to be reach 100% funded status.

Catherine Langford provided background on how the policy came to be based on her research of prior meeting minutes and documents on this topic. She stated that the most recent updated was in 2009. At that time, the code was re-written and this policy is not a Mayor and Council policy. Authority rests with the Board. The need to get the approval for Mayor and Council was removed when this code was updated. Catherine commented that currently for this year we would need to be funded at 91% to consider a 13th check. That 91% goes up 1% each plan year (June 30th) before it can be considered to give an allotment.

Board discussion ensued and they provided direction to hold a special study session to discuss this as a standalone item in May 2019.

Discussion held, no formal action taken.

2. **Investment Policy Statement (01:21:42-01:23:16)**

Per direction from the Board at last month's meeting, Art has provided the investment Policy Statement to the Board for review and would like the Board to provide any comments to Cassie and Paul before they begin to update the policy. Art commented that he did not include the correct version of the policy with her corrections from last month. Art would like feedback and revisions from the Board.

Michael Coffey commented they need the correct version and a timeline.

Art will resend the Board the updated policy that was updated by Cassie last month. Art will continue to keep this on the agenda.

Art will provided the updated version to the Board for April's Meeting.

Discussion held, no formal action taken.

3. **Internal Cash Liquidation Process (01:23:17-01:42:49)**

Art briefed the Board on the Internal Cash Liquidation process and explained to the Board that this topic was being presented in conjunction with the Asset/Liability study. Art has asked Callan to incorporate an allocation to cash as the fund needs $36 million on an annual basis to meet liquidity needs.

Art commented that this is all informational for the Board and the intent was to inform the Board of the process as a means for further discussion when the asset/liability model is complete.

Discussion held, no formal action taken.

Break: 10:15 AM
Returned: 10:24 AM

4. **GovInvest Presentation* (01:42:55-02:20:08)**

Presentation and demonstration of software product was made to the Board by GovInvest CEO Ted Price. The Board would like to see options that GRS, which is the current actuarial vendor, is able to provide as a software projection tool. Art will coordinate with GRS to determine what is available.

Discussion held, no formal action taken.

E. **Articles & Readings for Board Member Education / Discussion**
1. After A Chaotic Week in Brexit Politics, Here's What You Need to Know
2. Atlanta City Pensions Stuck in Lackluster Investment
3. Considerations for Institutional Investors Around Divestment

F. **Future Agenda Items**
1. TSRS Rules and Regulations
2. Consideration to Hire External Legal Counsel
3. Internal Audit Update

G. **Adjournment**
Adjourned 10:59 AM

Mark Rubin
Chairman of the Board

4/25/19
Date

Art Cuaron
Pension & Benefits Administrator

4-25-19.
Date