

**TUCSON SUPPLEMENTAL RETIREMENT SYSTEM  
BOARD OF TRUSTEES  
MEETING MINUTES**

**DATE:** Monday, August 19, 2019  
**TIME:** 1:30 p.m.  
**PLACE:** Human Resource Conference Room, 3rd floor East  
City Hall, 255 West Alameda  
Tucson, Arizona 85701

Members Present: Joyce Garland, Finance Director  
Mark Rubin, Chairman  
James Wysocki, Elected Retiree Representative  
Jorge Hernández, Elected Representative  
Michael Coffey, Elected Representative  
Kevin Larson, City Manager Appointee

Staff Present Art Cuaron, Pension & Benefits Administrator  
Tina Gamez, Administrative Assistant

Guests Present Paul Erlendson, Callan LLC

Absent/Excused: Ana Urquijo, HR Director

Chairman Mark Ruben called the meeting to order at 1:30 pm

**A. Consent Agenda (00:00-00:38)**

1. Retirement Ratifications for July 2019
2. Retirement Ratifications for August 2019
3. June 2019 TSRS Budget Vs. Actual Expenses
4. July 2019 TSRS Budget Vs. Actual Expenses
5. June 2019 Board Meeting Minutes
6. TSRS June Investment Measurement Service Monthly Review
7. TSRS July Investment Measurement Services Monthly Review <sup>Note 1</sup>

**A motion to approve the consent agenda was made by Kevin Larson, 2<sup>nd</sup> by James Wysocki and passed by a vote of 6 to 0 (Ana Urquijo absent/excused).**

**B. Call to Audience (00:39-00:44)**

**None heard.**

**C. Investment Activity Report**

1. Investment Manager Review – JPMorgan Asset Management – Shawn Parris **(00:45-01:39)**  
Art Cuaron informed the Board that the team from JPMorgan was not going to attend the meeting. Their flight from Chicago was delayed several hours and so they are not able to be present. They requested that the Board reschedule and allow them to present at a future meeting.

**No discussion held, no action taken.**

2. TSRS Quarterly Investment Review for 06/30/19 – Callan (01:40-46:53)

Paul Erlendson of Callan gave a brief over view of the quarterly investment review. The economic backdrop continues to get more and more uncertain. The Board's strategy was developed knowing that there would be periods of uncertainty.

Paul noted that as of the fiscal year end, the investments have continued to be successful.

- Michael Coffey asked about a recession and whether we can or should attempt to make changes to be more secure.
- Jorge Hernandez asked about the implications of the most recent market volatility.
- Jim Wysocki asked if we need to reexamine any assumptions built into our model.

Paul Erlendson stated that the investment returns have been meeting expectations. In addition, GDP growth peaked in the middle of 2018. The growth in the economy has been more constant. The risk of a recession is clear, and it has been 11 years since our last recession. One problem is that there is less of a premium being paid for investment risk, so the risk of loss can be greater than the potential for gain in general terms. It is possible to gain some value from active management when compared to the passive indexes. Most pensions have spent more time on risk management as well as liquidity due to them being conservatively managed. Pension funds wouldn't suffer because of how capital is being handled, and if there was a recession it would be off a low rate. Compared to other the domestic equities and other public pensions we have done real well. Compared to other pension plans we're an average pension. We would recommend keeping your assets diversified across value and growth stocks to ensure that when the market conditions change, you are well positioned. Interest rates have been very low for a long time and this is a concern for investors.

Paul commented that Aberdeen has been turning around and the results have been closer to benchmark than in the past. Aberdeen has been lagging for a long time, but since there performance has gotten better, Paul suggested we stay with them.

Jim Wysocki asked how Aberdeen would react to upcoming recession.

Paul stated that Aberdeen would typically take a long view, but would say that they're one of our better managers. Over the ten year period the fund has compounded almost 10.2% a year. We gained the performance over our assets verses the actuary assumptions. The last five years we still are ahead of the benchmarks. The last three years we are ahead by almost a full percent and for the last year which included a difficult fourth quarter, we are about seven basis points behind. Our plan has been a success.

Our assets in real estate and infrastructure are difficult to benchmark. We have a good plan, good performance and continue stay on course. We made a good choice to diversify into the infrastructure sector and in addition, we have been fortunate in the timing of our infrastructure investments.

Michael Coffey asked who else we should expect improved performance from, in terms of a potential recession.

Paul commented that Blackrock is a value index fund. They're returns are up to 7.51 over the last 5 years and there benchmark is 7.46 after payment of fees. When compared to T.Rowe Price, their

benchmark is up over 13% and they were up 15% over the last five years. Our value allocation has had less than half of our return due to style allocation. During recession value investments should outperform. Champlain lagged by 90 basis points, but long term, they have done well. Most of the managers have done well, although Causeway has been a disappointment.

Michael Coffey noted that the JP Morgan numbers which were distributed separately from the Callan report look a little different than the Callan report numbers. Paul stated he had not seen this and would look into it.

**Presentation given, no formal action taken.**

3. Final Asset/Liability Model Report – Updated Scenarios – Gordon Weightman – Callan **(46:54-52:45)**

Art Cuaron briefed the Board that this was a follow up from the asset allocation study. The Board started this process back in the beginning of the year. Art is seeking direction from the Board on what mix the Board would like to take, based on the study.

Mark Rubin stated that there had been discussion held earlier and the Board could take action. Jim Wysocki noted that Paul Erlendson had answered his question about whether the asset and liability model should be changed for new assumptions, and no change was needed. Mark Rubin stated that the information at this meeting was consistent with other investment information he has received.

Kevin Larson stated that the review and study of the last 6 months was sufficient and made a motion to approve mix 3 which is consistent with some minor adjustments, 2<sup>nd</sup> by James Wysocki and passed by a vote of 6 to 0 (Ana Urquijo absent/excused).

**Presentation given, discussion held, approval to adopt mix 3 for an investment strategy.**

4. Infrastructure Allocation **(52:47-01:05:52)**

Art Cuaron informed the Board that they will be moving more funds into real estate. Art stated that there is a closed end fund that has started to liquidate their assets. The distribution will be coming back to TSRS. Michael Coffey asked Paul to present information on the difference between open end and closed end funds. Paul stated that a closed end fund is a commitment for a time, but open ended funds allow an investor to redemptions or make contributions in the fund at your own discretion, while a closed end fund requires the investor to commit to the end of a stated date. Paul stated that there were fewer open end funds when TSRS made its infrastructure investment initially. He stated that liquidation of an open end fund could still take years, but that was more liquid than a closed end fund.

Art Cuaron is seeking direction from the Board if they want to be in an open end or close end fund. Callan recommends if we stay with the infrastructure we should move to an open end fund rather than a close end fund.

**A Motion to direct Callan to proceed with an open end fund and to begin seeking a manager was made by Jorge Hernandez, 2<sup>nd</sup> by Joyce Garland and passed by a vote of 6 to 0 (Ana Urquijo absent/excused).**

Paul stated that Callan would bring forward multiple complimentary managers and the Board would then have time to review and select their preferred manager or managers. Callan would have some preview of types of managers at the October meeting.

**D. Administrative Discussions**

1. PRBI Research (01:05:58-01:14:45)

Art Cuaron briefed the Board on the PRBI Research. In the packet he provided to the Board was further education as far what other pension plans are currently providing in regards of 13<sup>th</sup> checks or COLAs. Art stated that this is a follow up from the May's meeting. Art is looking for the Board's thoughts as far as the PRBI Research.

The Board discussed whether it would be beneficial to adjust the policy, eliminate the policy or leave it alone. The Board decided to table the discussion until further notice.

**Discussion held, no formal action taken.**

**E. Articles & Readings for Board Member Education / Discussion**

1. Sweeping Changes Proposed for NM Pensions
2. US Yield Curve Sends Strongest Recession Warning Since 2007
3. Lower Interest Rates Continue to Plague DB Plan Funded Status

**F. Future Agenda Items**

1. Board Retreat Agenda

**G. Adjournment**

**Meeting Adjourned at 2:47 PM**



Mark Rubin  
Chairman of the Board

9/26/19  
Date



Art Cuaron  
Pension & Benefits Administrator

9/26/19  
Date