

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

**DATE:** Thursday, February 27, 2020  
**TIME:** 8:30 a.m.  
**PLACE:** Human Resource Conference Room, 3rd floor East  
City Hall, 255 West Alameda  
Tucson, Arizona 85701

Members Present: Mark Rubin, Chairman  
Kevin Larson, City Manager Appointee (Arrived at 8:47am)  
Joyce Garland, Finance Director  
James Wysocki, Elected Retiree Representative  
Jorge Hernández, Elected Representative  
Michael Coffey, Elected Representative (Arrived at 8:53am)

Staff Present Art Cuaron, Pension & Benefits Administrator  
Tammy Perry, Pension Assistant  
Tina Gamez, Administrative Assistant  
Dave Deibel, Chief Deputy City Attorney

Guests Present Catherine Langford, TSRS Legal Counsel (via Telephone at 11:09am)  
David Altshuler, IFM Investors  
Paul Erlendson, Callan Associates  
Gordon Weightman, Callan Associates  
Shawn Parris, JP Morgan (Arrived 10:15am)  
Nicholas Moller, JP Morgan (Arrived 10:15am)  
Michael Barela, Voya Investments

Absent/Excused: Ana Urquijo, HR Director

Chairman Mark Rubin called the meeting to order at 8:31am.

**A. Consent Agenda (00:00-00:23)**

1. Retirement Ratifications for February 2020
2. January 2020 TSRS Budget vs. Actual Expenses
3. January 2020 Board Meeting Minutes
4. TSRS January 2020 Investment Measurement Services Monthly Review

**A motion to approve consent agenda was made by James Wysocki, 2<sup>nd</sup> by Jorge Hernandez, passes unanimously (Ana Urquijo, Michael Coffey and Kevin Larson absent/excused).**

**B. Call to Audience (00:23-12:58)**

None heard

**C. Investment Activity Report**

1. J.P.Morgan Asset Management Infrastructure Investments Fund Presentation (01:06:27-02:20:29)

Shawn Parris and Nicholas Moller presented a brief overview of J.P. Morgan Asset Management's Infrastructure Investments Fund (IIF).

Shawn shared their commitment to Arizona. Investing in skills like non-profits in support of Workplace Readiness. Also, their global workforce readiness initiatives are working with employers to help develop the talent pipelines they need to compete and providing adults and young people with critical support, education and training to build in-demand skills that set them on a stable career path. As well as, building thriving communities and providing grants to several foundations throughout the state.

Nicholas says that when they think of core infrastructure they think of Diversification, Inflation Protection and Yield (DIY) as well as attractive risk-adjusted returns through market cycles. Regulated assets or long term contracted assets. They think the asset class should focus on essential services that operate on a monopolistic (lower risk) basis either by regulatory structure or long-term contract, which drives visibility into cash yield. Paul with Callan asks him to discuss the transformation of JP Morgan and what that means for this fund. Nicholas says, their philosophy is long-term ownership and accountability. ESG integrated across all levels of governance and into investment and asset management processes.

IIF has demonstrated robust returns with less volatility than other asset classes since inception. Net local currency returns represent significant premium to CPI +6.1% and risk-free rate +6.8% over 5 years. The portfolio is currently being held at a 10.1% weighted average equity discount rate which reflects the long-term business plans of the underlying portfolio companies.

**This item was taken out of order and discussed after item C2.**

**Presentation given, discussion held. No formal action taken.**

2. IFM Investors Global Infrastructure Fund Presentation (12:58-01:06:27)

David Altshuler presented a brief overview of IFM Investors Firm and their IFM Global Infrastructure Fund.

IFM is 100% owned by Australian workers, 27 superannuation (pension) fund shareholders, no bank or private equity owner. They have 48 funds under management, 2 open-end infrastructure equity funds, they have 24 years investing in infrastructure, more than 90 infrastructure investment professionals, 32 portfolio companies and 65 board seats. They manage infrastructure investments for long-term institutional investors globally, with impacts on their investors' 30 million + members and retirees.

They are only long-term investors. They were the first to come up with this open-ended asset structure. Paul with Callan asks him if there are different types of assets that go into an open-ended fund? David said IFM looks for assets with a few different characteristics. They have to provide an essential service to communities, they cannot have a discretionary component. They need to see a path where it can improve, grow and scale the business to deliver a 10% net return.

Chairman Rubin asks how the 9.3%, net return since inception, gets distributed. David said they have bi-annual distributions. We can elect each year to take those distributions as cash or to reinvest it. About 80% of their investors reinvest.

They have a large team that is very stable and strong. 94 professionals; 9 years average tenure at IFM; 21 years average industry experience; 20+ languages spoken and 200+ support staff across legal, tax and ops.

**This item was taken out of order and discussed before item C1.**

**Presentation given, discussion held.**

**A Motion to invest 100% of TSRS funds with IFM Investors Global Infrastructure Fund was made by James Wysocki, 2<sup>nd</sup> by Joyce Garland, passes 5 to 1 (Michael Coffey opposed) (Ana Urquijo absent/excused).**

**3. TSRS Quarterly Investment Review for 12/31/2019 – Callan (02:20:29-02:38:44)**

Gordie briefly discusses our target asset allocation vs our actual asset allocation, as of December 31, 2019.

He starts with the current effect the coronavirus is causing. We are long-term investors but we still like to look at the short-term effects. The largest impact is what is happening in the supply chain with things slowing down and effecting inventories. Typically, we'll see a pull back in growth then a rebound. Not a full rebound however, because there are some services that can't be replaced. When people aren't going to the movies or staying in hotels that will be revenue that will be lost. The market has reacted pretty severely. It's a sign of the caution and fear that's in the market at this time. As far as our investment portfolio goes they think this is short term and advise we stick to our current plan.

Regarding the investment review, 2019 was a great year considering we were bouncing back from a tough 4<sup>th</sup> quarter of 2018. US equities had a tremendous year. International equity was below that but still very strong. What helped was interest rates dropping 1%. Paul says 2019 was a great year for us and other public funds. The average public pension fund was up over 17%. TSRS was up 20.5%. Our active managers have done exceptionally well.

**Presentation given, discussion held. No formal action taken.**

**D. Administrative Discussions**

**1. Investment Policy Statement Review (02:38:44-02:45:19)**

Art discusses the re-write of the investment policy statement that he, Gordie and Cassie worked on. No action from the board is necessary at this time. He's looking for any comments or feedback they'd like to include. Gordie explains that they reformatted it, removed some sections but kept the historic language. They did not change any roles or responsibilities. They tried to stay true to the original intent of the policy just cleaning it up to make it clearer and more concise, updating terms, etc. Continually having the policy based on more judgement so the board can exercise their judgement rather than rules-based methodology. Cassie said this final version from her legal perspective is a more appropriate investment policy statement that is sustainable.

**Presentation given, discussion held. No formal action taken.**

**Direction was provided for staff to email the board members a copy of the redlined draft.**

**2. Mayor and Council Presentation (02:45:19-02:47:58)**

On March 3, 2020, Joyce and Art will go before the Mayor and Council. Art will provide a summary on what TSRS is, for the new council members. Providing them guidance on how the plan works, funding etc. He will then ask them to take action on the contribution rate adoption and the term limits the discussed last year. Anyone is invited to attend. James mentions that there were also changes to the mortality table so they may want to mention that as well. Joyce agrees.

**Presentation given, discussion held. No formal action taken.**

**3. Business Services Director Recruitment Update (02:47:58-02:49:10)**

The Business Services Director Recruitment will be held March 10<sup>th</sup> over the span of 2 days. This position will have a seat on the TSRS Board so all board members are invited to sit in on the recruitment.

**Presentation given, discussion held. No formal action taken.**

4. Internal Audit Update (02:49:10-02:51:01)

Art briefly discusses the internal audit update. He has reached out to ERP and they are aware of our request and have recently added some staff. We are not at the top of their priority list so we are in a holding pattern right now. The other item that we're working at is the enhanced banking reconciliations. Business Services and Accounting Ops have had some significant turnover in staff. Plus, their priorities have been with the CAFR. So, we have not been able to undertake portion either but we have reached out and they are in the process of hiring a finance manager to back fill some of the positions that became vacant and CAFR should be done in March. So, we will reach back out when they get settled. The week of March 9<sup>th</sup> we have a meeting to have internal audit come back and revisit things we've done. Based on their follow up he will discuss with the board accordingly.

**Presentation given, discussion held. No formal action taken.**

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

1. Use Better Assumptions to Pay for Pensions
2. Can Stocks Keep Soaring as the U.S. Dollar Surges

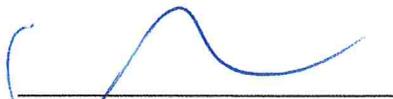
**F. Future Agenda Items (02:51:01-02:53:25)**

The TSRS office is in receipt of a disability application and we are going to ask the Board to have a special meeting once we have the packet and Dr. Krasner does his evaluation Art will be sending out a special meeting notice and we will need a quorum at that meeting. It will be within the next 7-10 business days if not sooner. Cassie notes that the Chairman must request the special meeting or we need a motion by 3 Board members to call a special meeting.

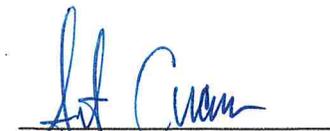
Chairman Rubin requests that we schedule this special board meeting to discuss the disability application and that we will need a quorum.

**G. Adjournment**

Adjourned at 11:26am

  
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Mark Rubin  
Chairman of the Board

8/6/2020  
Date

  
\_\_\_\_\_  
Art Cuaron  
Pension & Benefits Administrator

8/7/2020  
Date