

# TUCSON SUPPLEMENTAL RETIREMENT SYSTEM BOARD OF TRUSTEES

Meeting minutes from Tuesday, December 30<sup>th</sup>, 2014  
Finance Department Conference Room, 5<sup>th</sup> floor  
City Hall, 255 West Alameda, Tucson, Arizona 85701

Members Present: Robert Fleming, Chairman  
Silvia Amparano, Director of Finance  
Eric Kay, Elected Representative  
Curry Hale, Interim HR Director  
John O'Hare, Elected Retiree Representative  
Karen Tenace, Elected Representative

Staff Present: Michael Hermanson, Plan Administrator  
Allan Bentkowski, Treasury Finance Manager  
Dennis Woodrich, Lead Management Analyst  
Veronica Natividad, Executive Assistant  
Kelly Gottschalk, Assistant City Manager  
Dave Deibel, Deputy City Attorney

Guests Present: None

Absent/Excused: Kevin Larson, City Manager Appointee

**Call to order-** Chairman Fleming called the meeting to order at 10:00 AM.

## A. Consent Agenda

1. Approval of November 20<sup>th</sup> Board Meeting Minutes
2. Retirement ratifications for December 2014
3. November 2014 TSRS expenses and revenue compared to budget

**Motion to approve the Consent Agenda made by Eric Kay, 2<sup>nd</sup> by John O'Hare, motion approved 6-0 (Kevin Larson excused).**

## B. Administrative Discussions

1. Review of TSRS Funding Policy Draft

The Board received the final draft of the Funding Policy that has been discussed over the past few meetings since October. Cassie Langford joined the discussion via teleconference to review any questions or issues the Board had. Chairman Fleming asked if there was a motion required to approve the Funding Policy Draft; to which Michael Hermanson confirmed there would need to be a motion to accept the policy as written. A **motion** to approve the TSRS Funding Policy Draft was then **made by John O'Hare and seconded by Curry Hale**. Following the motion, the Chairman opened the floor for any discussion or questions for Cassie. John O'Hare asked Cassie if the Funding Policy would be reviewed on an annual basis. Cassie informed the Board that it could be reviewed whenever necessary; for instance, when looking at the valuation or in the process of setting contribution rates in the future or for making actuarial changes in connection with the valuation. Mr. O'Hare then asked if there was anything to prevent the policy from being reviewed on an annual basis; Cassie replied that he was correct. The Board proceeded with the motion on approving the TSRS Funding Policy Draft.

**The vote on the motion to approve the TSRS Funding Policy Draft was then approved 6-0 (Kevin Larson, absent, excused).**

**C. Investment Activity Report**

1. TSRS Portfolio composition, transactions and performance review for 11/30/14

Allan Bentkowski provided a brief summary of investment performance highlights for the month ended November 30, 2014. He reported that the Fund Balance as of 11/30/14 was at \$736.5M, which is an all-time high for the plan compared to \$728.2M as of 10/31/14. On 12/17/14, it was down to \$723.9M and as of yesterday, 12/29/14, was \$733M. \$2.5M was transferred out of the Liquidity Account, which is a temporary cash account that had built up some money since LaSalle is being liquidated. We had enough money in this account, rather than move any money out of the investment manager accounts.

Calendar YTD returns – Overall, the Total Fund returned 1.47%, net of fees, for the month of November 2014. Total Fixed Income for the month returned 0.38% vs. 0.71% for the Barclays Aggregate Index Benchmark. Total Equities returned 1.87% vs. 2.03% for the Equity Composite; Infrastructure returned 2.45% vs. -0.21% for the CPI +4% index. On a Calendar Year-to-Date basis we are at 7.77% vs. Custom Plan Index of 8.07%, as returns moved back into positive territory for the months of October at 1.46% and November at 1.47%. Fixed Income returned 6.2% vs. Barclays Aggregate at 5.86%. On the Equity side we had 5 of 8 managers exceed their benchmarks meet or exceed their benchmarks through November.

On a calendar year basis, the best performance at the moment is coming from PIMCO StocksPlus, returning 15.46% vs the S&P 500 Index at 13.97%. However, Champlain continues to lag on a Calendar YTD basis at 9.23% vs. the Russell Mid Cap index at 12.99%. Total Real Estate positions returned 8.25% vs. 8.89% for the NCREIF on a Calendar YTD basis (through 9/30/2014) and Infrastructure at 7.28% vs. 5.05% for the CPI+4% Index Benchmark.

Allan made some rough predictions to estimate what the end of December was going to look like based on portfolio balances at 12/29/14, indicating the Total Fund performance is flat to slightly negative thus far for December, and he thought the Calendar YTD performance would be approaching 7.63%. There is no composite index comparison for that; just the absolute return projected for 2014. On a Fiscal year-to-date basis the estimate through the end of December is roughly 2% thus far. The actual Fiscal YTD return through November is at 2.00% vs. Custom Plan Index of 2.21%. On the positive side, Pyramis returned 1.56% vs. Russell 2000 of -1.16%. We continue to see T. Rowe Price lag on FYTD basis returning 6.28% vs. 7.47% for the Russell 1000 Growth. Aberdeen is negative at -6.55% vs. the MSCI All Country World Index of -5.53%.

John O'Hare asked that a calendar year report on the active managers be provided to see if they are adding value for their benchmarks as a whole.

**D. Articles for Board Member Education / Discussion**

1. Deal Reached to allow Pension Plans to Cut Benefits (The Washington Post, Dec. 10, 2014)

**E. Call to Audience – None heard**

**F. Future Agenda Items**

1. January 22, 2015 meeting – Due diligence interviews of non-US Equity Small Cap Managers: MFS Investment Management, Brandes Investment Partners, L.P., and American Century Investment Management
2. Feb. 26, 2015 meeting – Causeway Capital Management – Annual Investment Manager Review; and review of Causeway's International Opportunities strategy
3. Feb., or March 2015 meeting - Board Governance Policies and Fiduciary Training Refresher – Cassie Langford

**G. Adjournment** - Chairman Fleming adjourned the meeting at 10:13 AM.

Approved:  \_\_\_\_\_  
Robert Fleming  
Chairman of the Board

 \_\_\_\_\_  
Date

 \_\_\_\_\_  
Michael Hermanson  
Plan Administrator

 \_\_\_\_\_  
Date