

This month's issue of our local board newsletter is packed full of information including our legislative update. As we close fiscal year 2010, we here at the system look forward to the opportunities fiscal year 2011 will bring in terms of pension processing, retiree/member/local board/employer customer service, local board training and outreach, and fund performance. The system is taking a strategic look in each of these areas to better serve our boards, employer groups, active members and retirees.

UPDATE ON PERMANENT BENEFIT INCREASES FOR RETIRED MEMBERS

Eligible retirees in **PSPRS** will receive a COLA increase of \$146.74 in their July 30th pension. Also, state tax changes will take effect so retirees will need to review their direct deposit notice carefully. Members can also access this information through "Member Only" on our website at www.psprs.com.

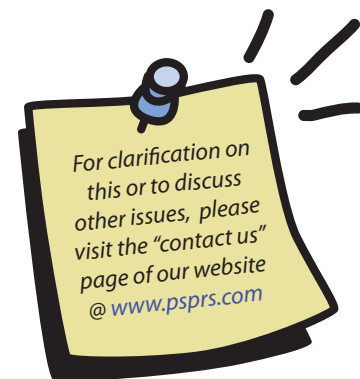
As of May 31, 2010, the plans have a 15.65% (gross of fees) investment return. The market has been volatile in June and we do not have our final fiscal year end returns at June 30, 2010 calculated net of fees yet. If the plans are able to maintain a large positive return, above 9%, there will be additional assets flowing into the escalator account (COLA account). This will likely result in a COLA calculated at the statutory maximum of 4 percent, for eligible retirees in **CORP** and **EORP**. The increase will be reflected in the July 30th pension payments.

However, in the absence of significant in-flows of new assets into the CORP and EORP COLA accounts, the July increase could end up being less than the maximum 4 percent. The amount of the COLA ultimately depends on the amount of assets in the COLA accounts.

We will be updating our website as final fiscal year end results are determined.

STATE MANDATED FURLOUGH DAYS

During the state's special session budget process HB 2003 was signed which requires all state agencies to close offices during 6 mandatory furlough days. In observance of this requirement, the PSPRS offices will be closed on the following days in this fiscal year:



July 23rd, 2010
August 20th, 2010
September 17th, 2010
November 26th, 2010
December 23rd, 2010
June 10th, 2010

For more information on any of the topics found in this newsletter or to download copies of our previous newsletters please visit our website at www.psprs.com

NOTES FROM THE BENEFITS DEPARTMENT

The benefits staff would like to remind our boards that the new state tax withholding goes into effect. Also, all July effective retirement packets submitted to the system need to be completed on the new electronic spreadsheets to ensure that the proper method for recording leave without pay (LWOP) is applied. Boards can access these forms on our website www.psprs.com.

The updated spreadsheets must be used for your July effective retirees. As always, retirement packets must be submitted to the system by the 10th of each month.

LEGISLATIVE UPDATE:

The forty-ninth legislature's second regular session adjourned sine die on April 29th 2010. Several bills passed and were signed into law that made legislative changes to the PSPRS, CORP and EORP Plans. Below we have provided an overview of those bills for each plan. Most of these changes are effective July 29th 2010 unless otherwise stated. To view the bills in their entirety, you can log onto www.azleg.gov.

PSPRS REVERSE DROP – Repealed July 1, 2010

Laws 2005 Ch. 258 § 2 provide: Section 38-844.10. Arizona Revised Statutes, as added by this act is repealed from and after June 30, 2010

The Following bills were passed during the 49th Legislature 2nd Regular Session

HB 2068 – EORP Omnibus – Chapter 30, Laws 2010

1. Clarifies that credited service does not include periods of service for which an active member is uncompensated by the employer and for which no contributions were made to the plan 38-801(6).
2. Adds definition of eligible child consistent with CORP and PSPRS: "Eligible Child" means an unmarried child of a deceased active or retired member who meets one of the following qualifications 38-801(15):
 - (a) Is under 18 years of age
 - (b) Is at least 18 years of age and under 23 years of age only during any period that the child is a full-time student,
 - (c) In under a disability that began before the child attained 23 years of age and remains a dependent of the surviving spouse or guardian.
3. Defines employer as a department, agency, or political subdivision of this state that makes employer contributions to the plan pursuant to section 38-810 on behalf of an elected official who participates in the plan. **Effective August 7, 1985.** 38-801(18) and section 7(a)
4. Clarifies that the EORP is a jural entity that may sue or be sued. 38-802(D)
5. Clarifies that in no case shall more than 12 months of credited service be credited on account of all service rendered by a member in any one year. 38-804(E)
6. Surviving spouse changes make EORP consistent with CORP and PSPRS – survivor of retired member must be married to the member for at least two consecutive years at the time of death. Survivor of an active member must be married to the member at the date of death. 38-807 (A and B)

7. Adds language stating that a child's pension will cease if the eligible child is adopted, if the child ceases to be under a disability (if applicable), or is no longer a dependent of the surviving spouse or guardian. 38-807(C)
8. Adds language to make EORP consistent with CORP and PSPRS so that if a member is convicted of, or discharged because of theft, embezzlement, fraud or misappropriation of an employer's property or property under the control of the employer, the member may be subject to restitution and fines imposed by the court and the court may order restitution or fines to be paid from any payments otherwise payable to the member. 38-809(E) If a member is convicted of defrauding the Plan, the member gets a refund of contributions and forfeits any rights to future benefits. 38-809(F)
9. Changes "a participating employer of the Plan" to "employer" consistent with item #3 in the health coverage for retired members section 38-817. Effective June 30, 2001
10. Removes language contained in section 38-817 relating to the "rural subsidy" as it no longer applies.

HB 2067 – PSPRS Omnibus – Chapter 118, Laws 2010

1. Adds a requirement that a municipality or fire district shall provide PSPRS all information necessary to perform the reallocation of fire insurance premium tax money between active members and volunteers. 20-224(C)
2. Clarifies that the PSPRS is a jural entity that may sue or be sued. 38-841(E)
3. Enhances the definition of compensation with third party contracts between public agencies to include criminal, traffic and crime suppression activities training, wildfire, emergency medical or emergency management activities or where the employer supervises the employee's performance of law enforcement, criminal, traffic and crime suppression activities, training, fire, wildfire, emergency medical or emergency management services. 38-842(11)
4. Reworded the definition of eligible child but no substantive changes. 38-842(22)
5. Clarifies the definition of member to include those employees who customarily work fluctuating work weeks but whose customary employment averages at least forty hours per week. 38-842(31)(c)
6. Adds language under the definition of member for furlough days or reduced work hours. Members maintain their active member status as long as the hour change does not extend beyond twelve consecutive months. 38-842(31)(e)
7. Clarifies that in no case shall more than 12 months of credited service be credited on account of all service rendered by a member in any one year. 38-843(E)
8. Removes from section 38-844 the ordinary disability income offset requirements.
9. Surviving spouse changes made so that PSPRS is consistent with CORP and EORP – survivor of retired member must be married to the member for at least two consecutive years at the time of death. Survivor of an active member must be married to the member at the date of death. Surviving spouse must file a written application with the system to receive a survivor benefit. 38-846

10. Adds a requirement that each local board shall be fully constituted within 60 days after the employer's effective date of participation in the system. If the deadline is not met, then on the written request of any member who is covered by the local board or the employer to the Board of Trustees, the Board of Trustees may appoint all vacancies of the local board and designate whether each appointive position is for a two year or a four year term. If the Board of Trustees cannot find individuals to serve on the local board who meet the requirements, the Board of Trustees may appoint individuals to serve as interim local board members until qualified individuals are appointed or elected. Each local board shall meet at least twice a year. 38-847(C)
11. Clarifies the relationship between the Board of Trustees and a local board whereby if the Board of Trustees determines a local board decision violates the IRS Code or threatens to impair the system's status as a qualified Plan under the IRS Code, the local board's decision is not final and binding and the Board of Trustees may refrain from implementing or complying with the local board decision. 38-847(D)(3) and (E)
12. Establishes a twenty day deadline in which the local board must submit to the Board of Trustees by certified mail a description of action taken and the name of the member affected. This too must comply with IRS Code and not threaten to impair the system's status as a qualified plan under the IRS Code. 38-847(G)
13. Exempts decisions that would violate IRS code or threaten to impair the system's status as a qualified plan from the statutory time period in which the Board of Trustees may apply for a rehearing. 38-847(H)
14. Clarifies that the fees of the medical board and the independent legal counsel and all other expenses of the local board necessary for the administration of the system shall be paid by the employer and not the Board of Trustees or system. 38-847(N)
15. Allows the local board and the individual members of the local board to be indemnified from the assets of the employer for any judgment, attorney fees, and costs. 38-847(P)
16. Adds that the Board of Trustees may settle threatened or actual litigation against the system or any plan administered by the Board of Trustees. 38-848(10)
17. Removes the requirement from 38-848(J) (4) of reporting a detailed statement of the investments acquired and disposed of during the year in the Comprehensive Annual Financial Report.
18. Allows the Board of Trustees to authorize the Administrator, CIO and other in-house professionals employed by Board of Trustees to make discretionary investments for the system that do not exceed fifty percent of the assets of the system. 38-848.03(F)
19. Requires an employer to advise the Board of Trustees in writing within ten days after a retired member who has become reemployed by the previous employer whether the retired member has been reemployed in the same position from which the member retired. If the Board of Trustees does not have necessary information to make a reemployment determination, pension payments shall be suspended until such information is received and a determination can be made that the reemployment meets the statutory requirements. 38-849(D)
20. Adds prior service in this state or a political subdivision of this state as a full time police officer or fire fighter as eligible for redemption. 38-853.01

HB 2296 – Peace Officer; Spouse; Insurance Payment – Chapter 148, Laws 2010 – effective April 26, 2010

1. Requires the employer to pay for health insurance premiums for the first year after a law enforcement officer's death in the line of duty for the spouse and any eligible children, provided that the law enforcement officer was enrolled in the employer's plan at the time of death. 38-1103

For purposes of this section "Law Enforcement Officer" means:

- A peace officer who is certified by the Arizona Peace Officers Standards and Training Board.
- A Detention Officer or Corrections Officer who is employed by the state of Arizona or a political subdivision of the state of Arizona
- A Probation Officer or Surveillance Officer who is employed by the state of Arizona or a political subdivision of the state of Arizona.

SB 1006 – PSPRS; Fund Manager; Name change – Contains an Emergency Clause – effective April 28, 2010. Chapter 200, Laws 2010

1. Replaces all references to "Fund Manager" with "Board of Trustees" or "Board".
2. Removes obsolete language about a subsidy in non-service areas from the section on group health and accident coverage for retired members or survivors; 38-817, 38-857, 38-906
3. Increases the size of the Board from five to seven.
4. Increases the term of office from three to five years.
5. Clarifies which terms expire for the trustees during transitional growth period.
6. Requires the governor to make all appointments to the Board.
7. Prohibits use of "special advisors" to the Board.

SB 1004 – Retirement Systems & Plans; Amendments – Chapter 231, Laws 2010

Clarifies when the system or Plan pays the segregated funds to the alternate payee in the month following the month in which the determination was made as opposed to the existing language which stated "first of the month".

SB 1124 – CORP; Reverse DROP; Extension – Chapter 163, Laws 2010

1. Extends CORP Reverse DROP to June 30, 2016 from June 30, 2011.
2. Suspends the definition of "temporarily filled" until June 30, 2011.

3. Allows the local board of DOC and Juvenile DOC to specify a designated position if the following is fulfilled: a) specified designated position must be filled by a member of the Plan who is currently employed in a designated position; b) who is promoted or transferred in the specified designated position; and, c) has at least five years of credited service under the Plan. The request must be in writing to the local board within ninety days of accepting the position. The local board's decision is subject to review by the Plan. On the employee leaving the position, the position reverts to a non-designated position.
4. Any current employee serving temporarily in a specified designated position is subject to this section if the employee signs a new waiver after the effective date of this section.

HB 2209 – Public Meetings; Notices – Chapter 88, Laws 2010

1. Secretary of State for State public bodies, the city, or town clerk for municipal public bodies and the county clerk for all other local public bodies shall conspicuously post open meeting law materials prepared and approved by the attorney general on their website. 38-431.01 (G)
2. A person elected or appointed to a public body shall review the open meeting law materials at least one day before that person takes office. 38-431.01(G)
3. All public bodies of this state, governing bodies of charter schools, public bodies of the counties and school districts must conspicuously post a statement on their website (rather than filing with the appropriate office) stating where all public notices of their meetings will be posted, including the physical and electronic locations. If a technical problem prevents the posting of the meeting either temporarily or permanently, it does not stop the meeting from being held. 38-431.02 (1 and 2)
4. Special districts that are formed pursuant to Title 48 must conspicuously post a statement on their website stating where all public notices of their meetings will be posted, including the physical and electronic locations. If a technical problem prevents the posting of the meeting either temporarily or permanently, it does not stop the meeting from being held. However, if the notice is not posted to the website, the special district must file a statement with the clerk of the board of supervisors stating where all public notices of their meetings will be posted. 38-431.02 (3)
5. All cities and towns must conspicuously post a statement on their website or on a website of an association of cities and towns (rather than filing with the appropriate office) stating where all public notices of their meetings will be posted, including the physical and electronic locations. If a technical problem prevents the posting of the meeting either temporarily or permanently, it does not stop the meeting from being held. 38-431.02 (4)
6. If an executive session is scheduled, a notice of the executive session shall state the provision of law authorizing the executive session, and the notice shall be provided to members of the public body and the general public. 38-431.02 (B)
7. Each state agency (regardless of size) shall publish annually in the register, in the state directory and in a telephone directory for Maricopa County the name or names of those employees who are designated by the agency to assist members of the public or regulated community in seeking information or assistance from the agency. 41-1006

THE FOLLOWING BILLS WERE PASSED DURING THE 49TH LEGISLATURE 7TH SPECIAL SESSION

HB 2006/SB 1006 – Budget Bill – Chapter 6, Laws 2010 – effective June 15, 2010

1. Salaries of superior court judges shall be paid ½ by the county and ½ by the state except that in counties with a population of more than two million, the county shall pay 100% of the salary. 12-128
2. Department of Juvenile Corrections terminates on July 1, 2011. 41-3011.15
3. If proposition 100 is approved by the voters, the state shall pay 19.25% of the compensation and employee related expenditures of a justice of the peace, and the county shall pay 80.75% of the compensation and employee related expenditures of a justice of the peace, except that the county shall pay the full amount of the employer contribution of the state retirement system or plan or any county health plan.

HB 2003/SB1003 – Budget Bill – Chapter 3, Laws 2010

1. Requires Performance pay reductions for FY 2010, FY 2011 of 2.75% plus employee related expenditures from and after May 29, 2010. Repealed 38-618.01
2. Requires six (6) mandatory furlough days for FY 2011 and FY 2012 from and after June 15, 2010. Arizona Department of Administration approves and publishes list of furlough days.
3. Pertains to state agencies.

UPCOMING TRAINING:

Northern Region Local Board Seminar

When: Wednesday August 25th, 2010 9am-3:30pm

Where: Flagstaff City Council Chambers
211 W. Aspen Ave., Flagstaff, AZ

To register, please email Robert Ortega rortega@psprs.com.

Local Board Webinar

Topic: Legislative Update

When: Wednesday August 4th, 2010 10am-11:00pm

Interested individuals can register by logging onto the PSPRS website: www.psprs.com



L'IL RONNIE'S CORNER "ABOUT THOSE MINUTES"

As you may know, staff works very hard reviewing the minutes submitted by local boards. Not only are there a lot of minutes submitted, but PSPRS staff sends them through several different levels of review. Your minutes will literally go through the hands of no less than six people before being copied and filed.

If your minutes are lacking, you may get a courtesy phone call, e-mail or even a letter from PSPRS staff. In a majority of the cases, the issues that staff finds are the result of boards not following the Open Meeting Law that sets forth rules regarding Local Board minutes. If you are not familiar with The Open Meeting Law please take time to review ARS 38-431 and ARS 38-847.M of the pension law.

I am not an Open Meeting Law expert. I don't even play one on TV. I am just the messenger trying to give local boards a little guidance that will hopefully reduce the workload of PSPRS staff. If I made a mistake in this article please call or e-mail me

I have broken the pension law 38-847.M down but it basically states the following:

- * The secretary of the local board shall:
- * Keep a record...
- * Prepare minutes of all meetings...
- * Forward the minutes to the PSPRS Board of Trustees within forty- five days after each meeting...
- * Forward all necessary communications to the Board of Trustees.

Let's look at section 38-431.01 of Arizona Open Meeting Law.

38-431.01. Meetings shall be open to the public

A. All meetings of any public body shall be public meetings and **all persons so desiring shall be permitted to attend and listen (NOT PARTICIPATE)* to the deliberations and proceedings.** All legal action of public bodies shall occur during a public meeting.

B. All public bodies shall **provide for the taking of written minutes** or a recording of all their meetings, including executive sessions.

C. For meetings other than executive sessions, such minutes or recording shall include, but not be limited to:

- * The date, time and place of the meeting.
- * The members of the public body recorded as either present or absent. **(CONDUCT A ROLE CALL IF NEEDED)***
- * A general description of the matters **(AGENDA ITEMS)*** considered.
- * An accurate description of:
 - * All legal actions proposed
 - * The names of each member who proposes a motion.
 - * That's who **(INSERT NAMES HERE)*** makes the motion and who seconds the motion
 - * All legal actions discussed
 - * All legal actions taken
 - * The minutes shall also include:
 - * The names of the persons, as given, making statements
 - * Presenting material to the public body
 - * And a reference to the legal action **(AGENDA ITEM #)*** to which the statement of material relates.

D. The **minutes (A DRAFT COPY) or a recording of a meeting shall be available for public inspection three working days after the meeting except** as otherwise specifically provided by this article.

One more thing about the meetings rules.

F. All or any part of a **public meeting of a public body may be recorded by any person in attendance** by means of a tape recorder or camera or any other means of sonic reproduction, provided that there is **no active interference with the conduct of the meeting.**

Remember, if you hear any rumors please call me for the facts. Be safe.

L'il Ronnie

Contact Ron at 602-361-0803 or littletonnie@mac if you need some help, a visit or training. We are here to serve you.

* **These capital letter notations are not in the law, they were added for emphasis.**