

PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM
BOARD OF TRUSTEES OPERATIONS, GOVERNANCE POLICY and AUDIT COMMITTEE MEETING
Minutes for Wednesday, June 23, 2010

Members Present: Mr. Brian Tobin, Chairman
 Mr. Gregory Ferguson, Member

Others Present: Mr. Jim Hacking, Administrator
 Ms. Tracey Peterson, Chief Operating Officer
 Ms. Karen Lewis, Accounting Manager
 Mr. Sam Meier, IT Network and Communications
 Mr. Tom Willard, Systems Development Manager
 Ms. Bridget Feeley, Internal Audit and Compliance Officer
 Ms. Susanne Dobel, Member Services Manager
 Mr. Robert Ortega, Local Board Coordinator/HR
 Ms. Gail Nova, Administration Manager
 Mr. Paul C. Hemmes, Training / Audio Visual Specialist

1. Call to Order

The meeting was called to order at 10:05 a.m. by Chairman Tobin.

2. Review and possible Acceptance of the minutes from the May 26, 2010 Operations, Governance Policy, and Audit Committee meeting.

MOTION: 6-23a-10	At 10:06 a.m.
Motion:	To approve the minutes from the May 26, 2010 Operations, Governance Policy and Audit Committee meeting.
Moved by:	Mr. Greg Ferguson
Seconded by:	Mr. Brian Tobin
Discussion:	None
In Favor:	
Motion:	Passes

3. Agenda Items

- a. Presentation, Discussion and Appropriate Recommendation Regarding utilization of bank services for processing of benefit and refund disbursements and other payroll related items.....Ms. Tracey Peterson
 Chief Operating Officer

A description was given by Ms. Peterson of three bank proposals for processing benefit and refund disbursements: (1) continue to process retirements and refunds in-house, but stop direct deposit notice mailings to retirees with no ability to opt-in to receive one - saves over \$100,000; (2) continue to process retirements and refunds in-house, stop mailing direct deposit notice to retirees with no ability to receive one, but move System's accounts to Mellon; (3) do not mail direct deposit notices, move the System's accounts to Mellon and Mellon will process pension payroll, refunds and tax reports for a fee of \$100,000 but retirees can choose to receive a direct deposit notice which will add the cost of postage to the BNY Mellon fee. Proposals (1) and (2) do not address business continuity which is accomplished through proposal (3). To be noted: members have access to their direct deposit statements through the Members Only section on the PSPRS website: www.psprs.com.

During the meeting the committee considered the importance of disaster planning/business continuity, use of staff time, how to handle emergency situations for payment of benefits if and when they are processed by Mellon, and the fact that since there is no branch of BNY Mellon in Arizona checks could be cashed at the retiree's bank or for a fee at Safeway or Wal-Mart.

Recommendation:	At 10:36 a.m.
6-23b-10	
Recommendation:	To approve proposal #1- continue to process everything in-house, turn off direct deposit mailings to retirees and authorize Staff to discuss with the Board proposal #2. With proposal #2 PSPRS will continue everything in-house, stop mailing SurePays to retirees, but move System's accounts to Mellon. Hold off on proposal #3 for the staff to explore other options.
Moved by:	Mr. Greg Ferguson
Seconded by:	Mr. Brian Tobin
Discussion:	None
In Favor:	
Recommendation:	Passes

- b. Presentation, Discussion and Appropriate **Recommendation** Regarding the proposed FY 2011 PSPRS Administrative Budget.....Ms. Karen Lewis

Accounting

Manager

It was reported by Ms. Lewis the expenses as of June 16, 2010 are 6% under the FY 2010 Administration Budget. The FY 2011 Administration Budget will be less than 95% of the 2010 actual budget.

- c. Presentation, Discussion and Appropriate **Recommendation** Regarding the proposed FY 2011 contract for Gabriel, Roeder, Smith & Company, the PSPRS Actuarial Firm.....

Ms. Karen Lewis

Discussion was centered on renewal of the contract for Gabriel, Roeder, Smith & Company with some additional money necessary for sophisticated projects and analytical work regarding growth possibilities for the Fund. This work is to be completed in the fall prior to the beginning of the January legislative session.

Recommendation:	At 10:47 a.m.
6-23c-10	
Recommendation:	To recommend the full Board approve the Gabriel, Roeder, Smith & Company contract with the changes that have been stipulated.
Moved by:	Mr. Greg Ferguson
Seconded by:	Mr. Brian Tobin
Discussion:	None
In Favor:	
Recommendation:	Passes

- d. Presentation, Discussion and Appropriate **Recommendation** Regarding the proposed FY 2011 contract for Heinfeld Meech & Co, the PSPRS External Audit Firm.....Ms. Karen Lewis

Recommendation: At 10:50 a.m.
6-23d-10
Recommendation: To recommend the full Board approve the Heinfeld Meech & Co. contract.
Moved by: Mr. Greg Ferguson
Seconded by: Mr. Brian Tobin
Discussion: None
In Favor:
Recommendation: Passes

- e. Presentation, Discussion and Appropriate **Recommendation** Regarding the proposed FY 2011 contract for Kutak Rock, LLP, the PSPRS Legal Counsel.....Ms. Karen Lewis

Mr. Hacking informed the committee that the contract for legal work for domestic investments and for global investments is to be capped at specific amounts. If investment work is outside of these types of agreements, the estimated fee is to be negotiated in advance; thus, work will be more efficient and less costly.

RECOMMENDATION: 11:00 a.m.
6-23e-10
Recommendation: To approve the contract with Kutak Rock as amended with the investment fee schedule.
Moved by: Mr. Greg Ferguson
Seconded by: Mr. Brian Tobin
Discussion: None
In Favor:
Recommendation: Passes

- f. Presentation, Discussion and Appropriate **Recommendation** Regarding the proposed FY 20 contract for LRS Consulting, LLC, which is for assistance with the Local Board Network Training Program.....Ms. Karen Lewis

Recommendation: At 11:04 a.m.
6-23f-10
Recommendation: To recommend to the full Board approval of the LRS Consulting, LLC contract.
Moved by: Mr. Greg Ferguson
Seconded by: Mr. Brian Tobin
Discussion: None
In Favor:
Recommendation: Passes

- g. Presentation, Discussion and Appropriate **Recommendation** Regarding the lobbyist policy and lobbyist contract extension for HighGround, Inc.....Mr. Jim Hacking

Administrator

See agenda item 3h below.

- h. Presentation, Discussion and Appropriate **Recommendation** Regarding the lobbyist policy and lobbyist contract extension for Public Policy Partners.....Mr. Jim Hacking

Agenda items 3g and 3h were presented by Mr. Hacking who stated the two firms have different contacts with various key players at the legislature. Going forward into the next legislative session, it remains to be seen whether or not we will use HighGround and Public Policy Partners to a greater or lesser extent. Therefore, reduced fees have been negotiated in case PSPRS does not initiate our own legislative program in FY 2011.

Recommendation:	At 11:10 a.m.
6-23g-10	
Recommendation:	To recommend to the Board approval of both HighGround and Public Policy Partners contracts.
Moved by:	Mr. Greg Ferguson
Seconded by:	Mr. Brian Tobin
Discussion:	Mr. Tobin stated he was reluctant due to the costs being so high.
In Favor:	
Recommendation:	Passes

- i. Update, Discussion and Appropriate **Recommendation** Regarding the EPIC data system and the difference between backing it up in Denver and mirroring to Denver.....Mr. Tom Willard

Systems Development
Manager

Mr. Tom Willard presented the differences between Log Shipping and Mirroring:

Log Shipping: a small file of transactions that occurred since the last log was sent to Denver keeps Denver current with the primary operational database.

Mirroring: a constant connection is kept between the principal database and the mirrored database in Denver.

Mr. Willard proposed Log Shipping a file of the database transactions every 5 minutes to Denver which lets the file grow for 5 minutes and then sends it to Denver.

- j. Review, Discussion and Appropriate **Recommendation** Regarding the June 2010 bill for legal services performed in May, 2010.....Mr. Jim Hacking

One modification was made to the Investment portion of the legal bill for a reduction of \$408 for legal services performed in May, 2010.

Recommendation:	At 11:19 a.m.
6-23-10	
Recommendation:	To recommend the full Board approve the May, 2010 legal bill with the \$408 reduction in costs as stated by Mr. Jim Hacking.
Moved by:	Mr. Greg Ferguson
Seconded by:	Mr. Brian Tobin
Discussion:	None
In Favor:	
Recommendation:	Passes

- k. Written update on the progress of the Local Board Training Program with Possible Discussion and Appropriate **Recommendation**.....Mr. Robert Ortega

Local Board Training Coordinator

Mr. Robert Ortega informed the Committee the first Webinar had almost 60 people in attendance representing 48 boards. The use of the Webinar gives PSPRS a good opportunity to reach multiple boards.

- I. Presentation, Discussion and Possible Appropriate **Recommendation** Regarding the FY 2011 Audit Plan and Risk Assessment.....Ms. Bridget Feeley
Internal Audit and Compliance Officer

Ms. Feeley reported compliance work for FY 2011 will focus on identified areas that need more intense review based on discussions that were held with members of the Board and Staff. Recommendations will be made and solutions will be developed. Ms. Feeley stated the Audit Plan has 200 hours included for special projects.

- m. Presentation, Discussion and Possible Appropriate **Recommendation** Regarding compliance and internal audit.....Ms. Bridget Feeley
Internal Audit and Compliance Officer

Travel expenses and reimbursements have been reviewed and there are no findings of any inappropriate payments. It was recommended that documentation become more robust and to that end, policies and forms have been updated.

- 4. Call to the Public: This is the time for the public to comment. Members of the committee may not discuss items that are not specifically identified on the agenda. Therefore, pursuant to A.R.S. § 38-431.01(G), the subcommittee’s reaction to any public comment is limited to recommending that the Board of Trustees or staff respond or study such comment or schedule the subject matter for further consideration at a later date after appropriate notice.

No members of the public answered the call.

- 5. Schedule next meeting

The next meeting is scheduled for Wednesday, August 18, 2010 at 10:00 a.m.

- 6. Adjournment

Recommendation:	At 11:35 a.m.
6-23-10	
Recommendation:	To adjourn the meeting.
Moved by:	Mr. Greg Ferguson
Seconded by:	Mr. Brian Tobin
Discussion:	None
In Favor:	
Recommendation:	Passes

Brian Tobin, Chairman

Greg Ferguson, Member