

PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM
BOARD OF TRUSTEES OPERATIONS, GOVERNANCE POLICY and AUDIT COMMITTEE MEETING
MINUTES

October 27, 2010

Members Present: Mr. Brian Tobin, Chairman, Trustee
Mr. Gregory Ferguson, Member, Trustee
Mr. Alan Maguire, Trustee – remained until 10:04 for Agenda item B

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
Mr. Robert Ortega, Local Board Coordinator/HR
Ms. Gail Nova, Administration Manager
Mr. Paul C. Hemmes, Training / Audio Visual Specialist

A. Call to Order, Roll Call, Opening remarks.

Chairman Tobin called the meeting to order at 10:02 a.m.

B. Review and possible **Acceptance** of the minutes from the August 10, 2010 Ad Hoc Committee Meeting to review options for legislative services for FY 2011.

MOTION: 10-1-10	At 10:04 a.m.
Motion:	To accept the minutes of the August 10, 2010 Ad Hoc Committee Meeting.
Moved by:	Mr. Ferguson
Seconded by:	Mr. Tobin
Discussion:	None
In Favor:	Mr. Maguire, Mr. Ferguson, Mr. Tobin
Motion:	Passes

C. Review and possible **Acceptance** of the minutes from the August 18, 2010 Operations, Governance Policy, and Audit Committee meeting.

MOTION: 10-2-10	At 10:04 a.m.
Motion:	To accept the minutes of the August 18, 2010 Operations, Governance Policy and Audit Committee Meeting.
Moved by:	Mr. Ferguson
Seconded by:	Mr. Tobin
Discussion:	None
In Favor:	Unanimous
Motion:	Passes

D. Agenda Items:

1. Discussion regarding Fiscal Year 2011 proposed legislative initiatives and possible **Recommendation**.....Mr. Jim Hacking
Administrator

Mr. Hacking informed the committee the lobbyists have been asked to open 5 folders: one for each Plan we administer, one for a minor administrative bill and a spare folder in case it is needed. We are proposing one minor administrative bill and very significant, if not major bills to change PSPRS, CORP and EORP after the completion of the next set of actuarial projections due by the end of the first 10 days of November.

Elements of the administrative bill were discussed by the Board and Ms. Tracey Peterson. The first of the elements was developed by Mr. Lieberman of Kutak Rock regarding clarification of Section 1-502, Arizona Revised Statutes and the applicability of a new statutory mandate that requires contractors to demonstrate their "lawful presence" in the U.S. The "lawful presence" requirement set forth in newly-enacted A.R.S. § 1-502 needs to be amended to make clear it does not apply to persons contracting with or making loans to or with the System. The list of proposed legislation was updated from the list that was proposed during the August 18, 2010 meeting. Item 5 regarding return to work was rewritten to a 90 day clause from twelve months in the August proposed legislative agenda. Also, item 7 of the proposed legislation was changed to clarify that fire recruits, police chiefs and fire chiefs are eligible to participate in PSPRS. A discussion was then held regarding this item. All of the proposed legislative changes will be presented at the Board meeting this afternoon for decision.

A discussion was held regarding proposed PSPRS accidental disability changes due to issues with DROP. Also discussed were proposals to change statutes to clarify the Board's authority to enter into employment agreements with any person, including the administrator and assistant administrators and, in addition, to make clear that loans, guarantees, investment management agreements and investment contracts entered into by the Board of Trustees do not involve the procurement, furnishing, supply or provision of goods, equipment, labor, materials, or services but instead are contracts memorializing obligations or interests in securities. Another proposed legislative change would be to reconcile different local board reporting requirements.

Mr. Ferguson suggested that the Board members receive from Kutak Rock a list of items that can be done along with the list of items that cannot be done. Mr. Hacking said there are things we can do and we will discuss this in the Board of Trustees meeting this afternoon.

2. Presentation of the Quarterly Year-to-Date Budget Report for the first quarter of FY 2011 and possible **Recommendation**.....Ms. Karen Lewis
Accounting
Manager

Ms. Lewis informed the Committee that we are doing well for the first quarter of the fiscal year; with 22.7% of the budget having been expended so far, we are currently under budget. All categories are in line with, or below, budget fiscal-year-to-date except for the building line item where 92% of the allotted funds have been spent, mostly to solve the building's air conditioning problems. Ms. Lewis stated that the expenses for the air conditioning will be discussed on the 28th with the staff and HVAC provider. Also over in budget is the line item for contract labor due to the fact that the "temp" we using for the document imaging project is still

needed. Mr. Hacking will be reviewing the budget items and it may be necessary to come back to the Committee and the Board with a supplementary budget request.

3. Review, discussion and Appropriate **Recommendation** regarding the September and October, 2010 bills for legal services performed in August and September, 2010.

M

Jim Hacking

It was noted by Mr. Hacking there was nothing out of the ordinary regarding the legal services billings. But while there are no irregularities in the amount of the billings, he noted that on a month-to-month basis the bills have been creeping up. It is his opinion that many things that could be done in-house are now being referred to the lawyers for their action which is inflating the monthly amounts. Hopefully, once we get through the RFP process for legal counsel, we will be able to reduce the legal expenses.

RECOMMENDATIO At 10:41 a.m.

N 10-1-10

Recommendation: To approve the legal billings for August and September.

Moved by: Mr. Ferguson

Seconded by: Mr. Tobin

Discussion: The Operations, Governance Policy, and Audit Committee has the authority to act on the decision regarding payment of legal bills since it reviews the budget items. In the future this will be an **Action** item for this committee and a vote of the full Board will not be needed.

In Favor: Unanimous

Motion: Passes

4. Written update on the progress of the Local Board Training Program with discussion and possible Appropriate **Recommendation**.....Mr. Robert Ortega
Local Board Training Coordinator

Mr. Ortega updated the Committee members stating that local board training continues to move forward and mini-audits will be conducted with respect to the PSPRS boards so as to determine where they are in their policies and procedures. Webinars will continue and these will be archived on the PSPRS website. The goal is to get to a point where we can begin reviewing local board compliance. In order to get to this level, initial contact needs to be finished, manuals and pamphlets need to be completed, our website needs to be reconfigured, and an internal tracking process needs to be established.

Mr. Tobin asked Mr. Ortega to complete a spreadsheet showing how we will get to a point where we can begin to do compliance reviews.

5. Presentation, discussion and possible Appropriate **Recommendation** regarding compliance and internal audit.....Ms. Bridget Feeley
Internal Audit and Compliance Officer

Ms. Feeley stated there are no compliance issues to report.

6. 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(H), action taken as a result of public comment will be limited to directing

staff to study the matter, responding to any criticism, or scheduling the matter for a later date for further consideration and possible recommendations to the Board of Trustees..

No members of the public wished to speak.

7. Schedule next meeting.

The next meeting is scheduled for November 17, 2010 at 10 or possibly 11 a.m.

8. Adjournment.

The meeting was adjourned at 10:47 a.m.

MOTION: 10-3-10	At 10:47 a.m.
Motion:	To adjourn the meeting.
Moved by:	Mr. Ferguson
Seconded by:	Mr. Tobin
Discussion:	None
In Favor:	Unanimous
Motion:	Passes

Brian Tobin, Chairman

Greg Ferguson, Member