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

January 21, 2015

MINUTES

Members: Mr. Greg Ferguson, Chairman, Trustee
Present: Mr. Jeff McHenry, Member, Trustee
          Ms. Randie Stein, Member, Trustee
Others Present: Mr. Jared Smout, Deputy Administrator
                Ms. Ivy Voss, Assistant Attorney General
                Mr. Robert Ortega, Local Board Training Coordinator/HR Manager
                Mr. Don Mineer, Local Board Training Specialist
                Ms. Leslie Clark, Senior Financial Accountant/Great Plains DBA
                Mr. John Hendricks, Senior Investment/Financial Accountant
                Ms. Bridget Feeley, Internal Audit and Compliance Officer
                Mr. Sam Meier, IT Operations Manager
                Mr. John Chase, Senior Systems Programmer
                Mr. Alex Neff, Systems Engineer
                Ms. Michelle Pechan, Paralegal
                Ms. Lisa Sweeting, Knowledge/Information Manager
                Mr. Christian Palmer, Avant Strategies
                Mr. John Kaites, Avant Strategies
                Ms. Meghaen Dell’Artino, Avant Strategies

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

   The meeting was called to order by Chairman Ferguson at 11:02 a.m.

2. Review, discussion and possible approval of Operations, Governance Policy and Audit
   Committee Minutes from November 19, 2014.

   Motion: 1-1/21/15
   At 11:03 a.m.
   Motion: To approve the Operations, Governance Policy and Audit Committee Minutes from November 19, 2014 as presented.
   Moved by: Mr. McHenry
   Seconded by: Ms. Stein
   Discussion: None
   In Favor: Unanimous
   Motion: Passes
3. **Presentation of the Month-to-Date Budget Report for FY 2015 and possible Recommendations.**

   Mr. John Hendricks  
   Manager Finance and Accounting

We are forecast to be 10.2% over budget at the end of the fiscal year. The biggest reason for this problem are the investment legal expenses. It was shared by Mr. Smout that, in his opinion, legal investment fees should be accounted for as part of the cost of a specific investment, similar to management fees, and be part of the administrative budget... Mr. Ferguson expressed concern that doing so would be hiding the expenses. Mr. Smout said that he understood that concern, but said that we are actually becoming more transparent in our investment fees and these legal expenses will be included as part of that transparency. It is difficult to budget for these expenses and really are a part of the cost to of the investment.

The committee members asked Mr. Mark Steed why investment legal fees are 10% over budget. He responded that deal flow has increased three to five times at between $30,000 to $40,000 per transaction and more if it is international. Deal flow will be decreasing in 2015 since a lot of transactions occurred in 2014. Also, one in 7 or 8 deals are not completed, yet there are legal fees. The investment staff looks at it as an investment expense and not an operational expense.

In house legal staff keeps legal expenses down by negotiating and reviewing background checks on top executives which previously was done by outside counsel. Mr. Steed stated it makes sense to assign legal costs to that investment at the end of the year and all legal expenses should be spread across each asset class.

Mr. Smout said this is part of doing an investment and more research will be completed before the next meeting.

4. **Written update on the progress of the Local Board Training Program and discussion and possible Recommendations regarding same.**

   Mr. Robert Ortega  
   Local Board Training Coordinator and Human Resources Manager

   Mr. Don Mineer  
   Local Board Training Specialist

There will be more meetings with local boards regarding how actuarial rates affect contribution rates.

5. **Presentation of the "Requests for Local Board Rehearing" Report for the current month.**

   Mr. Jared A. Smout  
   Deputy Administrator

Progress is being made regarding two rehearing requests.

6. **Review, discussion and possible Action regarding law firms' billings for legal services performed in November and December, 2014.**

   Mr. Jared A. Smout
### Report and possible Action on the FY 2015 Compliance and Internal Audit Plan.

**Ms. Bridget Feeley**  
*Internal Audit and Compliance Officer*

Contributions have been reviewed resulting in two identified issues which will be addressed with implementation of the new EPIC system. Accounting procedures had not been formally approved, but had been documented. Travel expense reimbursement procedural documentation is to be completed by the end of February and we are in the process of updating allowable travel expenses.

Ms. Feeley requested consideration of updating the Compliance and Internal Audit Plan quarterly and to take off items that have been implemented which would include the date the item issued had been completed. The plan is on schedule and the process of the review of management fees is still being developed. Ms. Feeley requested permission to complete this in March since work needs to be done regarding the IRS compliance project.

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<tr>
<th>MOTION: 2-1/21/15</th>
<th>At 11:33 a.m.</th>
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<tbody>
<tr>
<td><strong>Motion:</strong></td>
<td>To approve November legal bill for $92,734.92 and the December legal bill for $123,881.60.</td>
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<td><strong>Moved by:</strong></td>
<td>Ms. Stein</td>
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<tr>
<td><strong>Seconded by:</strong></td>
<td>Mr. McHenry</td>
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<tr>
<td><strong>Discussion:</strong></td>
<td>None</td>
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<tr>
<td><strong>In Favor:</strong></td>
<td>Unanimous</td>
</tr>
<tr>
<td><strong>Motion:</strong></td>
<td>Passes</td>
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### Discussion and Recommendations regarding an amendment to the PSPRS FY 2015 Budget to provide funding for a reallocation of existing and open Lead Portfolio Manager position to an Analyst Position.

**Mr. Jared A. Smout**

This position is not funded in the 2014-15 fiscal year budget. The Investment Department needs this position to analyze the Asian market.

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<tr>
<th>MOTION: 3-1/21/15</th>
<th>At 11:49 a.m.</th>
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<tr>
<td><strong>Motion:</strong></td>
<td>Approval of modified audit plan due to time needed for review of management fees to move it to May and due to IRS compliance issue to be reviewed in March.</td>
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<td><strong>Moved by:</strong></td>
<td>Ms. Stein</td>
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<tr>
<td><strong>Seconded by:</strong></td>
<td>Mr. McHenry</td>
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<tr>
<td><strong>Discussion:</strong></td>
<td>None</td>
</tr>
<tr>
<td><strong>In Favor:</strong></td>
<td>Unanimous</td>
</tr>
<tr>
<td><strong>Motion:</strong></td>
<td>Passes</td>
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</table>

*Mr. Jared A. Smout*

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<tr>
<th>MOTION: 4-1/21/15</th>
<th>At 11:59 a.m.</th>
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<tr>
<td>Motion:</td>
<td>To recommend to the Board of Trustees to reallocate the position from Lead Portfolio Manager to an Analyst position and when approved to review the budget for possible approval.</td>
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<tr>
<td>Moved by:</td>
<td>Mr. McHenry</td>
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<tr>
<td>Seconded by:</td>
<td>Ms. Stein</td>
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<tr>
<td>Discussion:</td>
<td>None</td>
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<td>In Favor:</td>
<td>Unanimous</td>
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<tr>
<td>Motion:</td>
<td>Passes</td>
</tr>
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10. Presentation, discussion and possible **Recommendations** regarding a renewal contract between the PSPRS and Avant Strategies.

*Mr. Jared A. Smout*

The contract with Avant Strategies ends this month and since we are happy with their services and they have gone above and beyond in their duties, we have offered to extend their help with public affairs and critical issues. Their tasks are to work with finding the best options to assist with crisis management, write content work important to best communicate our interests, establish a better website and to help provide better content. Ms. Meghaen Dell’Artino was introduced as a new member of Avant Strategies who will assist with grass roots outreach and who brings expertise to communicate with stakeholders and use of social media.

The contract has been expanded to provide content necessary for website development and improvement, e-mail to stakeholders and expansion for time not included in the prior contract.
11. Presentation, discussion and possible Recommendations regarding Microsoft SharePoint web application framework and platform.

Mr. Sam Meier  
IT Operations Manager  
Mr. Alex Neff  
Systems Engineer  
Ms. Lisa Sweeting  
Knowledge|Information Manager  

Mr. Meier informed the committee members that SharePoint has been installed and is up and running. The use of E discovery will enable the user to access files, to assist with document retention and each department will have quick access to portals to access their documents.

12. Discussion and possible Recommendations on pursuing services for website redesign.

Mr. Jared A. Smout  

Website redesign, in conjunction with SharePoint, will assist with reaching out to our membership and employers as well as increasing education and communication channels. Mr. Smout proposed hiring a contract worker to help with communication and website design in addition to public relations services since staff does not have enough time to do so. This would incorporate some SharePoint services which allows access to external information; not internal information. Avant Strategies has offered assistance to discover and define what type of services we need with a contact person to spearhead this search.

13. Discussion and possible Recommendations regarding actuary work sessions.

Mr. Jared Smout  

To be discussed during the Board of Trustees meeting.

14. Review, discussion and possible Recommendations on potential legislative proposals for the 2015 legislative session including items for a possible administrative amendments bill.

Mr. Jared A. Smout

MOTION: 6-1/21/15  
At 12:25 p.m.  
Motion:  
To recommend to the Board of Trustees to give authority to enter into negotiations for a possible contract and to authorize $9,000 per month and, if successful, signing by Mr. Smout. If successful, come back next month regarding the budget.  
Moved by:  
Mr. McHenry  
Seconded by:  
Ms. Stein  
Discussion:  
Discussed having all contracts for the fiscal year.  
In Favor:  
Unanimous  
Motion:  
Passes

MOTION: 6-1/21/15  
At 12:25 p.m.  
Motion:  
To recommend to the Board of Trustees to give authority to enter into negotiations for a possible contract and to authorize $9,000 per month and, if successful, signing by Mr. Smout. If successful, come back next month regarding the budget.  
Moved by:  
Mr. McHenry  
Seconded by:  
Ms. Stein  
Discussion:  
Discussed having all contracts for the fiscal year.  
In Favor:  
Unanimous  
Motion:  
Passes
The bills for discussion were to be referred to the board.

15. Discussion and possible **Recommendations** on the Letter of Transmittal for the June 30, 2014 CAFRs for PSPRS, EORP and CORP.

   *Mr. Jared A. Smout*

   The CAFR in the past has always included two letters, one from the Administrator to the Board and another from the Board to the Governor. Mr. Smout has combined the letters and wants guidance from the Board since their name will be on the letter. The letter will be taken to the Board and after suggested changes; the final document will be presented at the February meeting. Changes due to GASB 67 have been included in the letter.

16. 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.

   There was no response to the Call to the Public.

17. Schedule next meeting. (Currently scheduled for Wednesday, February 25, 2015)

18. Adjournment.

   The meeting was adjourned at 12:41 p.m.

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*Mr. Gregory Ferguson*