PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM
BOARD OF TRUSTEES MEETING
January 27, 2017

MINUTES

Present: Mr. Brian Tobin, Chairman, Trustee
Mr. William T. Buividas, Vice Chairman, Trustee
Mr. William C. Davis, Trustee
Mr. Edward J. McNeill, Trustee
Mr. Bryan Raines, Trustee
Mr. Mike Scheidt, Trustee
Mr. Dean M. Scheinert, Trustee
Mr. Donald A. Smith, Jr., Trustee
Mr. Jared Smout, Administrator
Others Present: Mr. Dave DeJonge, Deputy Administrator
Mr. Paul Hemmes, Information Technology
Mr. Christian Palmer, Communications Director
Mr. Tom Iannucci, President, Cortex
Mr. Clive Morgan, Consultant, Cortex
Mr. Pete Constant, Senior Fellow, Reason Foundation

1. Call to Order; Roll Call; Opening remarks

The meeting was called to order at 8:10 a.m. by Chairman Tobin. The Pledge of Allegiance was recited.

2. Call to the Public.

This is the time for the public to comment. Members of the Board of Trustees may not discuss items that are not specifically identified on the agenda, except to address criticism from the public. Therefore, pursuant to A.R.S. § 38-431.01(H), the Board of Trustees’ reaction to any public comment is limited to addressing criticism or 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.

There was no response to the Call to the Public.

3. Work session/discussion with representatives from the Reason Foundation on the risk-pooling and local board consolidation study.

Mr. Brian P. Tobin
Mr. Jared A. Smout
Mr. Pete Constant
Administrator
Senior Fellow, Pension Reform Project
Reason Foundation
The Reason Foundation was a major contributor to SB 1428 and they are attending the meeting at the request of the Board in order to share their feedback regarding the Cortex study and to share some thought processes that went into the legislation. The Reason Foundation provides their technical expertise in assisting public officials across the U.S. in order to implement pension reform. They discussed their role regarding the rebalancing of the board in order to be more reflective of the members of the Plan and to have more opportunity to be included in the decision making processes of the System. The goals included how to address the governance and structure of the Plan including constraint of volatility, making good decisions at all levels in order that individual decisions and responsibilities of the local boards are cognizant regarding their impact on contribution rates. Discussion regarding plan design to reduce volatility and to ensure stability of contribution rates so that the Plan does not mount a large unfunded liability in the long term. Discussion was held regarding whether pooling is or is not in the best interest of PSPRS and you cannot undo a pooled plan. The representatives of the Reason Foundation stated the Cortex report achieves pooling with events outside of anyone’s control i.e., killed in the line of duty, injured in the line of duty. They felt discussion should be regarding where the line between controllable and non-controllable decisions should be.

4. Work session/discussion with representatives from Cortex regarding their risk-pooling and local board consolidation report and recommendations.

   Mr. Brian P. Tobin
   Mr. Jared A. Smout
   Mr. Tom Iannucci
   President, Cortex
   Mr. Clive Morgan,
   Consultant, Cortex

Topics of discussion included the prevalence of agent multiple plans, 100% pooled funds, charge backs, and calculations based on current actuarial rates. Cortex suggestion of 3C on p. 38 of their report with pooling of small employers with less than 100 employees may not be the best solution because they could still have additional costs that would affect overall costs of the Plan.

5. Discussion and possible Action on recommendations to the Legislature for possible risk-pooling and local board consolidation.

   Mr. Brian P. Tobin
   Mr. Jared A. Smout

Chairman Tobin stated action on the Board’s recommendation is required by legislature to be sent to them on or before 2/15/17 regarding risk pooling, if any and/or the local board consolidation decision if completed by that date. The decision regarding board consolidation was assigned during the Board of Trustees meeting on January 25, 2017 to the Advisory Committee for further study. Today’s discussion is about risk pooling. Discussion will also include Tier 3 contribution rates, which is an issue brought up in the Cortex report.

Discussion was held regarding the Cortex Report, p. 38, Table 6, Hybrid Option 3B.
Discussion regarding how to determine the employee and employer contribution rate occurred. The rate will be at the local level due to keeping the agency multiple system but add a retiree pool for pooling death in the line of duty, death in retirement, death before retirement and disability risks. How to handle the employee rate? Input from several members of the public was given to the Board following a Call to the Public by Chairman Tobin. Following this input, a discussion was held between the members of the board as to how to determine the employer rate. This discussion was tabled and the Administrator was directed to seek information from all stakeholders since additional information is now available regarding contribution rates. No action was taken at this time. The chairman asked that employees and employers make presentations at the next meeting in order for others to address the Board.

6. **The Board of Trustees may vote to go into Executive Session (which will not be open to the public) to discuss matters pursuant to A.R.S. §§ 38-431.03(A) (1), (2), (3), (4) and (7), as applicable, including to receive legal advice from the Board’s attorneys on any matter listed on the agenda, including:**

7. **Schedule future meeting date(s). (Currently scheduled for Wednesday, March 1, 2017.)**

Most likely, another meeting may be scheduled prior to February 15, 2017.
8. Adjournment

The meeting was adjourned at 10:15 a.m.

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Brian P. Tobin, Chairman

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William T. Buividas, Trustee, Vice Chairman

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William C. Davis, Trustee

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Edward J. McNeill, Trustee

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Bryan Raines, Trustee

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Donald A. Smith, Jr., Trustee