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

June 28, 2017

MINUTES

Members Present: Mr. Bryan Raines, Chairman, Trustee - Excused
Mr. Ed McNeill, Vice Chairman, Trustee
Mr. Mike Scheidt, Member, Trustee

Others Present: Mr. Jared Smout, Administrator
Mr. Dave DeJonge, Deputy Administrator - Excused
Ms. Ivy Voss, Assistant Attorney General
Ms. Patricia Shaner, Human Resources Manager
Mr. Don Mineer, Local Board Training Coordinator - Excused
Mr. John Hendricks, Manager Finance and Accounting
Mr. Sam Meier, Operations IT Manager
Ms. Lisa Sweeting, Knowledge/Information Manager
Mr. John Briney, Enterprise Systems Architect – Departed at 9:15 A.M.
Mr. Christian Palmer, Communications Director – Excused
Ms. Michelle Pechan, Paralegal
Mr. Stan Hoover, PSPRS Retiree

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

   Mr. Ed McNeill
   Committee Vice Chairman

The meeting was called to order at 9:02 A.M. by Vice Chairman McNeill.


   Mr. Bryan Raines

   **MOTION: 1-6/28/17**
   At 9:03 A.M.
   Motion: To approve the Operations, Governance Policy and Audit Committee Minutes from May 31, 2017.
   Moved by: Mr. Scheidt
   Seconded by: Mr. McNeill
   Discussion: None
   In Favor: Unanimous
   Motion: Passes


   Mr. Jared A. Smout
   Administrator

An update regarding the Hall case was presented by Mr. Smout. The judge has ruled on the prejudgment interest rate which is to be 4.25%, but the judgement has not been formally filed with the court.

The update regarding software is that the contract workers and PSPRS staff will run parallel systems for a period of time before transitioning completely over to the new system.
4. Presentation of the Month-to-Date Budget Report for FY 2017 and possible Recommendations.
   Mr. John Hendricks
   Manager Finance and Accounting

PSPRS is $300,000 under budget for FY 2017.

5. Presentation of the Local Board & Employer Outreach Report and possible Recommendations.
   Mr. Don Mineer
   Local Board Training Coordinator

There was a webinar on June 13, 2017 for employers to update them on the use of the on-line system and to walk through the Hall case. Work is being completed on joinder applications and requests for amortization rate changes.

6. Presentation of the Strategic Plan Progress Report and possible Recommendations.
   Mr. John Briney
   Enterprise Systems Architect

Following the meeting with the Board of Trustees last month, their suggestions have been incorporated into the Strategic Plan.

<table>
<thead>
<tr>
<th>MOTION:2-6/28/17</th>
<th>At 9:17 A.M.</th>
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<tbody>
<tr>
<td>Motion:</td>
<td>Motion for the Board of Trustees to adopt the 2018 Strategic Plan</td>
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<tr>
<td>Moved by:</td>
<td>Mr. Scheidt</td>
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<td>Seconded by:</td>
<td>Mr. McNeill</td>
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<tr>
<td>Discussion:</td>
<td>None</td>
</tr>
<tr>
<td>In Favor:</td>
<td>Unanimous</td>
</tr>
<tr>
<td>Motion:</td>
<td>Passes</td>
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7. Presentation of the Requests for Local Board Rehearing Report for the current month and possible Recommendations.
   Ms. Michelle Pechan
   Paralegal

All four matters listed on the report are still outstanding. One Local Board has had a rehearing and meeting minutes are forthcoming.

8. Presentation on PSPRS communication efforts and possible Recommendations.
   Mr. Christian Palmer
   Communications Director

Three videos are on the PSPRS website, a fourth video is ready and work is being conducted on a script for a fifth video. One of the videos is for the DB Plan and another for the DC Plan.

   Ms. Patricia Shaner
   Human Resources Director

A summary of the results regarding the Engagement Survey was presented. Participation was 92% this year as compared to 98% last year and engagement rate is 124:1 compared to 4.8:1 last year. This year PSPRS will concentrate on recognition, adequate feedback for work and the neutral responses.
10. Review, discussion and possible Action regarding law firms' billings for legal services performed in May, 2017.

   Ivy Voss, Esq.
   Assistant Attorney General

   **MOTION:3-6/28/17**
   **Motion:**
   To approve the payment of the May legal bills in the amount of $101,634.64.
   **Moved by:** Mr. Scheidt
   **Seconded by:** Mr. McNeill
   **Discussion:** None
   **In Favor:** Unanimous
   **Motion:** Passes

11. Review, discussion and possible Recommendations on pending and passed legislative actions and potential legislative proposals.

   Mr. Jared A. Smout

   This topic was deferred until the Board of Trustees meeting in the afternoon.

12. Discussion and possible Recommendations regarding various interest and other rates utilized by staff for calculations.

   Mr. Jared A. Smout

   Discussion was held regarding a table of interest and other rates utilized by staff for calculations. Most are automatic as per statutes. The refund rate is determined by the Board of Trustees and is to be reviewed every year. The actuaries recommend to keep it at 3% for Tiers 1 and 2 compounded annually at a flat rate. If someone is required to forfeit their retirement pension, but get contributions back it is recommended that be reaffirmed. The Supplemental DC match for staff the by PSPRS needs approval annually. It has been 6% and it is recommended that it not change.

   **MOTION:4-6/28/17**
   **Motion:**
   At 9:43 A.M.
   To apply the 3% compounded annually refund rate to Tiers 1, 2 and 3. We affirm we will continue our same process for those forfeiting their benefits due to felony convictions and to refund their contributions; and the recommendation for the Supplemental DC Plan employer match for PSPRS staff of 6%.
   **Moved by:** Mr. Scheidt
   **Seconded by:** Mr. McNeill
   **Discussion:** None
   **In Favor:** Unanimous
   **Motion:** Passes

13. Presentation, discussion and possible Action regarding the renewal of fiscal 2017-18 contracts for various services.

   Mr. Jared A. Smout

   The contracts include those with the Attorney General’s Office, Gabriel Roeder Smith, Heinfield Meech, Public Policy Partners, HighGround, New England Pension Consultants (NEPC), StepStone, ORG and Albourne. Also included are the attorneys that are on an as needed basis and an ongoing contract with Cortex going forward for the local board consolidation, if we choose to use them.
MOTION: 5-6/28/17
Motion: To recommend approval by the Board of Trustees.
Moved by: Mr. Scheidt
Seconded by: Mr. McNeill
Discussion: None
In Favor: Unanimous
Motion: Passes

Review, discussion and possible Recommendations with respect to the FY2018 PSPRS Administrative Budget.

Mr. Jared A. Smout

There is a slight increase of $90,000 for the proposed budget that was presented at the May Board of Trustees meeting due to health insurance costs which have increases over 12% for employees. We are able to remove some building expenses, training costs have increased for the members of the Board and staff. Other small reductions have been made.

MOTION: 6-6/28/17
Motion: To recommend approval of the proposed budget excluding the building which is to be discussed in Executive Session.
Moved by: Mr. Scheidt
Seconded by: Mr. McNeill
Discussion: None
In Favor: Unanimous
Motion: Passes

15. 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.

Mr. Stan Hoover stated that outreach and communication is very positive.


The next meeting is scheduled for July 27, 2017.

17. Adjournment.

The meeting was adjourned at 10:02 A.M.

/s/

Mr. Éög McNeill, Vice Chairman of the
Operations, Governance Policy and Audit Committee