PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM
NEWLY APPOINTED BOARD OF TRUSTEES TRAINING MEETING

December 21, 2016

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. Ryan Parham, Chief Investment Officer
Ms. Ivy N. Voss, Esq., Assistant Attorney General
Ms. Rose Crutcher, Investment Paralegal
Mr. Paul Hemmes, Information Technology
Mr. Christian Palmer, Communications Director
Mr. Sam Meier, IT Systems Manager
Ms. Diane McAllister, Public Policy Partners
Mr. Doug Cole, HighGround
Mr. Tom Iannuci, President, Cortex
Mr. Clive Morgan, Consultant, Cortex

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

Chairman Tobin called the training meeting of the new Board of Trustees to order at 9:00 a.m. All eight members were in attendance. The ninth board member will be appointed by the Governor. A moment of silence was held for a member of the PSPRS staff that had passed away unexpectedly this week. During this holiday season, the chairman requested keeping the family of Mr. Marty Anderson in mind.

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 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.

No members of the public were in attendance during this training meeting.

Training Session of Meeting:


Mr. Jared A. Smout
Administrator
Training was held regarding the System’s Governance Manual, the roles and responsibilities of the Board and staff, and day-to-day policies. Also discussed were eleven key principles covering, policy oversight and prudent delegation of responsibilities. The Board and its members and the Administrator are accountable to high fiduciary standards. Governance must contain a system of checks and balances to assure the integrity of the decision making process.

Discussion was held regarding how to proceed with changes to the charters, in particular the Compliance/Internal Audit Officer Charter, which needs to be more efficient. Mr. Smout stated, going forward, instead of reviewing the Governance Manual every three years, perhaps a rolling annual review.

A question and answer period was held. A brief discussion was held regarding statutes, how PSPRS operates, uniform principles for local boards developed by PSPRS, legal procedures regarding litigation and PSPRS as compared to other state agencies.

4. Discussion regarding Gift Reporting, Expense Reporting.

Instruction was given regarding gift reporting, travel compensation, attendance during Board meetings, conferences and training opportunities. A question and answer period followed instruction.

5. Discussion regarding Management of Board Meetings, Appearance via Telephone Conferences, Agenda Quick and laptops.

Instruction was given regarding Agenda Quick, use of equipment for board members, Open Meeting Laws and public records requests.

6. **Member Appointment and Committee Selection;** Selection of the Vice Chairman of the Board of Trustees; Selection of members of the Operations Committee; Selection of Chairman of Operations Committee; Selection of members of the Investment Committee; Selection of Chairman of Investment Committee.

Upon discussion with the trustees, there was not a balanced preference to equally appoint the same number of members to each committee. Each committee needs at least three trustees where five expressed desire to serve on the Investment Committee. Mr. Davis offered that he would be willing to serve on either committee. Chairman Tobin appointed Mr. Davis, Mr. McNeill and Mr. Scheidt to the Operations Committee. Mr. Raines, Mr. Buvidas, Mr. Smith and Mr. Scheinert were appointed to the Investment Committee. During the first meetings of each committee, the members will elect a vice chairman.

Members of the Board nominated Mr. Buvidas as Vice Chairman of the Board of Trustees.
Upon further discussion, Mr. Raines graciously offered to rescind his desire to be a member of the Investment Committee so that Mr. Davis could continue in that capacity, having served on that committee previously as a member of the outgoing Board of Trustees.

7. Discussion regarding calendar, study topics and study sessions. Schedule future trainings and meeting dates.

Chairman Tobin

The Board of Trustees meetings will mostly be held on the last Wednesday of each month, with a few Thursdays to accommodate conference and training schedules. The approved meeting dates will be made available on the website.

The Cortex Work-Study date will be January 12, 2017, from 9 a.m. to on or about noon.

8. Update and discussion on the Request for Proposal (RFP) for the Investment Advisor of the PSPRS DC Plan and possible action of delegating contractual authority.

Will Buividas
Trustee

MOTION:1-12/21/16  At 1:10 p.m.
Motion: To delegate authority to the Chairman of the PSPRS DC Committee to sign the contract regarding the committee’s selection of the investment advisor.
Moved by: Mr. Bryan Raines
Seconded by: Mr. McNeill
Discussion: None
In Favor: Unanimous
Motion: Passes: one vacant Board position

Lunch break and resumption of meeting: The Board of Trustees will adjourn for lunch at approximately 12:00 noon. The meeting will resume at approximately 12:30 p.m.
9. Introduction of Governmental Affairs individuals and possible discussion of proposed, pending, and passed legislation.

Jared A. Smout
Ms. Diane McAllister
Public Policy Partners
Mr. Doug Cole
HighGround

Possible legislation might be proposed due to EORP’s current 23.5% employee contribution rate and insufficient funding issue which is expected to deplete EORP in less than ten years. Other possible legislation may include Tier 2B employees who currently do not have an early retirement option. Other possible bills would address reform of CORP plan and the establishment of a PBI mechanism for EORP and CORP. It is expected that legislative action will occur regarding SB 1428 and the Cortex report. Additionally, there is expected to be an Administrative Bill.

10. Introduction, discussion, and possible action on the risk-pooling and local board consolidation study as directed by SB1428.

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

Session law directed the Board to study methods of risk pooling and consolidation of local boards in order to find which, if any, are appropriate for the membership. Cortex was engaged for this study. With input from employers, stakeholders, and local boards, a draft of the final recommendations will be presented to the Board in preparation for a report to Legislature on or before February 15, 2017. There are two objectives: to identify appropriate methodology, if any, for Tier 3 risk pooling and to determine the extent, if any, to which local boards of the System should be consolidated (for all benefit tiers). Included in the report, but not part of the objectives established by the legislature, is the issue of how best to calculate the employee contribution rate; which is an issue that was identified by stakeholders as a key concern. Cortex then considered that issue as well.

The focus was Tier 3 regarding Liability Risk Pooling which included non-controllable and controllable risks. Alternatives were considered to risk pooling: Status Quo, 100% Risk Pooling and a Hybrid Approach. The three options were presented and Cortex recommended a Hybrid Approach. Then Cortex presented three options regarding the hybrid approach: 100% risk pooling, Retiree Risk Pooling and distinguish between large and small employers with retiree risk pooling. It was recommended that the best way would be Retiree Risk Pooling (death in the line of duty remains pooled).

The presentation continued with three options for consolidation of the 233 local boards; which included Status Quo with enhancements of improved governance training procedures; single State-wide board and partial consolidation; which would maintain local boards with at least 250 members in either police or firefighters plans, or to create a separate local county board in each county for police and one for firefighters, if applicable. Cortex recommended partial consolidation. 17 large local board would be unaffected, combine 208 smaller local boards with less than 250 members so as to have 27 boards and combine the eight smaller state agencies into one board for a total of 45 local boards.

A question and answer period was held.
11. Adjournment.

Chairman Tobin thanked the members of the Board of Trustees for the work they are doing.

The meeting was adjourned at 2:30 p.m.

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Brian P. Tobin, Chairman

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William T. Buividas, Trustee, Vice Chairman  William C. Davis, Trustee

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Edward J. McNeill, Trustee  Bryan Raines, Trustee

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Mike Scheidt, Trustee  Dean M. Scheinert, Trustee

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Donald A. Smith, Jr., Trustee