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

April 25, 2018

MINUTES

Members: Mr. Ed McNeill, Chairman, Trustee
Present: Mr. Mike Scheidt, Vice Chairman, Trustee
         Mr. Bryan Raines, Member, Trustee
         Mr. William C. Davis, Member, Trustee

Others Present: Mr. Jared Smout, Administrator
                Mr. Dave DeJonge, Deputy A
                Ms. Ivy Voss, Assistant Attorney General
                Ms. Patricia Shaner, Human Resources Manager
                Ms. Chrystal Angotti, Senior Executive Assistant
                Mr. Don Mineer, Local Board Training Coordinator
                Mr. John Hendricks, Manager Finance and Accounting
                Mr. John Briney, Enterprise Systems Architect
                Mr. Jon Chase, IT Development Manager
                Ms. Michelle Pechan, Paralegal
                Mr. Timothy Jackson, Compliance Officer
                Mr. Andrew Fernandez, Member Services

1. Call to Order, Roll Call, Opening remarks.
   
   Mr. Edward J. McNeill
   Chairman

   The meeting was called to order by Mr. Edward J. McNeill, Chairman at 10:31 A.M.

2. Review, discussion and possible approval of the Operations Governance Policy and Audit Committee Minutes from March 28, 2018.

   Mr. Edward J. McNeill

   M:1-4/25/18
   Motion: At 10:31 A.M.
   To approve the Operations Governance Policy and Audit Committee Minutes from March 28, 2018.

   Moved by: Mr. Raines
   Seconded by: Mr. Scheidt
   Discussion: None
   In Favor: Unanimous
   Motion: Passes
3. Review and discussion of staff operation reports.

   a. Operations Update Report

   As of April 16th, there are still 25 entities (out of 304) that have not yet submitted any contribution files. Those entities are from 15 different employers. 87% of our public safety employers are now caught up with their contributions, including the City of Phoenix. We are working directly with each of the remaining employers to help get them caught up.

   Although we sent out newsletters and held several webinars related to PSPRS pension reform in 2016 and 2017, one of the criticisms we heard was that some employers did not feel they were adequately informed about the changes brought about by Senate Bill 1428. We are hoping to do a better job of informing our CORP employers and local boards as we approach July 1, 2018 when the CORP reform changes go in effect.

   Phil Coleman, our new Employer Relationship Manager, is jumping in with both feet and reaching out to our CORP employers to explain the changes and respond to questions. He helped prepare a PowerPoint presentation and met with representatives of the Administrative Office of the Courts (AOC) and the Department of Corrections and Department of Juvenile Corrections along with Dave, Christian, Vivian and John from PSPRS. Phil and Don Mineer traveled to Bisbee to meet with Cochise County, and are traveling to Kingman to meet with Mohave County this week. Phil and Don will hold meetings with employers and local boards in Globe, Payson and Florence in May and June.

   Robert Ortega, our Member Services Director, has also met with DOC and AOC. Robert, Dave, Christian, Vivian and John also met with the County Supervisors Association, the Fraternal Order of Police (which works closely with CORP), and the Director of Communications/Media Relations with DOC to talk about how to best educate newly hired members. Public Safety Financial/Galloway has also been involved in those discussions.

   Christian and Vivian have sent email messages to CORP members and employers to let the members know how CORP reform changes will or will not affect them. They also created a webpage dedicated to providing CORP reform information. We will also hold a webinar in May for CORP employers to make sure everyone has the opportunity to learn about the changes and ask questions.

   b. Year to Date Budget Report

   PSPRS is under budget by $368,163.00

   c. Local Board & Employer Outreach Report

   April 9, 2019 we met with Administrative Office of the Courts (CORP - AOC) in Phoenix, Arizona and reviewed the CORP reform provisions from SB 1142 which will take place July 1, 2018.

   April 11, 2018 we met with the Department of Corrections (CORP – DOC) in Phoenix, Arizona and reviewed the CORP reform provisions from SB 1142 which will take place July 1, 2018.
April 13, 2018 we met with CORP stakeholders in Phoenix, Arizona and reviewed the CORP reform provisions from SB 1142 which will take place July 1, 2018.

April 12, 2018 we provided training in Bisbee, Arizona. 6 Attendees participated in the CORP reform provisions from SB 1142 with the Cochise County CORP group.

April 13, 2018 we provided regional training in Benson, Arizona. 29 attendees participated in a great discussion about the duties and responsibilities of the local board members and the local board secretary. We reviewed the new local board portal and the actuarial reports.

d. Local Board Rehearing Report

2 issues have been resolved; 2 issues remain.

e. Law Firms’ Billings for Legal Services

Legal fees for the month of March were $147,232.15

f. Communication Efforts Report

April communications focused almost entirely on pending reforms to the benefits available for corrections and detention officers, as well as court-hired probation and surveillance officers.

PSPRS met with representatives from the Administrative Office of the Courts, the Department of Corrections and Juvenile Corrections, and the Association of Counties. PSPRS learned of ongoing operational concerns and challenges related to reform, particularly among corrections employers and less so among court employers.

Among the challenges:

i. Many current DOC employees do not have agency email addresses

ii. Many DOC employees may not have personal email or may not check their email frequently

iii. Workplace web filters prevent PSPRS YouTube videos from being viewed by some CORP members and employers

iv. DOC and AJC are alarmed by attrition rates and have concerns that reforms may prompt officers to terminate Tier 1 or 2 membership in order to qualify for Tier 3 benefits

v. CORP communications are needed to remind Tier 1 and 2 members that reforms do not impact their benefits and only apply to those hired after July 1, 2018

vi. Channels must be made to communicate with DOC applicants prior to their first pay period of their employment about the immediate need to choose contribution rates

vii. Corrections employers wish to impart upon members the importance of saving for retirement and discourage refunding their contribution balances upon termination
System communications highlights for April include:

i. CORP reform video No. 1 amassed more than 1,300 views on the PSPRS YouTube channel
ii. CORP reform video No. 2, pertaining to has amassed more than 420 views.
iii. Constant Contact reporting over the last 12 months indicates:
iv. PSPRS has distributed 120 email campaigns; sending 757,000 emails
v. Average email open rate was 39 percent
vi. PSPRS grew its email contact list by 8,745 people, or 19 percent

g. HR Report

Strategic and Workforce planning

i. Draft RFP for a strategy consultant completed and being reviewed

2018 Employee Engagement Survey

i. Survey dates – April 2 through April 29
ii. PSPRS participation rate 91% as of 4/19/2018 (State participation rate 77%)
iii. Survey results should be made available to agencies in June

Learning/Development

i. Powerful Questions & Active Listening scheduled for April 27th
ii. Executive Presence will be scheduled in May
iii. Diversity and Inclusion will be scheduled in June
iv. Lunch and Learn series – StrengthFinders 2.0

New Hire/Recruitment and Position Update

i. James Ko – Sr. Portfolio Manager scheduled to start on May 14th
ii. Carlo Desierto – Sr. Portfolio Manager conditional job offer extended
iii. Mark Appel – Sr. IT Developer conditional job offer extended
iv. Chief Financial Officer position will be posted week of April 23rd. First review of resumes scheduled for second week of May

<table>
<thead>
<tr>
<th>ACTION: 1-4/25/18 Request:</th>
<th>At 11:01 A.M. To ensure PSPRS has an active shooter plan.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Requested by:</td>
<td>Edward McNeill</td>
</tr>
<tr>
<td>Assigned to:</td>
<td>Patricia Shaner</td>
</tr>
</tbody>
</table>
4. Review and discussion of system development progress.  
   *Mr. John Briney  
   Enterprise Systems Architect  

   John Briney presented the system development Gantt chart to the members. (*see attachment)

5. Review and discussion of strategic plan.  
   *Mr. John Briney  

   John Briney presented an update on the strategic plan to the members. (*see attachment)

6. Update, discussion and possible Recommendations from actuarial study session including topics for consideration at the May meeting.  
   *Mr. Jared A. Smout  
   Administrator  

   PSPRS staff met with the actuaries on April 17, 2018 to conduct a study session. (*see attachment). The topics that currently need to be addressed with the Board of Trustees are as follows:

   Layered amortization: Currently, PSPRS’ amortization period is 19 years as of June 30, 2017. The legislature allowed any employer the opportunity to take a one-time extension to 30 years. Layered amortization means that with each additional year; if the employer has any additional liability, that piece is also at 30 years (or 19 years if that is where the employer is at).

   CORP Tier 3 Rates: Initially, we asked the Board to apply the same assumptions we adopted for Public Safety Tier 3. The memo provided shows a table outlining the difference between PSPRS Tier 3 and CORP Tier 3. (*see attached)  

   Jared Smout made the recommendation that PSPRS have the actuaries come back in May and discuss the primary topics that are in the memo attached and any other topics the Board of Trustees’ may want to address. No motion was made.

   **ACTION: 2-4/25/18**  
   **Request:** At 11:11 A.M.  
   To have the actuaries come back in May and discuss the primary topics in the memo provided and any other topics the Board of Trustees wish to address.  

   **Requested by:** Edward McNeill  
   **Assigned to:** Jared Smout

7. Review, discussion and possible Recommendations regarding internal audits.  
   *Mr. Jared A. Smout  

   Jared Smout presented the PSPRS internal audit reports. *(see attachment) Opportunities were identified and recommendations were provided.

8. Review, discussion and possible Recommendations with respect to the FY2019 PSPRS Administrative Budget.
We are currently preparing numbers for FY2019 PSPRS budget. Meetings have been conducted with managers of departments to review their needs and requests. One of the areas we are reviewing is contracts. Per Section 5.06 Vendor Selection Policy of the Governance Manual, and subject to the direction of the Board, the Administrator is required to recommend to the Board annual contracts for approval of the vendors listed on the attached contract update memo. (*see attached). As discussed in the last two previous meetings, we have reviewed our vendor selection policy and our internal vendor management procedure, which included the process of reviewing the contracts provided in the attached memo. At the request of the Board of Trustees, we have created a strategy to address the contracts that have been in use for 10 years (or close to 10 years). This discussion is focused on operational related contracts. Jared Smout made the following recommendations to be taken to the Board of Trustees for approval:

Fiscal Year 2018-19
   i. Renew contracts for Actuarial Services, Financial Auditors and Legislative Liaisons.
   ii. Go out to bid for the Actuarial Services to begin fiscal year 2019-20

Fiscal Year 2019-20
   i. Go out to bid for Legislative Liaisons to begin fiscal year 2020-21

Fiscal Year 2020-21
   i. Go out to bid for the Financial Auditors to begin fiscal year 2021-22

<table>
<thead>
<tr>
<th>MOTION:2-4/25/18</th>
<th>At 11:18 A.M.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motion:</td>
<td>To recommend a one year contract extension of FY18 and FY19 for the Financial Auditors and Actuarial Services, and to defer investment related contract extensions to the Investment Committee.</td>
</tr>
<tr>
<td>Moved by:</td>
<td>Mr. Scheidt</td>
</tr>
<tr>
<td>Seconded by:</td>
<td>Mr. Davis</td>
</tr>
<tr>
<td>Discussion:</td>
<td>None</td>
</tr>
<tr>
<td>In Favor:</td>
<td>Unanimous</td>
</tr>
<tr>
<td>Motion:</td>
<td>Passes</td>
</tr>
</tbody>
</table>

9. Review, discussion and possible Recommendations on pending and passed legislative actions and potential legislative proposal.

Mr. Jared A. Smout

Nothing new to report regarding the legislative actions.

10. 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 public comments.
11. Schedule future meeting date(s). (Calendared for Wednesday, May 30, 2018)

The next meeting will be held on Wednesday, May 20, 2018.


The meeting was adjourned at 11:21 A.M.

Mr. Edward J. McNeill, Chairman of the Operations, Governance Policy and Audit Committee