Minutes of the PSPRS Defined Contribution Committee Meeting
May 22, 2018

PSPRS
DEFINED CONTRIBUTION COMMITTEE
MEETING
May 22, 2018

MINUTES

Members Present: Mr. William T. Buividas, Chairman, Trustee
Mr. Jared A. Smout, Vice Chairman, Administrator
Mr. Bryan J. Jeffries
Mr. Ryan McKinnon
Mr. Brian Moore
Mr. William Thatcher
Mr. Daren Wunderle

Others Present: Mr. Dave De Jonge, Deputy Administrator
Ms. Chrystal Angotti, Senior Executive Assistant
Mr. John Briney, Enterprise Systems Architect
Mr. Timothy Jackson, Compliance Officer
Mr. Jim Keeler, Arizona Program Director, Nationwide Retirement Solutions
Mr. Mark Kordonsky, Principal & Chief Risk Officer, SageView - Teleconference
Mr. Jake O'Shaughnessy, Managing Director, SageView
Mr. Stuart Payment, Retirement Plan Consultant, SageView - Teleconference
Mr. Michael Galloway, CEO, Galloway Asset Management, LLC
Ms. Nanette Eberhardt, COO, Galloway Asset Management, LLC
Mr. Chris Hoerchler, Regional Vice President, Galloway Asset Management, LLC

1. Call to Order; Pledge of Allegiance; Roll Call; Opening remarks.

Chairman Buividas called the meeting to order at 12:07 p.m.

Mr. William T. Buividas
Committee Chairman

2. Review, discussion and possible Approval of the PSPRS Defined Contribution Committee Minutes from March 2, 2018.

Mr. William T. Buividas

MOTION:1-05/22/2018
12:09 p.m.
Motion: To approve the minutes of the Arizona PSPRS Defined Contribution Committee from the October 13, 2017 meeting and the March 2, 2018 meeting as written
Moved by: Mr. Wunderle
Seconded by: Mr. Jeffries
Discussion: None
In Favor: Unanimous
Motion: Passes:
3. **Report on Action Items.**

   *Mr. William T. Buividas*

   No report on action items was given at this time. Chairman Buividas asked the members to give those updates during discussions in the meeting.

4. **Introduction of Phil Coleman, Employer Relationship Manager.**

   *Mr. Jared A. Smout*
   *Vice Chairman and Administrator*

   Mr. Coleman was not in attendance at this meeting due to an offsite PSPRS meeting.

5. **SageView Advisory Group quarterly investment performance review of the PSPDCRP.**

   *Mr. Mark H. Kordonsky, Principal*
   *Mr. Jake O'Shaughnessy, Managing Director*
   *Mr. Stuart Payment, Retirement Plan Consultant*
   *SageView Advisory Group*

   A regulatory overview, market overview and economic overview was presented by SageView Advisory Group as of first quarter; March 31, 2018. The global economic growth and capital markets have been extremely strong in 2017. The Trump Administration is escalating trade tensions, and this will not likely lead to major changes. The equity markets are currently researching what inflation forces are out in the industry, when they are likely to take affect and how dramatic they will be. The interest rates in the US went from 2.74% at the end of the year to almost 3.0% by the end of the first quarter. Rates in the US are clearly rising. SageView’s predictions are that economic growth will continue and maintain its momentum. Across the globe, it shows a broad based expansion during the first quarter for emerging markets. There are some major trends that are going to drive the US. The major factor that the market will revolve around inflation. The long term inflation rate in the US, since the 1960’s, has been 3.8%. We have been chronically below that level in the United States for close to ten years, we do need some degree of inflation for long term growth, in our economy. There was discussion regarding the technical term “flattening yield curve”. This is a slope of interest rates from very short terms all the way through 30 years. Elections effect this factor. After the elections, we had very low short term rates and the discount window was around 1/2%. At the end of 2017, we moved to the flattening curve. The risk has been very stable and it is being viewed in a healthy growth manner. Discussion moved to the regulatory environment, which included the topic of the ruling on the fiduciary rule, Employee Retirement Income Security Act (ERISA). This plan protects assets of millions of Americans so that funds placed in retirement plans during their working lives will be there when they retire. This is a federal law, which is administered by the Department of Labor and sets minimum standards for retirement plans in the public industry. PSPRS is not subject to this ruling, but many other retirement plans look to ERISA for guidance.

   The structure of the 401(a) plan was discussed. As of March 31, 2018, the supplemental 401 (a) shows a very healthy growth and holds $40 million and the elected officials plan holds $4 million. The return of the plans are within the expectations and no further funds were discussed.

Mr. Jim Keeler
Program Director
Nationwide Retirement Solutions

The first quarter Nationwide Retirement Solutions assets for the supplemental plan as of March 31, 2018 is at $16,542,951 with 651 participants. The EODCRS Supplemental 401 (a) report shows a total of $4,057,321 with 187 participants. The PSPDCRP Plan shows a first quarter amount of $31,775,219 with 2869 participants. The non-compliant plan listing was presented as of May 16, 2018, we have gone down from 10 employers to 3 employers on this list. The year to date internal transfers out is at $2,758,446. The Schwab Personal Choice Retirement Account (PCRA) Quarterly Report was presented. As of March 31, 2018 this plan shows growth. Total PCRA assets reported is $672,822.

7. Update, discussion and possible Action on implementation progress with Public Safety Financial/Galloway.

Mr. Michael Galloway, CEO
Galloway Asset Management, LLC

The Public Safety Financial Galloway Activity Report was presented as of January 1, 2018 through March 31, 2018. There were 13 seminars throughout Arizona State with a total of 179 members in attendance. Details regarding the surveys received are as follows: 100% of the members who attended found the seminar to be informative, 100% of the members would recommend to others, 85% of the attendees were motivated to increase 457 personal savings, 100% of the members attended would review investment objectives asset allocations and 29% requested follow-up counseling. The Galloway portfolio program report shows 69 participants with $252,000 assets under management. The 2018 DROP report was discussed. Galloway’s records show that there are 212 PSPRS members in DROP as of 2018, 11% of those members have attended the educational seminars, 2% of the members who are not preexisting clients of Galloway, have become advisory clients. Galloway expressed some challenges that they face when attempting to ensure that members attend the educational seminars. It was discussed that Galloway would continue to work with PSPRS in regards to these seminars. PSPRS will continue to manage participant contact information but will provide updated lists to Galloway, upon reasonable request, that provide the member name, agency, date of service, DROP enter dates and EXIT date. Galloway and PSPRS will continue to work together to ensure coordination of communication efforts.

An update on the PSPRS mailing campaign was given. Galloway has met with the subcommittee, the materials were approved and are ready for distribution. We are currently waiting on the folders to be produced and will begin to work with PSPRS to start the mailing in July.

The CORP training that is rolling out on July 1, 2018 is for Tier 3 members, there is also some training on the Tier 1 & 2 plans as well. A legislative update on CORP was discussed. The only individuals hired after July 1, 2018 that have a choice are Probation Officers and Surveillance Officers from the courts office. The current presentation for this training has been split by Galloway, into two sessions. The first option is for AOC employees and the second is for non AOC employees. Galloway is currently working on how to deliver this training statewide. The process for Galloway to enter the state prisons, is currently being coordinated.

The legislature has set the default for Tier 3 members at 7%, the employer will put in 5% but the default is 7%. Discussion included whether or not we can give new CORP members going into the DC plan (not probation and surveillance) hired on or after July 1, 2018 longer than the first pay period to decide on their contribution amount? The timing of that decision is not specified in statute.
8. Update, discussion and Recommendations on additional strategies to maintain assets in the plan.

Mr. William Thatcher  
Portfolio Manager

An article from Market Watch was presented and discussed. Educating members on calculating fees would be beneficial. Mr. Thatcher presented information that could potentially be given to the members showing how to calculate these fees.

9. Discussion and possible Recommendations on legislative changes that may or may not need to occur regarding the DC Plan.

Mr. Jared A. Smout

DB plan members, who are on military leave or leave without pay; can continue to make their contributions to the plan so that they retain their continued service. Further discussions regarding this option for the DC plan are occurring with our tax consultants.


Mr. Jared A. Smout

The changes to the PSPDCRP plan were presented to the committee members. These changes will be taken to the next Board of Trustees meeting for discussion and possible adoption. The topic as to whether or not survivors and beneficiaries can roll their assets into the plan was discussed.

**MOTION:1-05/22/2018**  
2:42 p.m.  
To recommend the presented changes to the PSPDCRP plan to the full Board of Trustees for possible adoption of the updated plan.

Moved by: Mr. Smout  
Seconded by: Mr. Wunderle  
Discussion: None  
In Favor: Unanimous  
Motion: Passes:
11. Discussion and possible Actions regarding RFP for external legal counsel.

   Mr. Jared A. Smout

   In the previous DC Committee meeting, the State Attorney General’s office has shared that there have been some recent litigations against DC Plans and against having in-house counsel. PSPRS is currently researching the process of restructuring our in-house counsel representation. No other updates were given.

12. Call to the Public.

   Mr. William T. Buividas

   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 reply to the Call to the Public.

13. Schedule future meeting date(s).

   No future meetings were scheduled at this time.


   The meeting was adjourned at 3:30 p.m.

Mr. William T. Buividas, Chairman