AGENDA

The Meeting of the Board of Trustees of the Public Safety Personnel Retirement System (the “PSPRS” or “System”) will be held in the main public conference room of the administrative offices of PSPRS, 3010 East Camelback Road, Suite 200, Phoenix, Arizona 85016, commencing at 1:00 p.m. on Wednesday, January 20, 2016. The meeting will continue until 5:00 p.m. or until the matters set forth in this agenda are otherwise addressed. Members of the Board of Trustees will attend either in person or by telephonic conference call. The Board of Trustees may vote to hold an executive session, which will not be open to the public, to discuss certain matters. The Board of Trustees reserves the right to consider agenda items out of their listed order.

This meeting is available to the public through “Go to Meeting” over the Internet or in person. Please see www.psprs.com for the computer link to the meeting. All persons wishing to attend are invited.

1. Call to Order; Roll Call; Opening remarks

   Mr. Brian P. Tobin
   Chairman

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.

3. Appropriate Action for approval of the items on the Consent Agenda (documentation concerning the matters on the consent agenda may be reviewed at the PSPRS office). Any matter on the Consent Agenda will be removed from the Consent Agenda and discussed as a regular agenda item upon the request of any member of the Board of Trustees.


   c. Acceptance of Elected Officials’ Retirement Plan of termination of survivor benefit of Juanita Burton.

   d. Acceptance of Elected Officials’ Retirement Plan of termination of normal retirement benefit of Glenn Gill.
e. Acceptance of Elected Officials’ Retirement Plan of survivor benefit of Sandra Gill.


g. Acceptance of Elected Officials’ Retirement Plan of normal retirement benefit of George D. Gradillas.

h. Acceptance of Elected Officials’ Retirement Plan of termination of normal retirement benefit of Lillian Hall.

i. Acceptance of Elected Officials’ Retirement Plan of termination of survivor benefit of Barbara Hink.


k. Acceptance of Elected Officials’ Retirement Plan of termination of survivor benefit of Sandra W. McFate.


m. Acceptance of Elected Officials’ Retirement Plan of termination of early retirement benefit of James J. Skelly.

n. Acceptance of Transfer Between State Retirement Systems of Eric Miller.

o. Acceptance of Transfer Between State Retirement Systems of Aaron Victor.

p. Acceptance of Transfer Between State Retirement Systems of Travis Millsap.

q. Acceptance of Transfer Between State Retirement Systems of Timothy Shay.

r. Acceptance of Transfer Between State Retirement Systems of James Groat.

s. Acceptance of Transfer Between State Retirement Systems of Christian Huber.

t. Acceptance of Transfer Between State Retirement Systems of Chase Wright.

u. Acceptance of Transfer Between State Retirement Systems of Giogi Chiappo-West.

v. Acceptance of Transfer Between State Retirement Systems of Kelly Kennedy.

w. Acceptance of Transfer Between State Retirement Systems of Adrian Ruiz.

x. Acceptance of Transfer Between State Retirement Systems of Derek Stephenson.

y. Acceptance of Transfer Between State Retirement Systems of Lance Larson.
z. Acceptance of Transfer Between State Retirement Systems of Andrew Whiteneck.

aa. Acceptance of Transfer Between State Retirement Systems of Shawn Hanson.

bb. Acceptance of Transfer Between State Retirement Systems of Michael Johnston.

c. Acceptance of Transfer Between State Retirement Systems of Ernesto Lugo.

dd. Acceptance of Transfer Between State Retirement Systems of Jose Gaxiola.

e. Acceptance of Transfer Between State Retirement Systems of Kari Dory.


gg. Acceptance of Transfer Between State Retirement Systems of Randall Roether.

hh. Acceptance of Transfer Between State Retirement Systems of David Holland.


jj. Acceptance of Transfer Between State Retirement Systems of James Parr.

kk. Acceptance of Transfer Between State Retirement Systems of Eric Breindl.

ll. Acceptance of Transfer Between State Retirement Systems of Clifford Freeman.

mm. Acceptance of Transfer Between State Retirement Systems of Kelly McMenemy.

nn. Acceptance of Transfer Between State Retirement Systems of Jacob Pedersen.

oo. Acceptance of Transfer Between State Retirement Systems of Ramona Means.


qq. Acceptance of Transfer Between State Retirement Systems of Kevin Tilley.

rr. Acceptance of Transfer Between State Retirement Systems of Christopher Hall.

ss. Acceptance of Transfer Between State Retirement Systems of Elaine Bates.

tt. Acceptance of Transfer Between State Retirement Systems of Keith Kaminski.

uu. Acceptance of Transfer Between State Retirement Systems of Michael Long.

vv. Acceptance of Transfer Between State Retirement Systems of Robert Shetler.

ww. Acceptance of Transfer Between State Retirement Systems of Paul Bartholomew.

yy. Acceptance of Transfer Between State Retirement Systems of Ramon Lopez.

zz. Acceptance of Transfer Between State Retirement Systems of Daniel Musselman.


bbb. Acceptance of Transfer Between State Retirement Systems of Roy Dominguez.


ddd. Acceptance of Transfer Between State Retirement Systems of Eryn Hover.

eee. Acceptance of Transfer Between State Retirement Systems of Eric Mendoza.

fff. Acceptance of Transfer Between State Retirement Systems of Trent Otis.

ggg. Acceptance of Transfer Between State Retirement Systems of Cheryl Horvath.

hhh. Acceptance of Transfer Between State Retirement Systems of Billy McDaniel.

iii. Acceptance of Transfer Between State Retirement Systems of Harry Reiter.

jjj. Acceptance of Transfer Between State Retirement Systems of David Havely.

kkk. Acceptance of Transfer Between State Retirement Systems of Robert Benham.

lll. Approval of the Minutes of the November 18, 2015 Meeting of the PSPRS Board of Trustees.

   Mr. Brian P. Tobin

4. Discussion and possible Action regarding the adoption of the amended and restated Supplemental Defined Contribution Plan and the Arizona Defined Contribution Plan for Term Limited State Officials and Exempt State Officers and Employees.

   Mr. Jared A. Smout
   Administrator

5. Appropriate Action regarding the Agreement to participate in the Supplemental Defined Contribution Plan with the City of Cottonwood.

   Mr. Brian P. Tobin

Report by Mr. Lauren Kingry, Chairman of the Investment Committee, regarding agenda items 6. through 12., which were discussed at the Investment Committee meeting held today, January 20, 2016, on or after 10:00 a.m., and possible Action on the Committee’s recommendations to the Board regarding same.
6. Written report and possible discussion of monthly review of Management Fees.  
   Ms. Bridget Feeley  
   Internal Audit and Compliance Officer

7. Written report and possible discussion by the System's Internal Audit and Compliance 
   Officer and discussion regarding investment compliance, holdings and transactions, as of 
   November 30, 2015.  
   Ms. Bridget Feeley

8. Written report by Investment Department Staff regarding Portfolio Risk as of November 
   30, 2015.  
   Mr. Owen Zhao  
   Portfolio Analyst - Risk

9. Written report by Investment Department Staff and discussion regarding (i) the 
   Month-End and Fiscal Year-to-Date performance for the PSPRS Trust as of November 
   30, 2015; and (ii) written report regarding the asset allocation and performance of the 
   Firefighters and Peace Officers Cancer Insurance Program.  
   Ms. Vaida Maleckaite  
   Sr. Investment Analyst

10. Presentation and discussion by Investment Department Staff and Consultants regarding 
    the annual Overview and Strategic Plan for the Private Equity Portfolio.  
    Mr. Shan Chen  
    Lead Portfolio Manager  
    Mr. David Hutchings  
    Albourne America  
    Mr. Jay Rose  
    StepStone Group, LLC

11. Disclosure by Investment Department Staff of the following manager selection matters:  
    A. New and potential investments considered this period:  
       1. A potential investment of up to $30 million in the Castle Creek Capital Partners VI Fund, 
          allocated to the PSPRS Private Equity portfolio, subject to final Staff and legal due 
          diligence.  
       2. A potential investment of up to $40 million in the Lubert-Adler Laramar Urban 
          Neighborhood Fund, allocated to the PSPRS Real Estate portfolio, subject to final Staff 
          and legal due diligence.  
       3. A potential investment of up to $50 million to establish a separately managed account 
          (SMA) to be managed by Salient Capital Advisors, LLC, allocated to the PSPRS Real 
          Assets portfolio, subject to final Staff and legal due diligence.  
          Mr. Martin Anderson  
          Deputy Chief Investment Officer  
    B. Investments considered for de-selection this period:
1. Brevan Howard Master Fund, Ltd. Staff recommends full redemption of all investments. Estimated redemption completion date: October 31, 2016. This Fund is allocated to the PSPRS Absolute Return Portfolio.

2. Pebble Creek (Robson Communities); Staff recommends a sale of our interest in Pebble Creek Properties (Robson Communities). The fund is allocated to the PSPRS Real Estate Portfolio.

3. West Face Long Term Opportunities (USA), L.P. Staff recommends full redemption of all investments. This investment is allocated to the PSPRS Private Credit portfolio.

12. Disclosure of closed transactions for this period.

   a. Davidson Kempner Special Situations Fund III; Committed Amount up to $80 million; Date Closed: August 24, 2015; PSPRS Asset Class: Credit Opportunities.
   
   b. LSV Special Opportunities Fund V; Committed Amount up to $80 million; Date Closed: September 30, 2015. PSPRS Asset class: Absolute Return.
   
   c. Tritium I, LP Fund; Committed Amount up to $20 million direct; Date Closed: November 16, 2015. PSPRS Asset class: Private Equity.
   
   d. TSG 7A & 7B Fund; Committed Amount up to $40 million (TSG 7A) and $10 million (TSG 7B); Date Closed: November 16, 2015. PSPRS Asset class: Private Equity.
   
   e. Pinebridge Structured Capital III Fund; Committed Amount up to $80 million; Date Closed: November 25, 2015. PSPRS Asset class: Credit Opportunities.
   
   f. Lubert-Adler Laramar Urban Neighborhood Fund; Committed Amount up to $40 million; Date Closed: December 30, 2015. PSPRS Asset class: Real Estate.

Presentation by Mr. Gregory Ferguson, Chairman of the Operations, Governance Policy and Audit Committee, regarding agenda items 13. through 22., which were discussed at the Operations, Governance Policy and Audit Committee meeting held today, January 20, 2016, on or after 11:00 a.m., and possible Action on the Committee’s recommendations to the Board regarding same.

13. Presentation of the Month-to-Date Budget Report for FY 2016 and possible Action on same.

   Mr. John Hendricks
   Manager of Finance and Accounting

14. Discussion and Action regarding the creation of a new Investment Analyst Position.

   Mr. Mark Steed
   Deputy CIO and Chief of Staff

15. Update and discussion on the status of building space and tenant lease.

   Mr. Jared A. Smout


   Ms. Bridget Feeley
17. Summary Update – Business Continuity Plan

Mr. Sam Meier
IT Operations Manager

18. Update on the progress of the Local Board Training Program and discussion and possible Action regarding the same.

Mr. Robert Ortega
Local Board Training Coordinator and Human Resources Manager
Mr. Don Mineer
Local Board Training Specialist

19. Presentation of the "Requests for Local Board Rehearing" Report for the current month.

Mr. Jared A. Smout

20. Review and discussion regarding law firms' billings for legal services performed in October, November and December, 2015.

Mr. Jared A. Smout

21. Update and discussion on the progress of implementing the Auditor General recommendations as agreed to in their Performance Audit and Sunset Review.

Mr. Jared A. Smout

22. Review, discussion and possible Action on potential legislative proposals for the 2016 legislative session including items for a possible administrative amendments bill.

Mr. Jared A. Smout


Mr. Corey Arvizu
Managing Partner
Mr. Christopher Heinfeld
Audit Manager
Heinfeld, Meech & Co., P.C

24. Discussion and appropriate Action regarding Board of Trustee member requests to participate in training, educational and due diligence opportunities.

Mr. Brian P. Tobin

25. Discussion and consultation with legal counsel and Staff and possible Action regarding IRS determination letter requests, proposed legislation, investment matters, ongoing, contemplated or threatened legal action involving the Trust and Plans, including vendor disputes, public record requests, personnel matters and actual or potential litigation and claims based on contract, tort or statute, including matters involving, judges Thompson and Hall, retired judges Fields and Lankford, retired police officers Rappleyea and Everson, active police officers Parker, Griego, Manganiello and Robles, the Pivotal Group, the Seldins, Bank of America and Stroh Ranch Development and Timbervest. The Board may vote to discuss these matters in Executive Session pursuant to A.R.S. §§ 38-431.03(A)(1), (2), (3), (4) and (7) as set forth in item 26.
26. 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) and (4), as applicable, including to receive legal advice from the Board’s attorneys on any matter listed on the agenda, including:

a. Discussion and consultation with legal counsel and Staff regarding matters arising from public record requests or subpoenas, and ongoing or threatened legal action or claims involving the Plans or Trust not otherwise referenced above in Item 24, including but not limited to, those involving Anton Orlich, Andrew Carriker, Ken Fields, Mark Selfridge, Paul Corens, the Seldins and the status of lawsuits challenging provisions of S. B. 1609, as authorized by A.R.S. §§ 38-431.03(A) (2), (3).

b. Update and discussion on the System Administrator position and other personnel matters, as authorized by A.R.S § 38-431.03(A)(1).

27. Schedule future meeting date(s). (Currently scheduled for Wednesday, February 24, 2016.)

28. Adjournment.

A copy of the agenda background material that is provided to the Board of Trustees (with the exception of materials relating to possible executive sessions and/or materials exempt by law from public inspection) is available for public inspection at the PSPRS offices located at 3010 East Camelback Road, Suite, 200, Phoenix, Arizona. The agenda is subject to revision up to 24 hours prior to the meeting.

Persons with a disability may request a reasonable accommodation, such as a sign language interpreter, by contacting Michelle Pechan, Paralegal, at (602) 255-5575. Requests should be made as early as possible to arrange the accommodation.
Agenda - Board of Trustees Meeting
Meeting Date: 01/20/2016
Submitted By: Rose Crutcher, Investment Paralegal

Information

Subject
Approval of the Minutes of the November 18, 2015 Meeting of the PSPRS Board of Trustees.

Mr. Brian P. Tobin

Attachments
Information

Subject
Appropriate Action for approval of the items on the Consent Agenda (documentation concerning the matters on the consent agenda may be reviewed at the PSPRS office). Any matter on the Consent Agenda will be removed from the Consent Agenda and discussed as a regular agenda item upon the request of any member of the Board of Trustees.
Information

Subject
Discussion and possible Action regarding the adoption of the amended and restated Supplemental Defined Contribution Plan and the Arizona Defined Contribution Plan for Term Limited State Officials and Exempt State Officers and Employees.

Mr. Jared A. Smout
Administrator

Attachments

SupplementalPlans
Supplemental DC Plan PPA 06 Restatement
Term Limited Plan PPA 06 Restatement
Supplemental Plans

The Supplemental Defined Contribution Plan and the Arizona Defined Contribution Plan for Term Limited State Officials and Exempt State Officers and Employees are retirement plans that are qualified under Section 401(a) of the Internal Revenue Code. As such, under IRS rules the plans need to be filed with the IRS on or before January 31, 2016 to apply for and receive updated favorable letters of determination wherein the IRS rules that the plans continue to be qualified under Section 401(a) of the Code as amended by the Pension Protection Act of 2006 and other recent tax laws. In order to files the plans with the IRS each plan document and any amendments thereto need to be amended and restated into a single document. There are no substantive changes being made to the plans; rather the plans are being amended and restated so they can each be filed as a single document with the IRS.

If you have any questions or would like to discuss this matter further, please contact me. After the plans have been approved at the January board meeting, please sign them and return them to me so they can be filed on or before January 31, 2016. Thank you.

Charles W. Whetstine, P.C.
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Phoenix, Arizona 85012-2615
602-200-7365
602-200-7367 (fax)
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STATE OF ARIZONA
SUPPLEMENTAL DEFINED CONTRIBUTION PLAN
AMENDED AND RESTATED
EFFECTIVE JANUARY 1, 2016
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ARTICLE I
DEFINITIONS

As used in this Plan, the following words and phrases shall have the meanings set forth herein unless a different meaning is clearly required by the context:

1.1 “Administrator” means the person(s) or entity designated by the Employer pursuant to Section 2.2 to administer the Plan on behalf of the Employer. Unless otherwise directed by law or the Trustee, the Administrator of the Plan is and shall be the person designated Administrator by the Board of Trustees of the Public Safety Personnel Retirement System of the State of Arizona as provided in Arizona Revised Statute Section 38-848K.6.

1.2 “Adoption Agreement” means the separate agreement, which is executed by the Employer and accepted by the Trustee, which sets forth the elective provisions of this Plan as specified by the Employer.

1.3 “Aggregate Account” means with respect to each Participant, the value of all accounts maintained on behalf of a Participant, whether attributable to Employer or Employee contributions, subject to the provisions of Section 4.3.

1.4 “Anniversary Date” means the anniversary date specified in C3 of the Adoption Agreement.

1.5 “Beneficiary” means the person to whom a share of a Deceased Participant's interest in the Plan is payable subject to the restrictions of Sections 6.2 and 6.5.

1.6 “Code” means the Internal Revenue Code of 1986, as amended from time to time.

1.7 “Compensation” with respect to any Participant means information required to be reported under Code Sections 6041, 6051(a) and 6052 (wages, tips and Other Compensation Box on Form W-2). Compensation is defined as wages, as defined in Code Section 3401(a), and all other payments of Compensation to an Employee by the Employer (in the course of the Employer's trade or business) for which the Employer is required to furnish the Employee a written statement under Code Sections 6041(d) and 6051(a)(3). Compensation must be determined without regard to any rules under Code Section 3401(a) that limit the remuneration included in wages based on the nature or location of the employment or the services performed (such as the exception for agricultural labor in Code Section 3401(a)(2)).

In addition, if specified in the Adoption Agreement, Compensation for all Plan purposes shall also include compensation which is not currently includible in the Participant's gross income by reason of the application of Code Sections 125, 402(e)(3), 402(h)(1)(B), 403(b), 414(h)(2) or 457(b).

Amounts received after the Participant’s severance from employment (including termination for disability) shall not be taken into account in determining a Participant’s Compensation. For this purpose, effective for plan years beginning after December 31, 2008, a Participant who does not currently perform services for the Employer by reason of “qualified military service” (as that term is used in Code Section 414(u)(1)) shall not be considered as having a severance from employment during that qualified military service; accordingly, any payments by the Employer to such Participant during the qualified military service shall be considered Compensation to the extent those payments do not exceed the amounts the Participant would have received if the Participant had continued to perform services for the Employer rather than entering qualified military service.

The annual compensation of each Employee taken into account in determining allocations for any Plan Year beginning after December 31, 2001, shall not exceed $200,000, as adjusted for cost-of-living increases in accordance with Code Section 401(a)(17)(B). Annual compensation means compensation during the Plan Year or such other consecutive 12-month period over which compensation is otherwise determined under the Plan (the determination period). The cost-of-living adjustment in effect for a calendar year applies to annual compensation for the determination period that begins with or within such calendar year.

In addition to other applicable limitations set forth in the Plan, and notwithstanding any other provision of the Plan to the contrary, for Plan Years beginning on or after January 1, 1996 and before January 1, 2002, the annual Compensation under the Plan shall not exceed the OBRA ’93 annual Compensation limit. The OBRA ’93 annual Compensation limit is $150,000, as adjusted by the Commissioner for increases in the cost of living in accordance with
Code Section 40(a)(17)(B). The cost-of-living adjustment in effect for a calendar year applies to any period, not exceeding 12 months, over which Compensation is determined (determination period) beginning in such calendar year. If a determination period consists of fewer than 12 months, the OBRA '93 annual Compensation limit will be multiplied by a fraction, the numerator of which is the number of months in the determination period, and the denominator of which is 12. For Plan Years beginning on or after January 1, 1996 and before January 1, 2002, any reference in this Plan to the limitation under Code Section 401(a)(17) shall mean the OBRA '93 annual Compensation limit set forth in this provision. If Compensation for any prior determination period is taken into account in determining an Employee's benefits accruing in the current Plan Year, the Compensation for that prior determination period is subject to the OBRA '93 Compensation limit in effect for that prior determination period. For this purpose, for determination periods beginning before the first day of the Plan Year beginning on or after January 1, 1994, the OBRA '93 annual Compensation limit is $150,000.

1.8 “Deceased Participant” means a Participant or Former Participant who is dead.

1.9 “Eligible Employee” means any Employee specified in D1 of the Adoption Agreement.

1.10 “Employee” means any person who is employed by the Employer, but excludes any person who is employed as an independent contractor.

1.11 “Employer” means the entity specified in the Adoption Agreement, any Participating Employer (as defined in Section 10.1) which shall adopt this Plan, any successor which shall maintain this Plan and any predecessor which has maintained this Plan.

1.12 “Fiscal Year” means the Employer's accounting year as specified in the Adoption Agreement.

1.13 “Forfeiture” means that portion of a Participant's Account that is not vested, and occurs on the earlier of:

(a) the distribution of the entire Vested portion of a Participant’s Account, or

(b) the last day of the Plan Year in which the Participant incurs five (5) consecutive 1-Year Breaks in Service.

Furthermore, for purposes of paragraph (a) above, in the case of a Terminated Participant whose Vested benefit is zero, such Terminated Participant shall be deemed to have received a distribution of his Vested benefit upon his termination of employment. In addition, the term Forfeiture shall also include amounts deemed to be Forfeitures pursuant to any other provision of this Plan.

1.14 “Former Participant” means a person who has been a Participant, but who has ceased to be a Participant for any reason.

1.15 “Hour of Service” means (1) each hour for which an Employee is directly or indirectly Compensated or entitled to Compensation by the Employer for the performance of duties during the applicable computation period; (2) each hour for which an Employee is directly or indirectly Compensated or entitled to Compensation by the Employer (irrespective of whether the employment relationship has Terminated) for reasons other than performance of duties (such as vacation, holidays, sickness, jury duty, disability, lay-off, military duty or leave of absence) during the applicable computation period; or (3) each hour for which back pay is awarded or agreed to by the Employer without regard to mitigation of damages. The same Hours of Service shall not be credited both under (1) or (2), as the case may be, and under (3).

Notwithstanding the above, (i) no more than 501 Hours of Service are required to be credited to an Employee on account of any single continuous period during which the Employee performs no duties (whether or not such period occurs in a single computation period); (ii) an hour for which an Employee is directly or indirectly paid, or entitled to payment, on account of a period during which no duties are performed is not required to be credited to the Employee if such payment is made or due under a plan maintained solely for the purpose of complying with applicable worker's compensation, or unemployment compensation or disability insurance laws; and (iii) Hours of Service are not required to be credited for a payment which solely reimburses an Employee for medical or medically-related expenses incurred by the Employee.
For purposes of this Section, a payment shall be deemed to be made by or due from the Employer regardless of whether such payment is made by or due from the Employer directly, or indirectly through, among others, a trust fund, or insurer, to which the Employer contributes or pays premiums and regardless of whether contributions made or due to the trust fund, insurer, or other entity are for the benefit of particular Employees or are on behalf of a group of Employees in the aggregate.

An Hour of Service must be counted for the purpose of determining a Year of Service, a year of participation for purposes of accrued benefits, and employment commencement date (or reemployment commencement date).

Hours of Service will be determined on the basis of the method selected in the Adoption Agreement.

1.16 "Investment Manager” means an entity that (a) has the power to manage, acquire, or dispose of Plan assets and (b) acknowledges fiduciary responsibility to the Plan in writing. Such entity must be a person, firm, or corporation registered as an investment adviser under the Investment Advisers Act of 1940, a bank, or an insurance company.

1.17 “Mandatory Employee Contribution” means Participant contributions, which are to be made as a condition of employment with the Employer. Pursuant to Code Section 414(h), and upon authorization by the Internal Revenue Service, such contributions shall be picked up by the Employer and shall be deemed to be Employer contributions, which are not taxable income to the Employee.

1.18 “Participant” means any Eligible Employee who participates in the Plan as provided in Article III and has not for any reason become ineligible to participate further in the Plan.

1.19 “Participant's Account” means the account established and maintained by the Administrator for each Participant with respect to his or her total interest under the Plan, whether resulting from the Employers contributions or otherwise.

1.20 “Participant's Rollover Account” means that portion, if any, of the Participant's Account and total interest in the Plan resulting from amounts transferred from the State defined benefit plans referenced in Arizona Revised Statute Section 38-954(C) in accordance with Section 4.6 or any other qualified plans from which the Administrator or Trustee accepts transfer.

1.21 “Plan” means this instrument (State Of Arizona Supplemental Defined Contribution Plan) including amendments thereto, and the Adoption Agreement as adopted by the Employer.

1.22 “Plan Year” means the Plan's accounting year as specified in C2 of the Adoption Agreement.

1.23 “Regulation” means the Income Tax Regulations as promulgated by the Secretary of the Treasury or his or her delegate, as amended from time to time.

1.24 “Retirement,” “Retired” or their derivatives refer to (i) an Employee's voluntary separation of service from the Employer due to advanced age or otherwise or (ii) an Employee's involuntary separation of service from the Employer due to term limits or Total and Permanent Disability.

1.25 “Retired Participant” means a person who has been a Participant, but who has separated from the service of the Employer for reasons of Retirement.

1.26 “Retirement Date” means the date as of which a Participant retires from the employ of the Employer. “Normal Retirement Date” means the date the Participant attains age sixty-five (65).

1.27 “Termination” or “Terminated” or their derivatives refer to an Employee’s involuntary separation of service from the Employer for any reason other than term limits, Total or Permanent Disability or the Employee's death.

1.28 “Terminated Participant” means a person who has been a Participant, but whose employment with the Employer has been Terminated (or reasons other than Retirement or the Employee's death.
1.29 “Total and Permanent Disability” means the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months. A licensed physician chosen by the Administrator shall determine the disability of a Participant. However, if the condition constitutes total disability under the federal Social Security Acts, the Administrator may rely upon such determination that the Participant is Totally and Permanently Disabled for the purposes of this Plan. The determination shall be applied uniformly to all Participants.

1.30 “Trustee” means the person or entity named in B4 the Adoption Agreement and any successors.

1.31 “Trust Fund” means the assets of the Plan, as the same shall exist from time to time. That portion of the Trust Fund that is exclusive of all Vested interests in Participant Accounts and any Rollover Participant Accounts shall be called the “Trust Fund Remainder.”

1.32 “Vested,” “Vesting” or any derivation thereof refers to the non-Forfeitable portion of the Participant’s Account and Rollover Participant Account as determined by the Participant's Years of Service with the Employer.

1.33 “Year of Service” means (a) if the hours method is selected in the Adoption Agreement, the computation period of twelve (12) consecutive months, herein set forth, and during which an Employee has completed at least the number of Hours of Service specified in the Adoption Agreement or (b) if the elapsed time method is selected, twelve (12) months of service.

If the hour’s method is selected in the Adoption Agreement, then for purposes of eligibility for participation, the initial computation period shall begin with the date on which the Employee first performs an Hour of Service (employment commencement date). The succeeding computation periods shall begin with the first anniversary of the Employee’s employment commencement date. However, if one (1) Year of Service or less is required as a condition of eligibility, then after the initial eligibility computation period, the eligibility computation period shall shift to the current Plan Year which includes the anniversary of the date on which the Employee first performed an Hour of Service. An Employee who is credited with the specified number of Hours of Service in both the initial eligibility computation period and the first Plan Year, which commences prior to the first anniversary of the Employee's initial eligibility computation period, will be credited with two Years of Service for purposes of eligibility to participate. For vesting purposes, the computation period shall be the Plan Year, including the period prior to the Effective Date of the Plan unless specifically excluded pursuant to the Adoption Agreement.

If the Elapsed time method is selected in the Adoption Agreement, then for purposes of determining an Employee’s Vesting and initial or continued eligibility to participate in the Plan, an Employee will receive credit for the aggregate of all time periods commencing with the Employee's first day of employment or reemployment and ending on the date he ceases employment with the Employer. The first day of employment is the first day the Employee performs an Hour of Service. An Employee will also receive credit for any period of severance of less than 12 consecutive months. Fractional periods of a year will be expressed in terms of days.

For Vesting purposes, and all other purposes not specific any addressed in this Section, the computation period shall be the Plan Year, including periods prior to the Effective Date of the Plan unless specifically excluded pursuant to the Adoption Agreement. Years of Service and Breaks in Service will be measured on the same computation period.

Years of Service with any predecessor Employer which maintained this Plan shall be recognized. Years of Service with any other predecessor Employer shall be recognized as specified in the Adoption Agreement.
ARTICLE II
ADMINISTRATION

2.1 POWERS AND RESPONSIBILITIES OF THE EMPLOYER

(a) Pursuant to Arizona Revised Statute Section 38-951.4, the Board of Trustees of the Public Safety Personnel Retirement System of the State of Arizona (the “Board of Trustees”) shall be the Trustee of the Plan for the Employer. The Board of Trustees shall take all steps necessary to assure that the Plan is being operated for the exclusive benefit of the Participants and their Beneficiaries in accordance with the terms of the Plan and the Code.

(b) The Board of Trustees may, in its discretion, appoint an Investment Manager to manage all or a designated portion of the assets or the Plan other than the Participant Accounts. In such event, the Trustee may follow the directive of the Investment Manager in investing the assets of the Plan managed by the Investment Manager. As described in Section 4.1, each Participant shall manage his own investments in his Participant Account, and each Participant shall be solely responsible for the performance of such Account, and neither the Board of Trustees, the Administrator, the Employer, nor any of their agents, attorneys, employees, successors or assigns shall be responsible or liable for same.

(c) The Employer shall periodically review the performance of any fiduciary or other person to whom duties have been delegated or allocated by it under the provisions of this Plan or pursuant to procedures established hereunder.

2.2 DESIGNATION OF ADMINISTRATIVE AUTHORITY

Pursuant to Arizona Revised Statute Section 38-952.B, the Board of Trustees, or its designee appointed under Arizona Revised Statute Section 38-848K.6., shall be the Administrator of the Plan.

2.3 POWERS AND DUTIES OF THE ADMINISTRATOR

The primary responsibility of the Administrator is to administer the Plan for the exclusive benefit of the Participants and their Beneficiaries, subject to the specific terms of the Plan. The Administrator shall administer the Plan in accordance with its terms and shall have the power and discretion to construe the terms of the Plan and determine all questions arising in connection with the administration, interpretation, and application of the Plan. Any such determination by the Administrator shall be conclusive and binding upon all persons. The Administrator may establish procedures, correct any defect, supply any information, or reconcile any inconsistency in such manner and to such extent as shall be deemed necessary or advisable to carry out the purpose of the Plan; provided, however, that any procedure, discretionary act, interpretation or construction shall be done in a nondiscriminatory manner based upon uniform principles consistently applied and shall be consistent with the intent that the Plan shall continue to be deemed a qualified plan under the terms of Code Section 401 (a), and shall comply with its terms and all regulations issued pursuant thereto. The Administrator shall have all powers necessary or appropriate to accomplish his or her duties under this Plan.

The Administrator shall be charged with the duties of the general administration of the Plan, including, but not limited to, the following:

(a) the discretion to determine all questions relating to the eligibility of Employees to participate or remain a Participant hereunder and to receive benefits under the Plan;

(b) to compute, certify, and direct the Trustee with respect to the amount and the kind of benefits to which any Participant shall be entitled hereunder;

(c) to authorize and direct the Trustee with respect to all nondiscretionary or otherwise directed disbursements from the Trust Fund;

(d) to maintain all necessary records for the administration of the Plan;

(e) to interpret the provisions of the Plan and to make and publish such rules for regulation of the Plan as are consistent with the terms hereof;
(f) to compute and certify to the Employer and to the Trustee from time to time the sums of money necessary or desirable to be contributed to the Plan;

(g) to consult with the Employer and the Trustee regarding the short and long-term liquidity needs of the Plan in order that the Trustee can exercise any investment discretion in a manner designed to accomplish specific objectives;

(h) to assist any Participant regarding his or her rights, benefits, or elections available under the Plan.

2.4 RECORDS AND REPORTS

The Administrator shall keep a record of all actions taken and shall keep all other books of account, records, and other data that may be necessary for proper administration of the Plan and shall be responsible for supplying all information and reports to the Internal Revenue Service, Department of Labor, Participants, Beneficiaries and others as required by law.

2.5 APPOINTMENT OF ADVISERS

The Administrator, or the Trustee, may appoint counsel, specialists, advisers, and other persons as the Administrator or the Trustee deems necessary or desirable in connection with the administration of this Plan. The Administrator may appoint a suitable third party to administer the Plan for the Administrator, subject to the Administrator’s ultimate review and authority.

2.6 INFORMATION FROM EMPLOYER

To enable the Administrator to perform his functions, the Employer shall supply full and timely information to the Administrator on all matters relating to the Compensation of all Participants, their Hours of Service, their Years of Service, their Retirement, death, disability, or Termination of employment, and such other pertinent facts as the Administrator may require; and the Administrator shall advise the Trustee of such of the foregoing facts as may be pertinent to the Trustee’s duties under the Plan. The Administrator may rely upon such information as is supplied by the Employer and shall have no duty or responsibility to verify such information.

2.7 PAYMENT OF EXPENSES

All expenses of administration of the Plan may be paid out of the pool of Forfeited monies or Forfeited Participant interests in the Plan (the “Forfeited Funds”) and/or from annual or other fees assessed Participants by the Trustee or Administrator unless paid by the Employer. Such expenses shall include any expenses incident to the functioning of the Administrator, including, but not limited to, fees of accountants, counsel, and other specialists and their agents, and other costs of administering the Plan. Until paid, the expenses shall constitute a liability of the Plan. However, the Employer may reimburse the Plan for any administration expense incurred. Any administration expense paid to the Plan as a reimbursement shall not be considered an Employer contribution.

2.8 CLAIMS PROCEDURE

Any person who believes that he or she is entitled to a benefit under the Plan shall file with the Plan Administrator a written notice of claim for such benefit within 45 days of such right accruing or shall forever waive entitlement to such benefit.

Within 120 days after its receipt of such written notice of claim, the Plan Administrator shall either grant or deny such claim provided, however, any delay on the part of the Plan Administrator in arriving at a decision shall not adversely affect benefits payable under a granted claim.
ARTICLE III
ELIGIBILITY

3.1 CONDITIONS OF ELIGIBILITY

Any Eligible Employee shall be eligible to participate hereunder and become a Participant upon satisfaction of the requirements specified in the Adoption Agreement.

3.2 EFFECTIVE DATE OF PARTICIPATION

An Eligible Employee who has become eligible to be a Participant shall become a Participant effective as of the day specified in the Adoption Agreement.

In the event an Employee who has satisfied the Plan’s eligibility requirements and would otherwise have become a Participant shall go from a classification of a noneligible Employee to an Eligible Employee, such Employee shall become a Participant as of the date he or she becomes an Eligible Employee.

3.3 DETERMINATION OF ELIGIBILITY

The Administrator shall determine the eligibility of each Employee for participation in the Plan based upon information furnished by the Employer. Such determination shall be conclusive and binding upon all persons, as long as the same is made pursuant to the Plan. Such determination shall be subject to review per Section 2.8.

3.4 TERMINATION OF ELIGIBILITY

In the event a Participant shall go from a classification of an Eligible Employee to an ineligible Employee, such Former Participant shall own that portion of his Participant Account in which he has a Vested interest as of the date of his loss of eligibility, including any investment returns or losses attributable to that portion of the Participant’s Account through the date the Participant’s Account is fully depleted due to distributions to the Participant or another qualified plan or an unqualified plan or otherwise, but from the date of the Participant’s loss of eligibility to participate in the Plan, he shall be entitled to no further Employer contributions, and shall be prohibited from making any Employee contributions to the Plan, whether picked up by the Employer or otherwise, except as specified elsewhere herein.

3.5 OMISSION OF ELIGIBLE EMPLOYEE

If, in any Plan Year, any Employee who should be included as a Participant in the Plan is erroneously omitted and discovery of such omission is not made until after a contribution by his or her Employer for the year has been made, the Employer shall make a subsequent contribution, if necessary after the application of Section 4.3, so that the omitted Employee receives a total amount which the said Employee would have received had he or she not been omitted.

3.6 INCLUSION OF INELIGIBLE EMPLOYEE

If, in any Plan Year, any person who should not have been included as a Participant in the Plan is erroneously included and discovery of such incorrect inclusion is not made until after a contribution for the year has been made, the Employer shall not be entitled to recover the contribution made with respect to the Ineligible person. In such event, the amount contributed with respect to the ineligible person shall constitute a Forfeiture for the Plan Year in which the discovery is made, and the ineligible person shall be entitled to no Employer contributions (and earnings thereon) made on his behalf to the Plan.
ARTICLE IV
CONTRIBUTION AND ALLOCATION

4.1 FORMULA FOR DETERMINING EMPLOYER'S CONTRIBUTION

The Employer shall make contributions over such period of years as the Employer may determine on the following basis. On behalf of each Participant, the Employer shall contribute the amount specified in the Adoption Agreement. All contributions by the Employer shall be made in cash.

4.2 TIME OF PAYMENT OF EMPLOYER'S CONTRIBUTION

The Employer shall generally pay to the Trustee its contribution to the Plan for each Plan Year within the time prescribed by law.

4.3 ALLOCATION OF CONTRIBUTIONS, FORFEITURES AND EARNINGS

(a) The Administrator shall establish and maintain an account (the “Participant Account”) as and for each Participant in the name of each Participant to which the Administrator shall credit as of each Anniversary Date, or other valuation date, all amounts allocated to each such Participant as set forth herein.

(b) The Employer shall provide the Administrator with all information required by the Administrator to make a proper allocation of the Employer's contributions and any picked up or other Employee contributions about which the Employer is aware for each Plan Year. Within a reasonable period of time after the date of receipt by the Administrator of such information, the Administrator shall allocate such contributions in the manner set forth in Section 4.1 herein and as specified in Sections E2 and E5 of the Adoption Agreement.

(c) Each Participant’s Account shall be credited with the actual earnings or losses attributable to all contributions to such Account, less any fees and expenses assessed for operation of the Plan.

(d) As of each Anniversary Date any amounts, which became Forfeitures since the last Anniversary Date shall first be made available to the Administrator to pay the administrative expenses of the Plan in accordance with the Adoption Agreement.

(e) Notwithstanding anything herein to the contrary, any Deceased Participant, Retired Participant or Terminated Participant who died, Retired or Terminated employment with the Employer, as applicable, during the Plan Year shall not be credited with any Employer Contributions from and after the date of his or her Retirement, Termination or death, as provided in the Adoption Agreement.

(f) Notwithstanding anything herein to the contrary, Participants will accrue the right to Employer contributions with respect to periods of qualified military service as provided in Code Section 414(u).

4.4 MAXIMUM ANNUAL ADDITIONS

Effective for Limitation Years beginning on or after July 1, 2007, a Participant’s maximum annual additions shall be subject to the limitations contained in Appendix A to the Plan document.

4.5 TRANSFERS FROM QUALIFIED PLANS

(a) If specified in the Adoption Agreement, and with the consent of the Administrator, amounts may be transferred from an individual retirement account or individual retirement annuity (collectively “IRA”) or other qualified plans, provided that the trust from which such funds are transferred permits the transfer to be made and the transfer will not jeopardize the tax-exempt status of the Plan or create adverse tax consequences for the Employer. At the election of the Administrator or Trustee, the amounts transferred may be included in the Participant’s Account or may be set up in a separate account herein referred to as a “Participant’s Rollover Account.” All amounts in either account attributable to rollover distributions therein (the “Rollover Amounts”) shall be fully vested at all times and shall not be subject to Forfeiture for any reason.
Rollover Amounts in a Participant’s Rollover Account or Participant Account (except as referenced separately in Subsection 4.5(a), collectively, “Participant Account”) shall be held by the Trustee pursuant to the provisions of this Plan and may not be withdrawn by, or distributed to the Participant, in whole or in part, except as provided in the Plan and Paragraphs (c) and (d) of this Section.

Amounts attributable to elective contributions (as defined in Regulation Section 1.401(k)-1 (g)(3), including amounts treated as elective contributions, which are transferred from another qualified plan in a plan-to-plan transfer shall be subject to the distribution limitations provided for in Regulation 1.401(k)-1(d).

At such date when the Participant or his Beneficiary shall be entitled to receive benefits, the fair market value of the Participant’s Rollover Amount shall be used to provide any applicable additional benefits to the Participant or his Beneficiary. Any distributions of Rollover Amounts held in a Participant’s Account shall be made in a manner which is consistent with and satisfies the provisions of Article 6, including, but not limited to, all notice and consent requirements of Code Sections 411(a)(11) and 417 and the Regulations there under. Furthermore, such amounts shall be considered as part of a Participant’s benefit in determining whether an involuntary cash-out of benefits without Participant consent may be made.

The Administrator may direct that Employee transfers made after a Valuation Date (as hereafter defined) be segregated into a separate account for each Participant until such time as the allocations pursuant to this Plan have been made, at which time they may remain segregated or be invested as determined by the Administrator.

For purposes of this Section, the term “qualified plan” shall mean: (i) any retirement programs that are qualified under Code Sections 401(a) or 403(a); (ii) annuity contracts described in Section 403(b) of the Code; or (iii) an eligible plan under Section 457(b) of the Code, which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state. In addition, and subject to the limitations prescribed in Section 403(d)(3)(A)(ii) of the Code, the Administrator may accept Rollover Amounts from a Participant of the portion of a distribution from an IRA described in Sections 408(a) or 408(b) of the Code that is eligible to be rolled over and would otherwise be includable as gross income. The Administrator may refuse to accept a Rollover Amount if the Administrator reasonably believes the Rollover Amount (a) is not being made from a qualified plan or IRA; (b) is not being made within sixty (60) days from receipt by the Participant of the amounts from a qualified plan or IRA. The Administrator may apply different conditions for accepting Rollover Amounts from qualified retirement plans and IRAs.

Prior to accepting any transfers to which this Section applies, the Administrator may require the Employee to establish that the amounts to be transferred to this Plan meet the requirements of this Section and Arizona law and may also require the Employee to provide an opinion of counsel satisfactory to the Administrator that the amounts to be transferred meet the requirements of this Section and Arizona law, and in particular, Arizona Revised Statute Sections 38-951 to 38-954. This subsection 4.6(g) shall be implemented via uniformly applied written procedures.

4.6 DIRECTED INVESTMENT ACCOUNT

(a) All Participants shall direct the Trustee as to the investment of their individual Participant Account balances in specific assets as permitted by the Administrator provided the Plan and its Administrator permit such investments.

(b) The Participant Account of each Participant shall be charged or credited as appropriate with the net earnings, gains, losses and expenses as well as any appreciation or depreciation in market value during each Plan Year attributable to such Account.

(c) The Administrator shall establish a procedure, to be applied in a uniform and nondiscriminatory manner, setting forth the permissible investment options under this Section, how often changes between investments may be made, and any other limitations that the Administrator shall impose on a Participant’s direct investments.

4.7 MANDATORY EMPLOYEE CONTRIBUTIONS

(a) All Participants must contribute Mandatory Employee Contributions to the Plan. The Employer shall collect such contributions and remit them to the Trustee. The Employer may “pick up” such contributions as provided in Internal Revenue Code Section 414(h).
(b) Mandatory Employee Contributions shall be 100% Vested when made and shall be distributed as provided by Article VI.

ARTICLE V
VALUATIONS

5.1 VALUATION OF THE TRUST FUND AND PARTICIPANT ACCOUNTS

The Administrator shall direct the Trustee, as of each Anniversary Date, and at such other date or dates deemed necessary by the Administrator, herein called the “Valuation Date,” to determine the net worth of the assets comprising the Trust Fund and each Participant Account as same exist on the “Valuation Date.” In determining such net worth, the Trustee shall value the assets comprising the Trust Fund and Participant Accounts at their fair market value as of the “Valuation Date” and shall deduct all expenses for which the Trustee has not yet obtained reimbursement from the Employer, Participants or the Trust Fund, as the case may be.

5.2 METHOD OF VALUATION

In determining the fair market value of securities held in the Trust Fund and Participant Accounts, which are listed on a registered stock exchange, the Administrator shall direct the Trustee to value them at the prices they were last traded on such exchange preceding the close of business on the “Valuation Date.” If such securities were not traded on the “Valuation Date,” or if the exchange on which they are traded was not open for business on the “Valuation Date,” then the securities shall be valued at the prices at which they were last traded prior to the “Valuation Date.” Any unlisted security held in the Trust Fund or any Participant Account shall be valued at its bid price next preceding the close of business on the “Valuation Date,” which bid price shall be obtained from a registered broker or an investment banker. In determining the market value of assets other than securities for which trading or bid prices can be obtained, the Trustee may appraise such assets itself, or in its discretion, employ one or more appraisers for that purpose and rely on the values established by such appraiser or appraisers. Where the Trust Fund or Participant Account assets include an annuity contract (if permitted by the Trustee or Administrator), the annuity contract shall be valued at the annuity contract value.

ARTICLE VI
DETERMINATION AND DISTRIBUTION OF BENEFITS

6.1 DETERMINATION OF BENEFITS UPON RETIREMENT

Upon a Participant’s Retirement, or as soon thereafter as is practical, the Administrator shall direct, as elected by the Participant, the distribution of all Vested amounts credited to such Participant’s Account in accordance with Section 6.4. A Participant will be fully Vested in all amounts credited to such Participant’s Accounts upon attaining his or her Normal Retirement Date while employed by his or her Employer and such Accounts shall not thereafter be subject to Forfeiture.

6.2 DETERMINATION OF BENEFITS UPON DEATH

(a) Upon the death of a Participant (the “Decedent”) before his or her Termination of employment with the Employer, the Beneficiary of the Decedent shall timely advise the Administrator of the Decedent’s death and the Administrator shall then direct, in accordance with the provisions of Section 6.5, the distribution of the Decedent’s Vested interest in his Participant Account to said Beneficiary or whomever a court of competent jurisdiction directs.

(b) The Administrator may require such proper proof of death and such evidence of the right of any person to receive payment of the value of the account of a Deceased Participant, as the Administrator may deem desirable. The Administrator’s determination of death and of the right of any person to receive payment shall be conclusive.

(c) The designation of a Beneficiary shall be made on a form satisfactory to the Administrator. A Participant may at any time revoke his or her designation of a Beneficiary or change his or her Beneficiary by filing written notice of such revocation or change with the Administrator. In the event no valid designation of Beneficiary exists at the time of the Participant’s death, the Decedent’s Vested interest in his Participant Account shall be payable to his estate.
6.3 DETERMINATION OF BENEFITS UPON TERMINATION

(a) Upon the termination of a Participant’s employment with the Employer for any reason other than Retirement or death, the Administrator shall direct that the amount of the Vested portion of such Terminated Participant’s Account be paid to the Terminated Participant or his designee in a manner and within the time convenient to the Administrator and in compliance with the Code and Section 6.4. The amount of the portion of the Participant’s Account, which is not vested, may be credited to a separate account and at such time as the amount becomes Forfeiture shall be treated in accordance with the provisions of the Plan regarding Forfeitures.

(b) Notwithstanding the above and if elected in the Adoption Agreement, for distributions made prior to March 28, 2005, if the value of a Terminated Participant’s Vested benefit derived from Employer and Employee contributions does not exceed, and at the time of any prior distribution, has never exceeded $5,000, the Administrator may direct that the entire Vested benefit be paid to such Participant (or at the Participant’s election, another qualified plan’s trustee) in a single lump-sum without regard to the consent of the Participant or the Participant’s spouse. Effective March 28, 2005, an immediate distribution may not be made to the Participant prior to the Participant’s Normal Retirement Date without the Participant’s written consent.

(c) The Vested portion of any Participant’s Account shall be a percentage of such Participant’s Account determined on the basis of the Participant’s number of Years of Service according to the Vesting schedule specified in the Adoption Agreement.

(d) Notwithstanding the Vesting schedule above, upon the complete discontinuance of the Employer’s contributions to the Plan or upon any full or partial termination of the Plan, all amounts credited to the account of any affected Participant shall become 100% Vested and shall not thereafter be subject to Forfeiture.

(e) In determining Years of Service for purposes of Vesting under the Plan. Years of Service will be credited to Participants with respect to periods of qualified military service as provided in Code Section 414(u).

6.4 DISTRIBUTION OF BENEFITS UPON RETIREMENT OR TERMINATION

(a) The Administrator, as he deems fit or, if an election has been made by a Participant, pursuant to the election of the Participant, shall direct the distribution to a Participant or Beneficiary of any amount to which he or she is entitled under the Plan in one lump-sum payment in cash.

(b) Notwithstanding any provision in the Plan to the contrary, the distribution of a Participant’s benefits, made on or after January 1, 2002, under the Plan, shall be made in accordance with the requirements set forth in Appendix B to the Plan document and shall otherwise comply with Code Section 401(a)(9) and the Regulations thereunder, the provisions of which are incorporated herein by reference.

6.5 DISTRIBUTION OF BENEFITS UPON DEATH

(a) Unless otherwise required by the Code, the Administrator shall distribute to the Decedent's Beneficiary, or his or her estate, as the case may be, all of the Decedent’s Vested interest in his Participant Account in one lump-sum payment in cash within a reasonable time following the Administrator’s discovery of the Decedent’s death and claim by his Beneficiary for such benefits. Distributions to a Participant and his or her Beneficiaries shall only be made in accordance with the requirements set forth in Appendix B to the Plan document.

(b) In the case of a Participant who dies while performing qualified military service (as defined in Code Section 414(u)), the survivors of the Participant are entitled to any additional benefits (other than benefit accruals relating to the period of qualified military service) provided under the Plan as though the Participant resumed and then terminated employment on account of death. This provision is effective with respect to deaths occurring on or after January 1, 2007.
6.6 DISTRIBUTION FOR MINOR BENEFICIARY

In the event a distribution is to be made to a minor, then the Administrator may direct that such distribution be paid to the legal guardian, or if none, to a parent of such Beneficiary or a responsible adult with whom the Beneficiary maintains his or her residence, or to the custodian for such Beneficiary under the Uniform Gifts to Minors Act or the Uniform Gifts to Minors Act, if such is permitted by the laws of the state in which said Beneficiary resides. Such a payment to the legal guardian, custodian or parent of a minor Beneficiary shall fully discharge the Trustee, Employer, Administrator and Plan from further liability on account thereof.

6.7 LOCATION OF PARTICIPANT OR BENEFICIARY UNKNOWN

In the event that all, or any portion, of the distribution payable to a Participant or his or her Beneficiary hereunder shall, at the Participant’s attainment of age 62, remain unpaid solely by reason of the inability of the Administrator, after sending a registered letter, return receipt requested, to the last known address of said Participant, and after further diligent effort by the Administrator to ascertain the whereabouts of such Participant or his or her Beneficiary, the amount so distributable shall be treated as a Forfeiture pursuant to the Plan. In the event a Participant or Beneficiary is located subsequent to his or her benefit being reallocated, such benefit shall be restored, first from Forfeitures, if any, and then from an additional Employer contribution, if necessary.

6.8 QUALIFIED DOMESTIC RELATIONS ORDERS

(a) If elected in the Adoption Agreement and subject to the terms of state law, any distribution to any “alternate payee” under a domestic relations order shall be treated as if made under the terms of a “qualified domestic relations order,” as defined in Code Section 414(p). Notwithstanding the foregoing sentence, a Participant’s benefits under this Plan shall be subject to any domestic relations order entered before January 1, 1985, if payments had commenced as of such date.

(b) Effective April 6, 2007, a domestic relations order otherwise meeting the requirements to be a qualified domestic relations order (“QDRO”) under Code Section 414(p)(3) shall not fail to be treated as a QDRO solely because:

(i) the order is issued after, or revises, another domestic relations order or QDRO; or

(ii) of the time at which the order is issued, including orders issued after the death of the Participant.

Any QDRO described in this subsection (b) shall be subject to the same requirements and protections which apply to QDROs under Code Section 414(p)(7).

6.9 MANDATORY DISTRIBUTIONS PROHIBITED

With respect to distributions made on or after March 28, 2005, distributions to a Participant shall not be made without the Participant’s written consent, unless such distributions are to comply with the minimum distribution rules set forth in Appendix B to the Plan document.

ARTICLE VII
TRUSTEE

7.1 BASIC RESPONSIBILITIES OF THE TRUSTEE

The Trustee shall have the following categories of responsibilities:

(a) To invest, manage, and control the Trust Fund Remainder subject, however, to the advice of an Investment Manager, if same should be appointed, except that the Trustee shall have no responsibility to invest or manage any investments or monies contained in any Participant Account although the Trustee shall have authority to disburse, place, transfer and distribute sums from such Participant Accounts as specified in this Plan or do any other act authorized by this Plan for said Trustee so to do with respect to the Trust Fund or the Trust Fund Remainder;
(b) At the direction of the Administrator, to pay benefits or make distributions required under the Plan to or for the benefit of Retired Participants, Terminated Participants, Deceased Participants or their designees or Beneficiaries, as applicable;

(c) To maintain records of receipts and disbursements and furnish to the Employer and/or Administrator for each Plan Year a written annual report per Section 7.7; and

(d) If there shall be more than one Trustee, they shall act by a majority of their number, but may authorize one or more of them to sign papers on their behalf.

7.2 INVESTMENT POWERS AND DUTIES OF THE TRUSTEE

(a) The Trustee shall invest and reinvest the Trust Fund Remainder to keep same invested without distinction between principal and income and in such securities or property, real or personal, wherever situated, as the Trustee shall deem advisable, including, but not limited to, stocks, common or preferred, bonds and other evidences of indebtedness or ownership, and real estate or any interest therein. The Trustee shall at all times in making investments of the Trust Fund Remainder consider, among other factors, the short and long-term financial needs of the Plan on the basis of information furnished by the Employer. In making such investments, the Trustee shall not be restricted to securities or other property of the character expressly authorized by the applicable law for trust investments; however, the Trustee shall give due regard to any limitations imposed by the Code so that at all times this Plan may qualify as a qualified Plan.

(b) The Trustee may employ a bank or trust company pursuant to the terms of its usual and customary bank agency agreement, under which the duties of such bank or trust company shall be of a custodial, clerical and record-keeping nature.

(c) The Trustee may from time to time transfer to a common, collective, or pooled trust fund maintained by any corporate Trustee hereunder pursuant to Revenue Ruling 81-100, all or such part of the Trust Fund as the Trustee may deem advisable, and such part or all of the Trust Fund so transferred shall be subject to all the terms and provisions of the common, collective, or pooled trust fund which contemplate the commingling for investment purposes of such trust assets with trust assets of other trusts. The Trustee may withdraw from such common, collective, or pooled trust fund all or such part of the Trust Fund, as the Trustee may deem advisable.

7.3 OTHER POWERS OF THE TRUSTEE

The Trustee, in addition to all powers and authorities under common law, statutory authority and other provisions of this Plan, shall have the following powers and authorities to be exercised in the Trustee’s sole discretion:

(a) To purchase, or subscribe for, any securities or other property and to retain the same. In conjunction with the purchase of securities, margin accounts may be opened and maintained;

(b) To sell, exchange, convey, transfer, and grant options to purchase, or otherwise dispose of any securities or other property held by the Trustee, by private contract or at public auction. No person dealing with the Trustee shall be bound to see to the application of the purchase money or to inquire into the validity, expediency, or propriety of any such sale or other disposition, with or without advertisement;

(c) To vote upon any stocks, bonds, or other securities; to give general or special proxies or powers of attorney with or without power of substitution; to exercise any conversion privileges, subscription rights or other options, and to make any payments incidental thereto; to oppose, or to consent to, or otherwise participate in, corporate reorganizations or other changes affecting corporate securities, and to delegate discretionary powers, and to pay any assessments or charges in connection therewith; and generally to exercise any of the powers of an owner with respect to stocks, bonds, securities, or other property;

(d) To cause any securities or other property to be registered in the Trustee’s own name or in the name of one or more of the Trustees nominees, and to hold any investments in bearer form, but the books and records of the Trustee shall at all times show that all such investments are part of the Plan;

(e) To borrow or raise money for the purposes of the Plan in such amount, and upon such terms and conditions, as the Trustee shall deem advisable; and for any sum so borrowed, to issue a promissory note as Trustee, and to secure the repayment thereof by pledging all, or any part, of the Trust Fund Remainder; and no person lending money to
the Trustee shall be bound to see to the application of the money lent or to inquire into the validity, expediency, or propriety of any borrowing;

(f) To keep such portion of the Trust Fund Remainder in cash or cash balances as the Trustee may, from time to time, deem to be in the best interests of the Plan, without liability for interest thereon;

(g) To accept and retain for such time as it may deem advisable any securities or other property received or acquired by it as Trustee hereunder, whether or not such securities or other property would normally be purchased as investments hereunder;

(h) To make, execute, acknowledge and deliver any and all documents of transfer and conveyance and any and all other instruments that may be necessary or appropriate to carry out the powers herein granted;

(i) To settle, compromise, or submit to arbitration any claims, debts, or damages due or owing to or from the Plan, to commence or defend suits or legal or administrative proceedings, and to represent the Plan in all suits and legal and administrative proceedings;

(j) To employ suitable agents and counsel and to pay their reasonable expenses and compensation, and such agent or counsel may or may not be agent or counsel for the Employer;

(k) To invest funds of the Trust Fund Remainder in time deposits or savings accounts bearing a reasonable rate of interest in the Trustee’s bank;

(l) To invest in Treasury Bills and other forms of United States government obligations;

(m) To sell, purchase and acquire put or call options if the options are traded on and purchased through a national securities exchange registered under the Securities Exchange Act of 1934, as amended, or, if the options are not traded on a national securities exchange, are guaranteed by a member firm of the New York Stock Exchange;

(n) To deposit monies in federally insured savings accounts or certificates of deposit in banks or savings and loan associations;

(o) To pool all or any of the Trust Fund Remainder, from time to time, with assets belonging to any other qualified employee pension benefit trust created by the Employer or any Affiliated Employer, and to commingle such assets and make joint or common investments and carry joint accounts on behalf of this Plan and such other trust or trusts, allocating undivided shares or interests in such investments or accounts or any pooled assets of the two or more trusts in accordance with their respective interests;

(p) To do all such acts and exercise all such rights and privileges, although not specifically mentioned herein, as the Trustee may deem necessary to carry out the purposes of the Plan.

(q) The powers granted to the Trustee shall be exercised in the sole fiduciary discretion of the Trustee. However, each Participant shall direct the Trustee to separate and keep separate his or her interest in the Plan; and further each Participant is authorized and empowered, in his or her sole and absolute discretion, to give directions to the Trustee in such form as the Trustee may require concerning the investment of the Participant’s Account, which directions must be followed by the Trustee, and so long as such investments are offered by the Plan and approved for investment by the Administrator or Trustee. Neither the Trustee nor any other persons, including the Administrator or otherwise, shall be under any duty to question any such direction of the Participant or to review any securities or other property, real or personal, or to make any suggestions to the Participant in connection therewith, and the Trustee shall comply as promptly as practicable with directions given by the Participant hereunder. Any such direction may be of a continuing nature or otherwise. The Trustee may refuse to comply with any direction, from the Participant in the event the Trustee, in its sole and absolute discretion, deems such directions improper by virtue of applicable law, and in such event, the Trustee shall not be responsible or liable for any loss or expense which may result. Any costs and expenses related to compliance with the Participant’s directions shall be borne by the Participant’s Account.

(r) Notwithstanding anything hereinabove to the contrary, the Trustee shall not, at any time after December 31, 1981, invest any portion of a Participant’s Account in “collectibles” within the meaning of that term as employed in Code Section 408(m).
7.4 **LOANS TO PARTICIPANTS**

Loans shall not be granted to any Participant.

7.5 **DUTIES OF THE TRUSTEE REGARDING PAYMENTS**

At the direction of the Administrator, the Trustee shall, from time to time, in accordance with the terms of the Plan, make payments out of the Trust Fund. The Trustee shall not be responsible in any way for the application of such payments.

7.6 **TRUSTEE’S COMPENSATION AND EXPENSES AND TAXES**

The Trustee shall be paid such reasonable compensation as set forth in the Trustee’s fee schedule, if any, or as otherwise agreed upon in writing by the Employer and the Trustee or as otherwise specified by law. An individual serving as Trustee who already receives full-time pay from the Employer shall not receive compensation from this Plan. In addition, the Trustee shall be reimbursed for any reasonable expenses, including counsel fees incurred by it as Trustee. Such compensation and expenses shall be paid from the Trust Fund or fees assessed Participants unless paid or advanced by the Employer. All taxes of any kind and all kinds whatsoever that may be levied or assessed under existing or future laws upon or in respect of, the Trust Fund or the income thereof, shall be paid from the Trust Fund or Participant Accounts to the extent permitted by law.

7.7 **REPORTS OF THE TRUSTEE**

Within a reasonable period of time after the end of each calendar quarterly period, the Trustee, or its agent, shall furnish to the Employer or Administrator a written statement of account setting forth:

(a) the net income, or loss, of the Trust Fund Remainder and/or Participant Accounts;

(b) all payments and distributions made from the Trust Fund Remainder and Participant Accounts; and

(c) such further information as the Trustee and/or Administrator deems appropriate or as otherwise agreed between the Administrator or Trustee and any of their third party administrators or designees. Failure by the Employer and/or Administrator to disapprove any such statement of account within thirty (30) days after its receipt thereof shall be deemed an approval thereof. The approval by the Employer and/or Administrator of any statement of account shall be binding as to all matters embraced therein as between the Employer or Administrator and the Trustee to the same extent as if the account of the Trustee had been settled by judgment or decree in an action for a judicial settlement or its account in a court of competent jurisdiction in which the Trustee, the Employer or Administrator and all persons having or claiming an interest in the Plan were parties; provided, however, that nothing herein contained shall deprive the Trustee of its right to have its accounts judicially settled if the Trustee so desires.

7.8 **RESIGNATION, REMOVAL AND SUCCESSION OF TRUSTEE**

(a) If authorized by Arizona Revised Statute Section 38-952, the Trustee may resign at any time by delivering to the Employer, at least thirty (30) days before its effective date, a written notice of resignation.

(b) If authorized by Arizona Revised Statute Section 38-952, the Employer may remove the Trustee by mailing by registered or certified mail, addressed to such Trustee at the Trustee’s last known address, at least thirty (30) days before its effective date, a written notice of removal.

(c) Upon the death, resignation, incapacity, or removal of any Trustee, and if authorized by Arizona Revised Statute Section 38-952, a successor may be appointed by the Employer; and such successor, upon accepting such appointment in writing and delivering same to the Employer, shall, without further act, become vested with all the estate, rights, powers, discretions, and duties of the predecessor with like respect as if originally named as a Trustee herein. Until such a successor is appointed, the remaining Trustee or Trustees (if there shall be one) shall have full authority to act under the terms of the Plan.
(d) If authorized by Arizona Revised Statute Section 38-952, the Employer may designate one or more successors prior to the death, resignation, incapacity, or removal of a Trustee. In the event a successor is so designated by the Employer and accepts such designation, the successor shall, without further act, become vested with all the estate, rights, powers, discretions, and duties of the predecessor with the like effect as if originally named as Trustee herein immediately upon the death, resignation, incapacity, or removal of the predecessor.

(e) Whenever any Trustee hereunder ceases to serve as such, such Trustee shall furnish to the Employer and Administrator a written statement of account with respect to the portion of the Plan Year during which such Trustee served. This statement shall be either (i) included as part of the annual statement of account for the Plan Year required under Section 7.7, or (ii) set forth in a special statement. Any such special statement of account should be rendered to the Employer no later than the due date of the annual statement of account for the Plan Year. The procedures set forth in Section 7.7 for the approval by the Employer of annual statements of account shall apply to any special statement of account rendered hereunder and approval by the Employer of any such special statement in the manner provided in Section 7.7 shall have the same effect upon the statement as the Employer’s approval of an annual statement of account. No successor to the Trustee shall have any duty or responsibility to investigate the acts or transactions of any predecessor who has rendered all statements of account required by Section 7.7 and this subparagraph.

7.9 TRANSFER OF INTEREST

Notwithstanding any other provision contained in this Plan, the Trustee, at the direction of the Administrator, shall transfer the Vested interest, if any, of such Participant in his Account to another trust forming part of a pension, profit sharing, or stock bonus plan maintained by such Participant’s new employer and represented by said employer in writing as meeting the requirements of Code Section 401(a), provided that the trust to which such transfers are made permits the transfer to be made.

(a) Notwithstanding any provision of the Plan to the contrary, with respect to authorized distributions from the Plan, a Participant shall be permitted to elect to have any “eligible rollover distribution” transferred directly to an “eligible retirement plan” specified by the Participant. The Plan provisions otherwise applicable to distributions continue to apply to the direct transfer option. The Participant shall, in the manner prescribed by the Administrator, specify the amount to be directly transferred and the “eligible retirement plan” to receive the transfer. Any portion of a distribution, which is not transferred, shall be distributed to the Participant.

(b) For purposes of this Section, the term “eligible rollover distribution” means any distribution other than (i) a distribution of substantially equal periodic payments (not less frequently than annually) over the life or life expectancy of the Participant (or joint life or joint life expectancies of the Participant and the designated beneficiary) or a distribution over a period certain of ten years or more; (ii) amounts required to be distributed under Code Section 401(a)(9); (iii) the portion of any other distribution that is not includible in gross income; (iv) a distribution made to satisfy the requirements of Code Section 415; (v) hardship distributions; and (vi) similar items designated by the Commissioner in revenue rulings, notices and other guidance published in the Internal Revenue Bulletin.

(c) For purposes of this Section, the term “eligible retirement plan” means (i) an individual retirement account as described in Code Section 408(a); (ii) an individual retirement annuity as described in Code Section 408(b); (iii) an annuity plan as described in Code Section 403(a); (iv) a defined contribution plan as described in Code Section 401(a) which is exempt from tax under Code Section 501(a) and which accepts rollover distributions, provided that the Plan Administrator of such plan represents in writing that such plan meets the requirements of Code Section 401(a); or (v) an annuity contract described in Code Section 403(b) and an eligible plan under Code Section 457(b), which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state and which agrees to separately account for amounts transferred into such plan from this Plan. The definition of eligible retirement plan shall also apply in the case of a distribution to a surviving spouse or to a spouse or former spouse who is the alternate payee under a qualified domestic relation order, as defined in Code Section 414(p).

(d) For purposes of the direct rollover provisions of the Plan, any amount that is distributed on account of hardship shall not be an eligible rollover distribution and the distributee may not elect to have any portion of such a distribution paid directly to an eligible retirement plan.

(e) Notwithstanding any other provisions of the Plan, effective for taxable years beginning on or after January 1, 2007, an eligible rollover distribution may include the portion of any distribution that is not includible in gross income. For this purpose, an eligible retirement plan includes a defined contribution or defined benefit plan qualified under Code Section 401(a) and a tax-sheltered annuity plan under Code Section 403(b), provided the rollover is
accomplished through a direct rollover and the recipient eligible retirement plan separately accounts for any amounts attributable to the rollover of any nontaxable distribution and earnings thereon.

(f) For distributions occurring on or after January 1, 2008, a participant or beneficiary (including a non-spousal beneficiary to the extent permitted under Subsection 7.9(g)), may rollover an eligible rollover distribution (as defined in Code Section 402(c)(4)) to a Roth IRA, provided that, for distributions occurring prior to January 1, 2010, the Participant (or beneficiary) satisfies the requirements for making a Roth contribution under Code Section 408A(c)(3)(B), as then in effect. Any amounts rolled over to a Roth IRA will be included in gross income to the extent such amounts would have been included in gross income if not rolled over (as required under Code Section 408A(d)(3)(A)). For purposes of this Subsection (h), the Plan Administrator is not responsible for assuring the Participant (or beneficiary) is eligible to make a rollover to a Roth IRA.

(g) Effective for distributions made on or after January 1, 2010, a non-spouse beneficiary (as defined in Code Section 401(a)(9)(E)) may elect to directly rollover an eligible rollover distribution to an individual retirement account under Code Section 408(a) or an individual retirement annuity under Code Section 408(b) that is established on behalf of the designated beneficiary and that will be treated as an inherited IRA pursuant to the provisions of Code Section 402(c)(11). In order to be able to rollover the distribution, the distribution otherwise must satisfy the definition of an eligible rollover distribution (as defined in Code Section 401(c)(4)). In applying this Subsection (f), a non-spouse rollover will not be subject to the direct rollover requirements under Code Section 401(a)(31), the rollover notice requirements under Code Section 402(f) or the mandatory withholding requirements under Code Section 3405(c).

(h) Notwithstanding any other provisions of the Plan, the period for providing the rollover notice as required under Code Section 402(f) will be no less than 30 days and no more than 90 days before the date of distribution and, effective for plan years beginning on or after January 1, 2007, will be no less than 30 days and no more than 180 days before the date of distribution.

7.10 TRUSTEE INDEMNIFICATION

The Employer agrees to indemnify and save harmless the Trustee and Administrator and their agents, employees, attorneys, successors and assigns against any and all claims, losses, damages, expenses and liabilities they may incur in the exercise and performance of the Trustee’s powers and duties hereunder, unless the same are determined by a final order of a court of law to be due to intentional misconduct. The Trustee and Administrator and their agents, employees, attorneys, successors and assigns shall be conclusively deemed to have acted innocently and without any intention to commit intentional wrongdoing if their actions or omissions, as the case may be, were based upon and/or the result of reliance upon the advice of their designated counsel, and this is so even if such advice is eventually proven incorrect. Upon demand, the Employer shall pay all costs and liabilities incurred by the Administrator and/or Trustee and their agents, employees, attorneys, successors and assigns, including all attorneys’ fees and costs of litigation incurred by them, arising under the indemnity provided in this Section, as such costs and liabilities arise.

ARTICLE VIII
AMENDMENT, TERMINATION AND MERGERS

8.1 AMENDMENT

(a) So long as allowed by Arizona law, the Employer shall have the right at any time to amend this Plan subject to the limitations of this Section. However, any amendment, which affects the rights, duties or responsibilities of the Trustee and Administrator, may only be made with the Trustee’s and Administrator’s written consent. Any such amendment shall become effective as provided therein upon its execution. The Trustee shall not be required to execute any such amendment unless the amendment affects the duties of the Trustee hereunder.

(b) No amendment to the Plan shall be effective if it violates Arizona law or authorizes or permits any part of the Trust Fund (other than such part as is required to pay taxes and administration expenses) to be used for or diverted to any purpose other than for the exclusive benefit of the Participants or their Beneficiaries or estates; or causes any reduction in the amount credited to the account of any Participant; or causes or permits any portion of the Trust Fund to revert to or become property of the Employer.
8.2 TERMINATION

(a) If authorized by Arizona Revised Statute Sections 38-951 to 38-954 or any amendments thereto, the Employer shall have the right at any time to terminate the Plan by delivering to the Trustee and Administrator written notice of such termination. Upon any full or partial termination, all amounts credited to the affected Participants’ Accounts shall become 100% Vested and shall not thereafter be subject to Forfeiture, and all unallocated amounts shall be allocated to the accounts of all Participants pro rata.

(b) Upon the full termination of the Plan, the Employer shall direct the distribution of the assets to Participants in a manner, which is consistent with and satisfies the provisions of Section 6.4. Distributions to a Participant shall be made in cash (or in property if permitted in the Adoption Agreement).

8.3 MERGER OR CONSOLIDATION

If authorized by Arizona Revised Statute Sections 38-951 to 38-954 or any amendments thereto, this Plan may be merged or consolidated with, or its assets and/or liabilities may be transferred to any other plan only if the benefits which would be received by a Participant of this Plan, in the event of a termination of the Plan immediately after such transfer, merger or consolidation, are at least equal to the benefits the Participant would have received if the Plan had terminated immediately before the transfer, merger or consolidation.

ARTICLE IX
MISCELLANEOUS

9.1 EMPLOYER ADOPTIONS

(a) If authorized by Arizona Revised Statute Sections 38-951 to 38-954 or any amendments thereto, any organization may become the Employer hereunder by executing the Adoption Agreement in form satisfactory to the Trustee, and it shall provide such additional information as the Trustee may require. The consent of the Trustee to act as such shall be signified by its execution of the Adoption Agreement.

(b) Except as otherwise provided in this Plan, the affiliation of the Employer and the participation of its Participants shall be separate and apart from that of any other employer and its participant’s hereunder.

9.2 PARTICIPANT’S RIGHTS

Nothing contained in this Plan shall be deemed to give any Participant or Employee the right to be retained in the service of the Employer or to interfere with the right of the Employer to discharge any Participant or Employee at any time regardless of the effect, which such discharge shall have upon him as a Participant of this Plan.

9.3 ALIENATION

(a) Subject to the exceptions provided below, no benefit which shall be payable to any person (including a Participant or his Beneficiary) shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or charge, and any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber, or charge the same shall be void. No such benefit shall in any manner be liable for, or subject to, the debts, contracts, liabilities, engagements, or torts of any such person, nor shall it be subject to attachment or legal process for or against such person, and the same shall not be recognized except to such extent as may be required by law.

(b) This provision shall not apply to the extent a Participant or Beneficiary is indebted to the Plan, for any reason, under any provision of this Plan. At the time a distribution is to be made to or for a Participant’s or Beneficiary’s benefit, such proportion of the amount to be distributed equal to such indebtedness shall be paid to the Plan to apply against or discharge such indebtedness. Prior to making a payment, however, the Participant or Beneficiary must be given written notice by the Administrator that such indebtedness is to be so paid in whole or part from his or her Participant’s Account. If the Participant or Beneficiary does not agree that the indebtedness is a valid claim against his or her Vested interest in his or her Participant’s Account, he or she shall be entitled to a review of the validity of the claim in accordance with procedures provided in Section 2.8.
This provision shall not apply to a “qualified domestic relations order” defined in Code Section 414(p), and those other domestic relations orders permitted to be so treated by the Administrator under the provisions of the Retirement Equity Act of 1984. The Administrator shall establish a written procedure to determine the qualified status of domestic relations orders and to administer distributions under such qualified orders. Further to the extent provided under a “qualified domestic relations order,” a former spouse of a Participant shall be treated as the spouse or surviving spouse for all purposes under the Plan.

Notwithstanding any provision of this Section to the contrary, an offset to a Participant’s accrued benefit against an amount that the Participant is ordered or required to pay the Plan with respect to a judgment, order, or decree issued, or a settlement entered into, on or after August 5, 1997, shall be permitted in accordance with Code Section 401(a)(13)(C).

CONSTRUCTION OF PLAN

This Plan shall be construed and enforced according to the Code and the laws of the State of Arizona, other than its laws respecting choice of law, to the extent not pre-empted by the Code.

GENDER AND NUMBER

Wherever any words are used herein in the masculine, feminine or neuter gender, they shall be construed as though they were also used in all of the other genders in all cases where they would so apply, and whenever any words are used herein in the singular or plural form, they shall be construed as though they were also used in the other form in all cases where they would so apply.

LEGAL ACTION

In the event any claim, suit, or proceeding is brought regarding the Trust Fund and/or Plan established hereunder to which the Trustee or the Administrator or their agents, employees, attorneys, successors or assigns may be a party, and such claim, suit, or proceeding is resolved in favor of the Trustee or Administrator or their agents, employees, attorneys, successors or assigns, they shall be entitled to be reimbursed from the Trust Fund for any and all costs, attorney’s fees, and other expenses pertaining thereto incurred by them for which they shall have become liable.

PROHIBITION AGAINST DIVERSION OF FUNDS

Except as provided below and otherwise specifically permitted by law, it shall be impossible by operation of the Plan, by termination, by power of revocation or amendment, by the happening of any contingency, by collateral arrangement or by any other means, for any part of the corpus or income of any Trust Fund maintained pursuant to the Plan or any funds contributed thereto to be used for, or diverted to, purposes other than the exclusive benefit of Participants, Retired Participants, Terminated Participants, Deceased Participants or their Beneficiaries.

In the event the Employer shall make a contribution under a mistake of fact, the Employer may demand repayment of such contribution at any time within one (1) year following the time of payment and the Trustees shall return such amount to the Employer within the one (1) year period. Earnings of the Plan attributable to the contributions may not be returned to the Employer but any losses attributable thereto must reduce the amount so returned.

RECEIPT AND RELEASE FOR PAYMENTS

Any payment to any Participant, Retired Participant, Terminated Participant, Deceased Participant, or his or her legal representative, Beneficiary, or to any guardian or committee appointed for such Participant, Retired Participant, Terminated Participant, Deceased Participant or Beneficiary in accordance with the provisions of this Plan shall, to the extent thereof, be in full satisfaction of all claims hereunder against the Trustee and the Employer.

ACTION BY THE EMPLOYER

Whenever the Employer under the terms of the Plan is permitted or required to do or perform any act or matter or thing, it shall be done and performed by a person duly authorized by the Employer’s legally constituted authority.
9.10 HEADINGS

The headings and subheadings of this Plan have been inserted for convenience of reference and are to be ignored in any construction of the provisions hereof.

9.11 APPROVAL BY INTERNAL REVENUE SERVICE

Notwithstanding anything herein to the contrary, if, pursuant to a timely application filed by or in behalf of the Plan, the Commissioner of Internal Revenue Service or his delegate should determine that the Plan does not initially qualify as a tax-exempt plan and trust under Code Sections 401 and 501, respectively, and such determination is not contested, or if contested, is finally upheld, then if the Plan is a new plan, it shall be void from its establishment and all amounts remaining in the Plan attributable to contributions made to the Plan by the Employer, less expenses paid, shall be returned within one year, except that such amounts shall be net of any investment returns or losses. Thereafter, the Plan shall terminate and the Trustee shall be discharged from all further obligations. If the disqualification relates to an amended plan, then the Plan shall operate as if it had not been amended and restated, except with respect to any part of the amended Plan, which shall not cause Plan disqualification.

9.12 UNIFORMITY

All provisions of this Plan shall be interpreted and applied in a uniform, nondiscriminatory manner.

9.13 PAYMENT OF BENEFITS

Benefits under this Plan shall be paid, subject to the applicable provisions of Article, only upon death, Retirement or Termination from employment by the Employer, or upon Plan Termination.

9.14 UNIFORMED SERVICES EMPLOYMENT AND REEMPLOYMENT ACT

Notwithstanding any provision in this Plan to the contrary, contributions, benefits and service credit with respect to qualified military service will be provided in accordance with Section 414(u) of the Code.

ARTICLE X
PARTICIPATING EMPLOYERS

10.1 ELECTION TO BECOME A PARTICIPATING EMPLOYER

Notwithstanding anything herein to the contrary, with the consent of the Employer and Trustee, and if authorized by Arizona Revised Statute Sections 38-951 to 38-954 or any amendments thereto, any affiliated governmental employer may adopt this Plan and all of the provisions hereof, and participate herein and be known as a “Participating Employer”, by a properly executed document evidencing said intent and will of such Participating Employer.

10.2 REQUIREMENTS OF PARTICIPATING EMPLOYERS

(a) Each Participating Employer shall be required to select the same Adoption Agreement provisions as those selected by the Employer other than the Plan Year, the Fiscal Year, and such other items that must, by necessity, vary among employers.

(b) Each such Participating Employer shall be required to use the same Trustee as provided in this Plan.

(c) The Trustee may, but shall not be required to, commingle, hold and invest as one Trust Fund all contributions made by Participating Employers, as well as all increments thereof.
(d) The transfer of any Participant from or to an Employer participating in this Plan, whether it is an Employee of the Employer or a Participating Employer, shall not affect such Participant’s rights under the Plan, and all amounts credited to such Participant’s Account as well as his or her accumulated service time with the transferor or predecessor, and his or her length of participation in the Plan shall continue to his or her credit.

(e) Any expenses of the Plan, which are to be paid by the Employer, shall be paid by each Participating Employer in the same proportion that the total amount standing to the credit of all Participants employed by such Employer bears to the total standing to the credit of all Participants.

10.3 DESIGNATION OF AGENT

Each Participating Employer shall be deemed to be a part of this Plan; provided, however, that with respect to all of its relations with the Trustee and Administrator for the purpose of this Plan, each Participating Employer shall be deemed to have designated irrevocably the Employer as its agent. Unless the context of the Plan clearly indicates the contrary, the word “Employer” shall be deemed to include each Participating Employer as related to its adoption of the Plan.

10.4 EMPLOYEE TRANSFERS

It is anticipated that an Employee may be transferred between Participating Employers, and in the event of any such transfer, the Employee involved shall carry his or her accumulated service and eligibility to the new Employer. No such transfer shall effect a termination of employment hereunder, and the Participating Employer to which the Employee is transferred shall thereupon become obligated hereunder with respect to such Employee in the same manner, as was the Participating Employer from whom the Employee was transferred.

10.5 PARTICIPATING EMPLOYER’S CONTRIBUTION AND FORFEITURES

Any contribution or Forfeiture subject to allocation during each Plan Year shall be allocated among all Participants of all Participating Employers in accordance with the provisions of this Plan. On the basis of the information furnished by the Administrator, the Trustee shall keep separate books and records concerning the affairs of each Participating Employer hereunder and as to the accounts and credits of the Employees of each Participating Employer. In the event of an Employee transfer from one Participating Employer to another, the transferring Employer shall immediately notify the Trustee thereof.

10.6 AMENDMENT

Amendment of this Plan by the Employer at any time when there shall be a Participating Employer hereunder shall only be by the written action of each and every Participating Employer and with the consent of the Trustee where such consent is necessary in accordance with the terms of this Plan.

10.7 DISCONTINUANCE OF PARTICIPATION

If authorized by Arizona Revised Statute Sections 38-951 to 38-954 or any amendments thereto, any Participating Employer shall be permitted to discontinue or revoke its participation in the Plan at any time. At the time of any such discontinuance or revocation, satisfactory evidence thereof and of any applicable conditions imposed shall be delivered to the Trustee. If appropriate, the Trustee shall thereafter transfer, deliver and assign Trust Fund assets allocable to the Employees of such Participating Employer, who are Plan Participants, to such new Trustee as shall have been designated by such Participating Employer, in the event that it has established a separate pension plan for its Employees. If no successor is designated, the Trustee shall retain such assets for the Employees of said Participating Employer pursuant to the provisions of Article VII hereof as otherwise deemed appropriate by the Trustee. In no such event shall any part of the corpus or income of the Trust Fund as it relates to such Participating Employer be used for or diverted for purposes other than for the exclusive benefit of the Employees of such Participating Employer.
10.8 ADMINISTRATOR'S AUTHORITY

The Administrator shall have authority to make any and all necessary rules or regulations, binding upon all Participating Employers and all Participants, to effectuate the purpose of this Article.

10.9 RIGHT OF EMPLOYER TO DESIGNATE CONTRIBUTIONS

In accordance with ARS 38-952.B.4 (c), the following additional requirements apply to this plan:

(a) In addition to the requirements of ARS 38-953, each employer shall have the right to designate the amount to be contributed under Paragraph D of ARS 38-953. If the employer does not designate an amount, then no contribution may be made in accordance with Paragraph D of ARS 38-953.

(b) Participation in the Plan is irrevocable and shall be until the employee leaves service.

This Amended and Restated Plan document is hereby adopted, effective January 1, 2016.

ARIZONA PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM

Dated: _____________________, 2016

By _________________________

Title _________________________
APPENDIX A

LIMITATION ON ANNUAL ADDITIONS

SECTION 1

INTRODUCTION

Terms defined in the Plan shall have the same meanings when used in this Appendix. In addition, when used in this Appendix, the following terms shall have the following meanings:

1.1. **Annual Addition.** Annual addition means, with respect to any Participant for a Limitation Year, the sum of:

(a) all Employer contributions (including Employer contributions of the Participant’s earnings reductions under Code Sections 414(h)(2), 403(b), and 408(k)) allocable as of a date during such Limitation Year to the Participant under all defined contribution plans;

(b) all forfeitures allocable as of a date during such Limitation Year to the Participant under all defined contribution plans; and

(c) all Participant contributions made as of a date during such Limitation Year to all defined contribution plans.

1.1.1. **Specific Inclusions.** With regard to a plan which contains a qualified cash or deferred arrangement or matching contributions or employee contributions, excess deferrals and excess contributions and excess aggregate contributions (whether or not distributed during or after the Limitation Year) shall be considered annual additions in the year contributed.

1.1.2. **Specific Exclusions.** Annual Additions for purposes of Code Section 415 of the Code shall not include:

(a) The direct transfer of a benefit or employee contributions from a qualified plan to the Plan;

(b) Rollover contributions as described in Code Sections 401(a)(31), 402(c)(1), 403(a)(4), 403(b)(8), 408(d)(3), and 457(e)(16);

(c) Repayments of loans made to a Participant from the Plan; and

(d) Repayments of amounts described in Code Section 415(k)(3), as well as Employer restorations of benefits that are required pursuant to such repayments.

1.1.3. **Date of Employer contributions.** Notwithstanding anything in the Plan to the contrary, Employer contributions are treated as credited to a Participant’s Aggregate Account for a particular Limitation Year only if the contributions are actually made to the Plan no later than the fifteenth (15th) day of the tenth (10th) calendar month following the end of the calendar year or fiscal year (as applicable, depending on the basis on which the Employer keeps its books) with or within which the particular Limitation Year ends.

1.2. **Defined Contribution Plans.** Defined contribution plan has the meaning assigned to such term by Code Section 415(k)(1). Whenever reference is made to defined contribution plans in this Appendix, it shall include all such plans maintained by all Employers.

1.3. **Individual Medical Account.** Individual medical account means an account, as defined in Code Section 415(1)(2) maintained by an Employer that provides an annual addition.
1.4. **Limitation Year.** Limitation Year means the Plan Year. The Limitation Year may only be changed by a Plan amendment. Furthermore, if the Plan is terminated effective as of a date other than the last day of the Plan’s Limitation Year, then the Plan is treated as if the Plan has been amended to change its Limitation Year.

1.5. **Maximum Permissible Addition.**

1.5.1. **General Rule.** Maximum permissible addition means, for any one (1) Limitation Year, the lesser of:

   (a) Forty Thousand Dollars ($40,000) or a larger amount that is effective as of January 1 of each calendar year and is due to any cost of living adjustment announced by the United States Secretary of the Treasury pursuant to Code Section 415(d); or

   (b) One hundred percent (100%) of the Participant’s §415 compensation for such Limitation Year.

1.5.2. **Medical Benefits.** The dollar limitation in Section 1.5.1(a), but not the amount determined in Section 1.5.1(b), shall be reduced by the amount of Employer contributions which are allocated to a separate account established for the purpose of providing medical benefits or life insurance benefits with respect to a key employee (as defined in Code Section 416(i)) under a welfare benefit fund or an individual medical account.

1.6. **Section 415 Compensation.**

1.6.1. **General.** Section 415 compensation (sometimes, “§415 compensation”) shall mean, with respect to any Limitation Year, the wages, tips, and other compensation paid to the Participant by an Employer and reportable in the box designated “wages, tips, other compensation” on Treasury Form W-2 (or any comparable successor box or form) for the Limitation Year but determined without regard to any rules that limit the remuneration included in wages based on the nature or location of the employment or the services performed (such as the exception for agricultural labor in Code Section 3401(a)(2)). Section 415 compensation shall be determined on a cash basis, and shall include elective contributions made by the Employer on behalf of a Participant which are not includable in gross income under Code Sections 125, 132(f)(4), 402(g)(3), or 457; provided that §415 compensation shall not include any amounts under Code Section 125 not available to a Participant in cash in lieu of group health coverage because the Participant is unable to certify that he or she has other health coverage. Notwithstanding the foregoing, the provision requiring elective contributions made by the Employer on behalf of a Participant which are not includable in gross income under Code Section 132(f)(4) shall be included within the definition of §415 compensation effective for Limitation Years beginning on or after January 1, 2001.

1.6.2. **Adjustments to Section 415 Compensation.** The following adjustments shall be made to the definition of §415 compensation contained in Section 1.6.1:

   (a) **Compensation paid after severance from employment.** Section 415 compensation shall be adjusted for the following types of compensation paid after a Participant’s severance from employment with an Employer. However, amounts described in clauses 1.6.2(a)(i) and (ii) may only be included in §415 compensation to the extent such amounts are paid by the later of two and one-half (2 ½) months after severance from employment or by the end of the Limitation Year that includes the date of such severance from employment. Any other payment of compensation paid after severance of employment that is not described in the following types of compensation is not considered §415 compensation within the meaning of Code Section 415(c)(3), even if payment is made within the time period specified above.

   (i) **Regular pay.** Section 415 compensation shall include regular pay after severance of employment if: (A) the payment is regular compensation for services during the Participant’s
regular working hours, or compensation for services outside the Participant’s regular working
hours (such as overtime or shift differential), commission, bonuses, or other similar payments;
and (B) the payment would have been paid to the Participant prior to a severance from
employment if the Participant had continued in employment with the Employer.

(ii) Leave cashouts and deferred compensation. Leave cashouts shall be included in §415
compensation if those amounts would have been included in the definition of §415
compensation if they were paid prior to the Participant’s severance from employment, and the
amounts are payment for unused accrued bona fide sick, vacation, or other leave, but only if
the Participant would have been able to use the leave if employment had continued. In
addition, deferred compensation shall be included in §415 compensation if the compensation
would have been included in the definition of §415 compensation if it had been paid prior to
the Participant’s severance from employment, and the compensation is received pursuant to a
nonqualified unfunded deferred compensation plan, but only if the payment would have been
paid at the same time if the Participant had continued in employment with the Employer and
only to the extent that the payment is includible in the Participant’s gross income.

(iii) Salary continuation payments for military service Participants. Effective for Plan Years
beginning after December 31, 2008, §415 compensation includes payments to an individual
who does not currently perform services for the Employer by reason of qualified military
service (as that term is used in Code Section 414(u)(1)) to the extent those payments do not
exceed the amounts the individual would have received if the individual had continued to
perform services for the Employer rather than entering qualified military service. For Plan
Years beginning before January 1, 2009, §415 compensation did not include amounts
described in this Section 1.6.2(a)(iii).

(iv) Salary continuation payments for disabled Participants. Section 415 compensation does
not include compensation paid to a Participant who is permanently and totally disabled (as
defined in Code Section 22(e)(3)).

(b) Administrative delay (“the first few weeks”) rule. Section 415 compensation for a Limitation
Year shall not include amounts earned but not paid during the Limitation Year solely because of
the timing of pay periods and pay dates.

1.7. Welfare Benefit Fund. Welfare benefit fund means a fund as defined in Code Section 419(e) which provides
post-retirement medical benefits allocated to separate accounts for key employees as defined in Code Section
419A(d)(3).

SECTION 2

DEFINED CONTRIBUTION LIMITATION

Notwithstanding anything to the contrary contained in the Plan Statement, there shall not be allocated to the account of
any Participant under a defined contribution plan for any Limitation Year an amount which would cause the annual
addition for such Participant to exceed the maximum permissible addition.

SECTION 3

REMEDIAL ACTION

Notwithstanding any provision of the Plan to the contrary, if a Participant’s Annual Additions are exceeded, then the Plan
may correct such excess only in accordance with the Employee Plans Compliance Resolution System (EPCRS) as set forth
in Revenue Procedure 2008-50 or any superseding guidance, including, but not limited to, the preamble of the final
Treasury regulations issued under Code Section 415.
APPENDIX B

MINIMUM DISTRIBUTION REQUIREMENTS

SECTION 1

GENERAL RULES

1.1. Effective Date. The provisions of this Appendix will apply for purposes of determining required minimum distributions for calendar years beginning with the 2002 calendar year.

1.2. Precedence. The requirements of this Appendix will take precedence over any inconsistent provisions of the Plan.

1.3. Requirements of Treasury Regulations Incorporated. All distributions required under this Appendix will be determined and made in accordance with the Treasury regulations under Code Section 401(a)(9).

SECTION 2

TIME AND MANNER OF DISTRIBUTION

2.1. Required Beginning Date. The Participant's entire interest will be distributed, or begin to be distributed, to the Participant no later than the Participant's required beginning date.

2.2. Death of Participant Before Distributions Begin. If the Participant dies before distributions begin, the Participant’s entire interest will be distributed, or begin to be distributed, no later than as follows:

   (a) If the Participant's surviving spouse is the Participant’s sole designated beneficiary, then, distributions to the surviving spouse will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died, or by December 31 of the calendar year in which the Participant would have attained age seventy and one-half (70-1/2), if later.

   (b) If the Participant’s surviving spouse is not the Participant’s sole designated beneficiary, then, distributions to the designated beneficiary will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died.

   (c) If there is no designated beneficiary as of September 30 of the year following the year of the Participant’s death, the Participant’s entire interest will be distributed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

   (d) If the Participant’s surviving spouse is the Participant’s sole designated beneficiary and the surviving spouse dies after the Participant but before distributions to the surviving spouse begin, this Section 2.2, other than Section 2.2(a), will apply as if the surviving spouse were the Participant.

For purposes of this Section 2.2, unless Section 2.2(d) applies, distributions are considered to begin on the Participant's required beginning date. If Section 2.2(d) applies, distributions are considered to begin on the date distributions are required to begin to the surviving spouse under Section 2.2(a). If distributions under an annuity purchased from an insurance company irrevocably commence to the Participant before the Participant's required beginning date (or to the Participant’s surviving spouse before the date distributions are required to begin to the surviving spouse under Section 2.2(a)), the date distributions are considered to begin is the date distributions actually commence.
2.3. **Forms of Distribution.** Unless the Participant’s interest is distributed in the form of an annuity purchased from an insurance company or in a single sum on or before the required beginning date, as of the first distribution calendar year distributions will be made in accordance with Sections 3 and 4 of this Appendix. If the Participant’s interest is distributed in the form of an annuity purchased from an insurance company, distributions thereunder will be made in accordance with the requirements of Code Section 401(a)(9) and the Treasury regulations.

**SECTION 3**

**REQUIRED MINIMUM DISTRIBUTIONS DURING PARTICIPANT’S LIFETIME**

3.1. **Amount of Required Minimum Distribution for Each Distribution Calendar Year.** During the Participant’s lifetime, the minimum amount that will be distributed for each distribution calendar year is the lesser of:

(a) the quotient obtained by dividing the Participant’s account balance by the distribution period in the Uniform Lifetime Table set forth in Section 1.401(a)(9)-9 of the Treasury regulations, using the Participant’s age as of the Participant’s birthday in the distribution calendar year; or

(b) if the Participant’s sole designated beneficiary for the distribution calendar year is the Participant’s spouse, the quotient obtained by dividing the Participant’s account balance by the number in the Joint and Last Survivor Table set forth in Section 1.401(a)(9)-9 of the Treasury regulations, using the Participant’s and spouse’s attained ages as of the Participant’s and spouse’s birthdays in the distribution calendar year.

3.2. **Lifetime Required Minimum Distributions Continue Through Year of Participant’s Death.** Required minimum distributions will be determined under this Article 3 beginning with the first distribution calendar year and up to and including the distribution calendar year that includes the Participant’s date of death.

**SECTION 4**

**REQUIRED MINIMUM DISTRIBUTIONS AFTER PARTICIPANT’S DEATH**

4.1. **Death On or After Date Distributions Begin.**

(a) **Participant Survived by Designated Beneficiary.** If the Participant dies on or after the date distributions begin and there is a designated beneficiary, the minimum amount that will be distributed for each distribution calendar year after the year of the Participant’s death is the quotient obtained by dividing the Participant’s account balance by the longer of the remaining life expectancy of the Participant or the remaining life expectancy of the Participant’s designated beneficiary, determined as follows:

(i) The Participant’s remaining life expectancy is calculated using the age of the Participant in the year of death, reduced by one for each subsequent year.

(ii) If the Participant’s surviving spouse is the Participant’s sole designated beneficiary, the remaining life expectancy of the surviving spouse is calculated for each distribution calendar year after the year of the Participant’s death using the surviving spouse’s age as of the spouse’s birthday in that year. For distribution calendar years after the year of the surviving spouse’s death, the remaining life expectancy of the surviving spouse is calculated using the age of the surviving spouse as of the spouse’s birthday in the calendar year of the spouse’s death, reduced by one for each subsequent calendar year.
(iii) If the Participant’s surviving spouse is not the Participant’s sole designated beneficiary, the designated beneficiary’s remaining life expectancy is calculated using the age of the beneficiary in the year following the year of the Participant’s death, reduced by one for each subsequent year.

(b) **No Designated Beneficiary.** If the Participant dies on or after the date distributions begin and there is no designated beneficiary as of September 30 of the year after the year of the Participant’s death, the minimum amount that will be distributed for each distribution calendar year after the year of the Participant’s death is the quotient obtained by dividing the Participant's account balance by the Participant’s remaining life expectancy calculated using the age of the Participant in the year of death, reduced by one for each subsequent year.

4.2. **Death Before Date Distributions Begin.**

(a) **Participant Survived by Designated Beneficiary.** If the Participant dies before the date distributions begin and there is a designated beneficiary, the minimum amount that will be distributed for each distribution calendar year after the year of the Participant’s death is the quotient obtained by dividing the Participant's account balance by the remaining life expectancy of the Participant’s designated beneficiary, determined as provided in Section 4.1.

(b) **No Designated Beneficiary.** If the Participant dies before the date distributions begin and there is no designated beneficiary as of September 30 of the year following the year of the Participant’s death, distribution of the Participant's entire interest will be completed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

(c) **Death of Surviving Spouse Before Distributions to Surviving Spouse are Required to Begin.** If the Participant dies before the date distributions begin, the Participant’s surviving spouse is the Participant’s sole designated beneficiary, and the surviving spouse dies before distributions are required to begin to the surviving spouse under Section 2.2(a), this Section 4.2 will apply as if the surviving spouse were the Participant.

4.3. **Elections for Payments to Designated Beneficiaries.** Participants or beneficiaries may elect on an individual basis whether the 5-year rule or the life expectancy rule in Sections 2.2 and 4.2 of this Appendix applies to distributions after the death of a Participant who has a designated beneficiary. The election must be made no later than the earlier of September 30 of the calendar year in which distribution would be required to begin under Section 2.2 of this Amendment, or by September 30 of the calendar year which contains the fifth anniversary of the Participant’s (or, if applicable, surviving spouse’s) death. If neither the Participant nor beneficiary makes an election under this paragraph, distributions will be made in accordance with Sections 2.2 and 4.2 of this Appendix.

**SECTION 5**

**DEFINITIONS**

5.1. **Designated Beneficiary.** The individual who is designated as the Beneficiary under the Plan and is the designated beneficiary under Code Section 401(a)(9) and Section 1.401(a)(9)-4 of the Treasury regulations.

5.2. **Distribution Calendar Year.** A calendar year for which a minimum distribution is required. For distributions beginning before the Participant’s death, the first distribution calendar year is the calendar year immediately preceding the calendar year which contains the Participant's required beginning date. For distributions beginning after the Participant’s death, the first distribution calendar year is the calendar year in which distributions are required to begin under Section 2.2. The required minimum distribution for the Participant's first distribution calendar year will be made on or before the Participant's required beginning date. The required minimum distribution for other distribution calendar years, including the required minimum distribution for the distribution
calendar year in which the Participant's required beginning date occurs, will be made on or before December 31 of that distribution calendar year.

5.3. **Life Expectancy.** Life expectancy as computed by use of the Single Life Table in Section 1.401(a)(9)-9 of the Treasury regulations.

5.4. **Participant’s Account Balance.** The account balance as of the last valuation date in the calendar year immediately preceding the distribution calendar year (valuation calendar year) increased by the amount of any contributions made and allocated or forfeitures allocated to the account balance as of dates in the valuation calendar year after the valuation date and decreased by distributions made in the valuation calendar year after the valuation date. The account balance for the valuation calendar year includes any amounts rolled over or transferred to the Plan either in the valuation calendar year or in the distribution calendar year if distributed or transferred in the valuation calendar year.

5.5. **Required Beginning Date.** The date specified in the Plan when distributions under Code Section 401(a)(9) are required to begin.

**SECTION 6**

**WAIVER OF REQUIRED MINIMUM DISTRIBUTIONS**

6.1 **Waiver of Required Minimum Distributions.** For calendar year 2009, the required minimum distribution rules under this Appendix B will not apply. In applying the provisions of this Appendix B for the 2009 calendar year,

(a) the required beginning date with respect to any individual shall be determined without regard to this Section 6 for purposes of applying this Section 6 for distribution calendar years after 2009, and

(b) required distributions to a beneficiary upon the death of the Participant shall be determined without regard to calendar year 2009.

A Participant or beneficiary who would have been required to receive a required minimum distribution for the 2009 distribution calendar year but for the enactment of Code Section 401(a)(9)(H) (“2009 RMD”), may elect whether or not to receive the 2009 RMD (or any portion of such distribution). A distribution of the 2009 RMD or a series of substantially equal distributions (that include the 2009 RMDs) made at least annually and expected to last for the life (or life expectancy) of the participant, the joint lives (or joint life expectancy) of the participant and the participant’s designated beneficiary, or for a period of at least 10 years, will be treated as an eligible rollover distribution for purposes of Section 7.9 of the Plan. However, if all or any portion of a distribution during calendar year 2009 is treated as an eligible rollover distribution but would not be so treated if the required minimum distribution requirements under this Appendix B had applied during calendar year 2009, such distribution shall not be treated as an eligible rollover distribution for purposes of Code Sections 401(a)(31), 402(f) or 3405(c). (See Internal Revenue Service Notice 2009-82 for transitional rules that apply for purposes of applying the rollover rules to the distribution of 2009 RMDs.)

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STATE OF ARIZONA DEFINED CONTRIBUTION PLAN

FOR TERM LIMITED STATE OFFICIALS AND
EXEMPT STATE OFFICERS AND EMPLOYEES

AMENDED AND RESTATED

EFFECTIVE JANUARY 1, 2016
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ARTICLE I
DEFINITIONS

As used in this Plan, the following words and phrases shall have the meanings set forth herein unless a different meaning is clearly required by the context:

1.1 “Administrator” means the person(s) or entity designated by the Employer pursuant to Section 2.2 to administer the Plan on behalf of the Employer. Unless otherwise directed by law or the Trustee, the Administrator of the Plan is and shall be the person designated Administrator by the Board of Trustees of the Public Safety Personnel Retirement System of the State of Arizona as provided in Arizona Revised Statute Section 38-848K.6.

1.2 “Adoption Agreement” means the separate agreement, which is executed by the Employer and accepted by the Trustee which sets forth the elective provisions of this Plan as specified by the Employer.

1.3 “Aggregate Account” means with respect to each Participant, the value of all accounts maintained on behalf of a Participant, whether attributable to Employer or Employee contributions, subject to the provisions of Section 4.3.

1.4 “Anniversary Date” means the anniversary date specified in C3 of the Adoption Agreement.

1.5 “Beneficiary” means the person to whom a share of a Deceased Participant’s interest in the Plan is payable, subject to the restrictions of Sections 6.2 and 6.5.

1.6 “Code” means the Internal Revenue Code of 1986, as amended from time to time.

1.7 “Compensation” with respect to any Participant means information required to be reported under Code Sections 6041, 6051 and 6052 (wages, tips and Other Compensation Box on Form W-2). Compensation is defined as wages, as defined in Code Section 3401(a), and all other payments of Compensation to an Employee by the Employer (in the course of the Employer’s trade or business) for which the Employer is required to furnish the Employee a written statement under Code Sections 6041(d) and 6051(a)(3). Compensation must be determined without regard to any rules under Code Section 3401(a) that limit the remuneration included in wages based on the nature or location of the employment or the services performed (such as the exception for agricultural labor in Code Section 3401(a)(2)).

In addition, if specified in the Adoption Agreement, Compensation for all Plan purposes shall also include compensation which is not currently includible in the Participant's gross income by reason of the application of Code Sections 125, 402(e)(3), 402(h)(1)(B), 403(b), 414(h)(2) or 457(b).

Amounts received after the Participant’s severance from employment (including termination for disability) shall not be taken into account in determining a Participant’s Compensation. For this purpose, effective for plan years beginning after December 31, 2008, a Participant who does not currently perform services for the Employer by reason of “qualified military service” (as that term is used in Code Section 414(u)(1)) shall not be considered as having a severance from employment during that qualified military service; accordingly, any payments by the Employer to such Participant during the qualified military service shall be considered Compensation to the extent those payments do not exceed the amounts the Participant would have received if the Participant had continued to perform services for the Employer rather than entering qualified military service.

The annual compensation of each Employee taken into account in determining allocations for any Plan Year beginning after December 31, 2001, shall not exceed $200,000, as adjusted for cost-of-living increases in
accordance with Code Section 401(a)(17)(B). Annual compensation means compensation during the Plan Year or such other consecutive 12-month period over which compensation is otherwise determined under the Plan (the determination period). The cost-of-living adjustment in effect for a calendar year applies to annual compensation for the determination period that begins with or within such calendar year.

In addition to other applicable limitations set forth in the Plan, and notwithstanding any other provision of the Plan to the contrary, for Plan Years beginning on or after January 1, 1996, and before January 1, 2002, the annual Compensation under the Plan shall not exceed the OBRA ‘93 annual Compensation limit. The OBRA ‘93 annual Compensation limit is $150,000, as adjusted by the Commissioner for increases in the cost of living in accordance with Code Section 401(a)(17)(B). The cost-of-living adjustment in effect for a calendar year applies to any period, not exceeding 12 months, over which Compensation is determined (determination period) beginning in such calendar year. If a determination period consists of fewer than 12 months, the OBRA ‘93 annual Compensation limit will be multiplied by a fraction, the numerator of which is the number of months in the determination period, and the denominator of which is 12.

For Plan Years beginning on or after January 1, 1996, and before January 1, 2002, any reference in this Plan to the limitation under Code Section 401(a)(17) shall mean the OBRA '93 annual Compensation limit set forth in this provision.

If Compensation for any prior determination period is taken into account in determining an Employee's benefits accruing in the current Plan Year, the Compensation for that prior determination period is subject to the OBRA '93 Compensation limit in effect for that prior determination period. For this purpose, for determination periods beginning before the first day of the Plan Year beginning on or after January 1, 1994, the OBRA '93 annual Compensation limit is $150,000.

1.8 “Deceased Participant” means a Participant or Former Participant who is dead.

1.9 “Eligible Employee” means any Employee specified in D1 of the Adoption Agreement.

1.10 “Employee” means any person who is employed by the Employer, but excludes any person who is employed as an independent contractor.

1.11 “Employer” means the entity specified in the Adoption Agreement, any Participating Employer (as defined in Section 10.1) which shall adopt this Plan, any successor which shall maintain this Plan and any predecessor which has maintained this Plan.

1.12 “Fiscal Year” means the Employer’s accounting year as specified in the Adoption Agreement.

1.13 “Forfeiture” means that portion of a Participant’s Account that is not Vested, and occurs on the earlier of:

(a) the distribution of the entire Vested portion of a Participant's Account, or

(b) the last day of the Plan Year in which the Participant incurs five (5) consecutive 1-Year Breaks in Service.

Furthermore, for purposes of paragraph (a) above, in the case of a Terminated Participant whose Vested benefit is zero, such Terminated Participant shall be deemed to have received a distribution of his Vested benefit upon his termination of employment. In addition, the term Forfeiture shall also include amounts deemed to be Forfeitures pursuant to any other provision of this Plan.
“Former Participant” means a person who has been a Participant, but who has ceased to be a Participant for any reason.

“Hour of Service” means (1) each hour for which an Employee is directly or indirectly Compensated or entitled to Compensation by the Employer for the performance of duties during the applicable computation period; (2) each hour for which an Employee is directly or indirectlyCompensated or entitled to Compensation by the Employer (irrespective of whether the employment relationship has Terminated) for reasons other than performance of duties (such as vacation, holidays, sickness, jury duty, disability, lay-off, military duty or leave of absence) during the applicable computation period; or (3) each hour for which back pay is awarded or agreed to by the Employer without regard to mitigation of damages. The same Hours of Service shall not be credited both under (1) or (2), as the case may be, and under (3).

Notwithstanding the above, (i) no more than 501 Hours of Service are required to be credited to an Employee on account of any single continuous period during which the Employee performs no duties (whether or not such period occurs in a single computation period); (ii) an hour for which an Employee is directly or indirectly paid, or entitled to payment, on account of a period during which no duties are performed is not required to be credited to the Employee if such payment is made or due under a plan maintained solely for the purpose of complying with applicable worker's compensation, or unemployment compensation or disability insurance laws; and (iii) Hours of Service are not required to be credited for a payment which solely reimburses an Employee for medical or medically-related expenses incurred by the Employee.

For purposes of this Section, a payment shall be deemed to be made by or due from the Employer regardless of whether such payment is made by or due from the Employer directly, or indirectly through, among others, a trust fund, or insurer, to which the Employer contributes or pays premiums and regardless of whether contributions made or due to the trust fund, insurer, or other entity are for the benefit of particular Employees or are on behalf of a group of Employees in the aggregate.

An Hour of Service must be counted for the purpose of determining a Year of Service, a year of participation for purposes of accrued benefits, and employment commencement date (or reemployment commencement date).

Hours of Service will be determined on the basis of the method selected in the Adoption Agreement.

“Investment Manager” means an entity that (a) has the power to manage, acquire, or dispose of Plan assets and (b) acknowledges fiduciary responsibility to the Plan in writing. Such entity must be a person, firm, or corporation registered as an investment adviser under the Investment Advisers Act of 1940, a bank, or an insurance company.

“Mandatory Employee Contribution” means Participant contributions which are to be made as a condition of employment with the Employer. Pursuant to Code Section 414(h), and upon authorization by the Internal Revenue Service, such contributions shall be picked up by the Employer and shall be deemed to be Employer contributions which are not taxable income to the Employee.

“Participant” means any Eligible Employee who participates in the Plan as provided in Article III and has not for any reason become ineligible to participate further in the Plan.

“Participant’s Account” means the account established and maintained by the Administrator for each Participant with respect to his or her total interest under the Plan, whether resulting from the Employer's contributions or otherwise.
1.20 “Participant's Rollover Account” means that portion, if any, of the Participant’s Account and total interest in the Plan resulting from amounts transferred from the State defined benefit plans referenced in Arizona Revised Statute Section 38-954(C) in accordance with Section 4.6 or any other qualified plans from which the Administrator or Trustee accepts transfer.

1.21 “Plan” means this instrument (State Of Arizona Defined Contribution Plan For Term Limited State Officials And Exempt State Officers And Employees) including all amendments thereto, and the Adoption Agreement as adopted by the Employer.

1.22 “Plan Year” means the Plan's accounting year as specified in C2 of the Adoption Agreement.

1.23 “Regulation” means the Income Tax Regulations as promulgated by the Secretary of the Treasury or his or her delegate, as amended from time to time.

1.24 “Retirement,” “Retired” or their derivatives refer to (i) an Employee’s voluntary separation of service from the Employer due to advanced age or otherwise or (ii) an Employee’s involuntary separation of service from the Employer due to term limits or Total and Permanent Disability.

1.25 “Retired Participant” means a person who has been a Participant, but who has separated from the service of the Employer for reasons of Retirement.

1.26 “Retirement Date” means the date as of which a Participant Retires from the employ of the Employer. “Normal Retirement Date” means the date the Participant attains age sixty-five (65).

1.27 “Termination” or “Terminated” or their derivatives refer to an Employee’s involuntary separation of service from the Employer for any reason other than term limits, Total or Permanent Disability or the Employee’s death.

1.28 “Terminated Participant” means a person who has been a Participant, but whose employment with the Employer has been Terminated for reasons other than Retirement or the Employee’s death.

1.29 “Total and Permanent Disability” means the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months. The disability of a Participant shall be determined by a licensed physician chosen by the Administrator. However, if the condition constitutes total disability under the federal Social Security Acts, the Administrator may rely upon such determination that the Participant is Totally and Permanently Disabled for the purposes of this Plan. The determination shall be applied uniformly to all Participants.

1.30 “Trustee” means the person or entity named in B4 the Adoption Agreement and any successors.

1.31 “Trust Fund” means the assets of the Plan, as the same shall exist from time to time. That portion of the Trust Fund that is exclusive of all Vested interests in Participant Accounts and any Rollover Participant Accounts shall be called the “Trust Fund Remainder.”

1.32 “Vested,” “Vesting” or any derivation thereof refers to the non-Forfeitable portion of the Participant’s Account and Rollover Participant Account as determined by the Participant’s Years of Service with the Employer.

1.33 “Year of Service” means (a) if the hours method is selected in the Adoption Agreement, the computation period of twelve (12) consecutive months, herein set forth, and during which an Employee has completed at least the number of Hours of Service specified in the Adoption Agreement or (b) if the elapsed time method is selected, twelve (12) months of service.
If the hour’s method is selected in the Adoption Agreement, then for purposes of eligibility for participation, the initial computation period shall begin with the date on which the Employee first performs an Hour of Service (employment commencement date). The succeeding computation periods shall begin with the first anniversary of the Employee’s employment commencement date. However, if one (1) Year of Service or less is required as a condition of eligibility, then after the initial eligibility computation period, the eligibility computation period shall shift to the current Plan Year which includes the anniversary of the date on which the Employee first performed an Hour of Service. An Employee who is credited with the specified number of Hours of Service in both the initial eligibility computation period and the first Plan Year which commences prior to the first anniversary of the Employee’s initial eligibility computation period will be credited with two Years of Service for purposes of eligibility to participate. For Vesting purposes, the computation period shall be the Plan Year, including the period prior to the Effective Date of the Plan unless specifically excluded pursuant to the Adoption Agreement.

If the Elapsed time method is selected in the Adoption Agreement, then for purposes of determining an Employee’s Vesting and initial or continued eligibility to participate in the Plan, an Employee will receive credit for the aggregate of all time periods commencing with the Employee’s first day of employment or reemployment and ending on the date he ceases employment with the Employer. The first day of employment is the first day the Employee performs an Hour of Service. An Employee will also receive credit for any period of severance of less than 12 consecutive months. Fractional periods of a year will be expressed in terms of days.

For Vesting purposes, and all other purposes not specifically addressed in this Section, the computation period shall be the Plan Year, including periods prior to the Effective Date of the Plan unless specifically excluded pursuant to the Adoption Agreement. Years of Service and Breaks in Service will be measured on the same computation period.

Years of Service with any predecessor Employer which maintained this Plan shall be recognized. Years of Service with any other predecessor Employer shall be recognized as specified in the Adoption Agreement.

ARTICLE II
ADMINISTRATION

2.1 POWERS AND RESPONSIBILITIES OF THE EMPLOYER

(a) Pursuant to Arizona Revised Statute Section 38-952(B), the Board of Trustees of the Public Safety Personnel Retirement System of the State of Arizona (the “Board of Trustees”) shall be the Trustee of the Plan for the Employer. The Board of Trustees shall take all steps necessary to assure that the Plan is being operated for the exclusive benefit of the Participants and their Beneficiaries in accordance with the terms of the Plan and the Code.

(b) The Board of Trustees may, in its discretion, appoint an Investment Manager to manage all or a designated portion of the assets of the Plan other than the Participant Accounts. In such event, the Trustee may follow the directive of the Investment Manager in investing the assets of the Plan managed by the Investment Manager. As described in Section 4.7, each Participant shall manage his own investments in his Participant Account, and each Participant shall be solely responsible for the performance of such Account, and neither the Board of Trustees, the Administrator, the Employer, nor any of their agents, attorneys, employees, successors or assigns shall be responsible or liable for same.

(c) The Employer shall periodically review the performance of any fiduciary or other person to whom duties have been delegated or allocated by it under the provisions of this Plan or pursuant to procedures established hereunder.
2.2 DESIGNATION OF ADMINISTRATIVE AUTHORITY

Pursuant to Arizona Revised Statute Section 38-952(B), the Board of Trustees, or its designee appointed under Arizona Revised Statute Section 38-848K.6., shall be the Administrator of the Plan.

2.3 POWERS AND DUTIES OF THE ADMINISTRATOR

The primary responsibility of the Administrator is to administer the Plan for the exclusive benefit of the Participants and their Beneficiaries, subject to the specific terms of the Plan. The Administrator shall administer the Plan in accordance with its terms and shall have the power and discretion to construe the terms of the Plan and determine all questions arising in connection with the administration, interpretation, and application of the Plan. Any such determination by the Administrator shall be conclusive and binding upon all persons. The Administrator may establish procedures, correct any defect, supply any information, or reconcile any inconsistency in such manner and to such extent as shall be deemed necessary or advisable to carry out the purpose of the Plan; provided, however, that any procedure, discretionary act, interpretation or construction shall be done in a nondiscriminatory manner based upon uniform principles consistently applied and shall be consistent with the intent that the Plan shall continue to be deemed a qualified plan under the terms of Code Section 401(a), and shall comply with its terms and all regulations issued pursuant thereto. The Administrator shall have all powers necessary or appropriate to accomplish his or her duties under this Plan.

The Administrator shall be charged with the duties of the general administration of the Plan, including, but not limited to, the following:

(a) the discretion to determine all questions relating to the eligibility of Employees to participate or remain a Participant hereunder and to receive benefits under the Plan;

(b) to compute, certify, and direct the Trustee with respect to the amount and the kind of benefits to which any Participant shall be entitled hereunder;

(c) to authorize and direct the Trustee with respect to all nondiscretionary or otherwise directed disbursements from the Trust Fund;

(d) to maintain all necessary records for the administration of the Plan;

(e) to interpret the provisions of the Plan and to make and publish such rules for regulation of the Plan as are consistent with the terms hereof;

(f) to compute and certify to the Employer and to the Trustee from time to time the sums of money necessary or desirable to be contributed to the Plan;

(g) to consult with the Employer and the Trustee regarding the short and long-term liquidity needs of the Plan in order that the Trustee can exercise any investment discretion in a manner designed to accomplish specific objectives;

(h) to assist any Participant regarding his or her rights, benefits, or elections available under the Plan.

2.4 RECORDS AND REPORTS

The Administrator shall keep a record of all actions taken and shall keep all other books of account, records, and other data that may be necessary for proper administration of the Plan and shall be responsible for
supplying all information and reports to the Internal Revenue Service, Department of Labor, Participants, Beneficiaries and others as required by law.

2.5 APPOINTMENT OF ADVISERS

The Administrator, or the Trustee, may appoint counsel, specialists, advisers, and other persons as the Administrator or the Trustee deems necessary or desirable in connection with the administration of this Plan. The Administrator may appoint a suitable third party to administer the Plan for the Administrator, subject to the Administrator’s ultimate review and authority.

2.6 INFORMATION FROM EMPLOYER

To enable the Administrator to perform his functions, the Employer shall supply full and timely information to the Administrator on all matters relating to the Compensation of all Participants, their Hours of Service, their Years of Service, their Retirement, death, disability, or Termination of employment, and such other pertinent facts as the Administrator may require; and the Administrator shall advise the Trustee of such of the foregoing facts as may be pertinent to the Trustee’s duties under the Plan. The Administrator may rely upon such information as is supplied by the Employer and shall have no duty or responsibility to verify such information.

2.7 PAYMENT OF EXPENSES

All expenses of administration of the Plan may be paid out of the pool of Forfeited monies or Forfeited Participant interests in the Plan (the “Forfeited Funds”) and/or from annual or other fees assessed Participants by the Trustee or Administrator unless paid by the Employer. Such expenses shall include any expenses incident to the functioning of the Administrator, including, but not limited to, fees of accountants, counsel, and other specialists and their agents, and other costs of administering the Plan. Until paid, the expenses shall constitute a liability of the Plan. However, the Employer may reimburse the Plan for any administration expense incurred. Any administration expense paid to the Plan as a reimbursement shall not be considered an Employer contribution.

2.8 CLAIMS PROCEDURE

Any person who believes that he or she is entitled to a benefit under the Plan shall file with the Plan Administrator a written notice of claim for such benefit within 45 days of such right accruing or shall forever waive entitlement to such benefit.

Within 120 days after its receipt of such written notice of claim, the Plan Administrator shall either grant or deny such claim provided, however, any delay on the part of the Plan Administrator in arriving at a decision shall not adversely affect benefits payable under a granted claim.

ARTICLE III
ELIGIBILITY

3.1 CONDITIONS OF ELIGIBILITY

Any Eligible Employee shall be eligible to participate hereunder and become a Participant upon satisfaction of the requirements specified in the Adoption Agreement.
3.2 **EFFECTIVE DATE OF PARTICIPATION**

An Eligible Employee who has become eligible to be a Participant shall become a Participant effective as of the day specified in the Adoption Agreement.

In the event an Employee who has satisfied the Plan's eligibility requirements and would otherwise have become a Participant shall go from a classification of a noneligible Employee to an Eligible Employee, such Employee shall become a Participant as of the date he or she becomes an Eligible Employee.

3.3 **DETERMINATION OF ELIGIBILITY**

The Administrator shall determine the eligibility of each Employee for participation in the Plan based upon information furnished by the Employer. Such determination shall be conclusive and binding upon all persons, as long as the same is made pursuant to the Plan. Such determination shall be subject to review per Section 2.8.

3.4 **TERMINATION OF ELIGIBILITY**

In the event a Participant shall go from a classification of an Eligible Employee to an ineligible Employee, such Former Participant shall own that portion of his Participant Account in which he has a Vested interest as of the date of his loss of eligibility, including any investment returns or losses attributable to that portion of the Participant’s Account through the date the Participant’s Account is fully depleted due to distributions to the Participant or another qualified plan or an unqualified plan or otherwise, but from the date of the Participant’s loss of eligibility to participate in the Plan, he shall be entitled to no further Employer contributions, and shall be prohibited from making any Employee contributions to the Plan, whether picked up by the Employer or otherwise, except as specified elsewhere herein.

3.5 **OMISSION OF ELIGIBLE EMPLOYEE**

If, in any Plan Year, any Employee who should be included as a Participant in the Plan is erroneously omitted and discovery of such omission is not made until after a contribution by his or her Employer for the year has been made, the Employer shall make a subsequent contribution, if necessary after the application of Section 4.3, so that the omitted Employee receives a total amount which the said Employee would have received had he or she not been omitted.

3.6 **INCLUSION OF INELIGIBLE EMPLOYEE**

If, in any Plan Year, any person who should not have been included as a Participant in the Plan is erroneously included and discovery of such incorrect inclusion is not made until after a contribution for the year has been made, the Employer shall not be entitled to recover the contribution made with respect to the ineligible person. In such event, the amount contributed with respect to the ineligible person shall constitute a Forfeiture for the Plan Year in which the discovery is made, and the ineligible person shall be entitled to no Employer contributions (and earnings thereon) made on his behalf to the Plan.

3.7 **ELECTION NOT TO PARTICIPATE**

In accordance with Arizona Revised Statute Section 38-954, State elected officials who are subject to term limits and exempt State officers and employees may elect to participate in the Plan by making the election to participate in writing and filing such election with the retirement system or plan in which the elected official
or exempt state officer or employee is a member and the disbursing officer of the elected official’s or exempt State officer’s or employee’s employer. The aforesaid election must be made on or before the elected official’s or exempt State officer’s or employee’s effective date of employment, or, if the elected official or exempt State officer or employee is a member of the Elected Officials’ Retirement Plan (“EORP”), the Arizona State Retirement System (“ASRS”), the Public Safety Personnel Retirement System (“PSPRS”) or the Corrections Officer Retirement Plan (“CORP”) on the date the Plan option become effective, within thirty (30) days after the effective date of the Plan. If an elected official or exempt State officer or employee who is a member of the EORP, ASRS, PSPRS or CORP elects to participate in the Plan within thirty (30) days after the effective date of the Plan, the EORP, ASRS, PSPRS or CORP, as applicable, shall transfer an amount equal to the elected official’s or exempt State officer’s or employee’s actuarial accrued liability computed by the actuary of the EORP, ASRS, PSPRS or CORP, as applicable. The actuarial accrued liability shall be based on the same actuarial cost method and assumptions that were used for computing the funding requirements of the EORP, ASRS, PSPRS or CORP, as applicable, in the actuarial valuation preceding the transfer. If the elected official or exempt State officer or employee fails to make an election as provided above, the elected official or exempt State officer or employee is deemed to have elected not to participate in the Plan and instead, to have elected to participate in the EORP, ASRS, PSPRS or CORP, as applicable.

An election to participate in the Plan is irrevocable and constitutes a waiver of all benefits provided by the EORP, ASRS, PSPRS or CORP, as applicable. Once having elected to participate in the Plan, all Participants therein shall remain Participants therein during their continuance of employment with the Employer.

ARTICLE IV
CONTRIBUTION AND ALLOCATION

4.1 FORMULA FOR DETERMINING EMPLOYER’S CONTRIBUTION

The Employer shall make contributions over such period of years as the Employer may determine on the following basis. On behalf of each Participant, the Employer shall contribute the amount specified in the Adoption Agreement. All contributions by the Employer shall be made in cash.

4.2 TIME OF PAYMENT OF EMPLOYER’S CONTRIBUTION

The Employer shall generally pay to the Trustee its contribution to the Plan for each Plan Year within the time prescribed by law.

4.3 ALLOCATION OF CONTRIBUTIONS, FORFEITURES AND EARNINGS

(a) The Administrator shall establish and maintain an account (the “Participant Account”) as and for each Participant in the name of each Participant to which the Administrator shall credit as of each Anniversary Date, or other valuation date, all amounts allocated to each such Participant as set forth herein.

(b) The Employer shall provide the Administrator with all information required by the Administrator to make a proper allocation of the Employer's contributions and any picked up or other Employee contributions about which the Employer is aware for each Plan Year. Within a reasonable period of time after the date of receipt by the Administrator of such information, the Administrator shall allocate such contributions in the manner set forth in Section 4.1 herein and as specified in Sections E2 and E5 of the Adoption Agreement.

(c) Each Participant’s Account shall be credited with the actual earnings or losses attributable to all contributions to such Account, less any fees and expenses assessed for operation of the Plan.
(d) As of each Anniversary Date any amounts which became Forfeitures since the last Anniversary Date shall first be made available to the Administrator to pay the administrative expenses of the Plan in accordance with the Adoption Agreement.

(e) Notwithstanding anything herein to the contrary, any Deceased Participant, Retired Participant or Terminated Participant who died, Retired or Terminated employment with the Employer, as applicable, during the Plan Year shall not be credited with any Employer Contributions from and after the date of his or her Retirement, Termination or death, as provided in the Adoption Agreement.

(f) Notwithstanding anything herein to the contrary, Participants will accrue the right to Employer contributions with respect to periods of qualified military service as provided in Code Section 414(u).

4.4 MAXIMUM ANNUAL ADDITIONS

Effective for Limitation Years beginning on or after July 1, 2007, a Participant’s maximum annual additions shall be subject to the limitations contained in Appendix A to the Plan document.

4.5 TRANSFERS FROM QUALIFIED PLANS

(a) If specified in the Adoption Agreement, and with the consent of the Administrator, amounts may be transferred from an individual retirement account or individual retirement annuity (collectively “IRA”) or other qualified plans, provided that the trust from which such funds are transferred permits the transfer to be made and the transfer will not jeopardize the tax exempt status of the Plan or create adverse tax consequences for the Employer. At the election of the Administrator or Trustee, the amounts transferred may be included in the Participant’s Account or may be set up in a separate account herein referred to as a “Participant’s Rollover Account.” All amounts in either account attributable to rollover distributions therein (the “Rollover Amounts”) shall be fully Vested at all times and shall not be subject to Forfeiture for any reason.

(b) Rollover Amounts in a Participant's Rollover Account or Participant Account (except as referenced separately in Subsection 4.5(a), collectively, “Participant Account”) shall be held by the Trustee pursuant to the provisions of this Plan and may not be withdrawn by, or distributed to the Participant, in whole or in part, except as provided in the Plan and Paragraphs (c) and (d) of this Section.

(c) Amounts attributable to elective contributions (as defined in Regulation Section 1.401(k)-I(g)(3), including amounts treated as elective contributions, which are transferred from another qualified plan in a plan-to-plan transfer shall be subject to the distribution limitations provided for in Regulation 1.401(k)-I(d).

(d) At such date when the Participant or his Beneficiary shall be entitled to receive benefits, the fair market value of the Participant’s Rollover Amount shall be used to provide any applicable additional benefits to the Participant or his Beneficiary. Any distributions of Rollover Amounts held in a Participant's Account shall be made in a manner which is consistent with and satisfies the provisions of Article 6, including, but not limited to, all notice and consent requirements of Code Sections 411(a)(11) and 417 and the Regulations thereunder. Furthermore, such amounts shall be considered as part of a Participant's benefit in determining whether an involuntary cash-out of benefits without Participant consent may be made.

(e) The Administrator may direct that Employee transfers made after a Valuation Date (as hereafter defined) be segregated into a separate account for each Participant until such time as the allocations pursuant to this Plan have been made, at which time they may remain segregated or be invested as determined by the Administrator.
(f) For purposes of this Section, the term “qualified plan” shall mean: (i) any retirement programs that are qualified under Code Sections 401(a) or 403(a); (ii) annuity contracts described in Section 403(b) of the Code; or (iii) an eligible plan under Section 457(b) of the Code, which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state. In addition, and subject to the limitations prescribed in Section 403(d)(3)(A)(ii) of the Code, the Administrator may accept Rollover Amounts from a Participant of the portion of a distribution from an IRA described in Sections 408(a) or 408(b) of the Code that is eligible to be rolled over and would otherwise be includable as gross income. The Administrator may refuse to accept a Rollover Amount if the Administrator reasonably believes the Rollover Amount (a) is not being made from a qualified plan or IRA; (b) is not being made within sixty (60) days from receipt by the Participant of the amounts from a qualified plan or IRA. The Administrator may apply different conditions for accepting Rollover Amounts from qualified retirement plans and IRAs.

(g) Prior to accepting any transfers to which this Section applies, the Administrator may require the Employee to establish that the amounts to be transferred to this Plan meet the requirements of this Section and Arizona law and may also require the Employee to provide an opinion of counsel satisfactory to the Administrator that the amounts to be transferred meet the requirements of this Section and Arizona law, and in particular, Arizona Revised Statute Sections 38-952 to 38-956. This subsection 4.6(g) shall be implemented via uniformly applied written procedures.

4.6 DIRECTED INVESTMENT ACCOUNT

(a) All Participants shall direct the Trustee as to the investment of their individual Participant Account balances in specific assets as permitted by the Administrator provided such investments are permitted by the Plan and its Administrator.

(b) The Participant Account of each Participant shall be charged or credited as appropriate with the net earnings, gains, losses and expenses as well as any appreciation or depreciation in market value during each Plan Year attributable to such Account.

(c) The Administrator shall establish a procedure, to be applied in a uniform and nondiscriminatory manner, setting forth the permissible investment options under this Section, how often changes between investments may be made, and any other limitations that the Administrator shall impose on a Participant's direct investments.

4.7 MANDATORY EMPLOYEE CONTRIBUTIONS

(a) All Participants must contribute Mandatory Employee Contributions to the Plan. The Employer shall collect such contributions and remit them to the Trustee. The Employer may “pick up” such contributions as provided in Internal Revenue Code Section 414(h).

(b) Mandatory Employee Contributions shall be 100% Vested when made and shall be distributed as provided by Article VI.

ARTICLE V
VALUATIONS

5.1 VALUATION OF THE TRUST FUND AND PARTICIPANT ACCOUNTS

The Administrator shall direct the Trustee, as of each Anniversary Date, and at such other date or dates deemed necessary by the Administrator, herein called the “Valuation Date,” to determine the net worth of the assets comprising the Trust Fund and each Participant Account as same exist on the “Valuation Date.” In determining such net worth, the Trustee shall value the assets comprising the Trust Fund and Participant Accounts at their fair market value as of the “Valuation Date” and shall deduct all expenses for which the Trustee has not yet obtained reimbursement from the Employer, Participants or the Trust Fund, as the case may be.
5.2 METHOD OF VALUATION

In determining the fair market value of securities held in the Trust Fund and Participant Accounts which are listed on a registered stock exchange, the Administrator shall direct the Trustee to value the same at the prices they were last traded on such exchange preceding the close of business on the “Valuation Date.” If such securities were not traded on the “Valuation Date,” or if the exchange on which they are traded was not open for business on the “Valuation Date,” then the securities shall be valued at the prices at which they were last traded prior to the “Valuation Date.” Any unlisted security held in the Trust Fund or any Participant Account shall be valued at its bid price next preceding the close of business on the “Valuation Date,” which bid price shall be obtained from a registered broker or an investment banker. In determining the fair market value of assets other than securities for which trading or bid prices can be obtained, the Trustee may appraise such assets itself, or in its discretion, employ one or more appraisers for that purpose and rely on the values established by such appraiser or appraisers. Where the Trust Fund or Participant Account assets include an annuity contract (if permitted by the Trustee or Administrator), the annuity contract shall be valued at the annuity contract value.

ARTICLE VI
DETERMINATION AND DISTRIBUTION OF BENEFITS

6.1 DETERMINATION OF BENEFITS UPON RETIREMENT

Upon a Participant’s Retirement, or as soon thereafter as is practical, the Administrator shall direct, as elected by the Participant from various options provided by the Administrator, the distribution of all Vested amounts credited to such Participant’s Account in accordance with Section 6.4. A Participant will be fully Vested in all amounts credited to such Participant’s Accounts upon attaining his or her Normal Retirement Date while employed by his or her Employer and such Accounts shall not thereafter be subject to Forfeiture.

6.2 DETERMINATION OF BENEFITS UPON DEATH

(a) Upon the death of a Participant (the “Decedent”) before his or her Termination of employment with the Employer, the Beneficiary of the Decedent shall timely advise the Administrator of the Decedent’s death and the Administrator shall then direct, in accordance with the provisions of Section 6.5, the distribution of the Decedent’s Vested interest in his Participant Account to said Beneficiary or whomever a court of competent jurisdiction directs.

(b) The Administrator may require such proper proof of death and such evidence of the right of any person to receive payment of the value of the account of a Deceased Participant as the Administrator may deem desirable. The Administrator's determination of death and of the right of any person to receive payment shall be conclusive.

(c) The designation of a Beneficiary shall be made on a form satisfactory to the Administrator. A Participant may at any time revoke his or her designation of a Beneficiary or change his or her Beneficiary by filing written notice of such revocation or change with the Administrator. In the event no valid designation of Beneficiary exists at the time of the Participant's death, the Decedent’s Vested interest in his Participant Account shall be payable to his estate.

6.3 DETERMINATION OF BENEFITS UPON TERMINATION

(a) Upon the termination of a Participant's employment with the Employer for any reason other than Retirement or death, the Administrator shall direct that the amount of the Vested portion of such Terminated Participant's Account be paid to the Terminated Participant or his designee in a manner and within the time convenient to the Administrator and in compliance with the Code and Section 6.4. The amount of the
portion of the Participant’s Account which is not Vested may be credited to a separate account and at such time as the amount becomes a Forfeiture shall be treated in accordance with the provisions of the Plan regarding Forfeitures.

(b) Notwithstanding the above and if elected in the Adoption Agreement, for distributions made prior to March 28, 2005, if the value of a Terminated Participant's Vested benefit derived from Employer and Employee contributions does not exceed, and at the time of any prior distribution, has never exceeded $5,000, prior to March 28, 2005, the Administrator may direct that the entire Vested benefit be paid to such Participant (or at the Participant’s election, another qualified plan’s trustee) in a single lump-sum without regard to the consent of the Participant or the Participant's spouse. Effective March 28, 2005, an immediate distribution may not be made to the Participant prior to the Participant’s Normal Retirement Date without the Participant’s written consent.

(c) The Vested portion of any Participant’s Account shall be a percentage of such Participant's Account determined on the basis of the Participant's number of Years of Service according to the Vesting schedule specified in the Adoption Agreement.

(d) Notwithstanding the Vesting schedule above, upon the complete discontinuance of the Employer's contributions to the Plan or upon any full or partial termination of the Plan, all amounts credited to the account of any affected Participant shall become 100% Vested and shall not thereafter be subject to Forfeiture.

(e) In determining Years of Service for purposes of Vesting under the Plan, Years of Service will be credited to Participants with respect to periods of qualified military service as provided in Code Section 414(u).

6.4 DISTRIBUTION OF BENEFITS UPON RETIREMENT OR TERMINATION

(a) The Administrator, as he deems fit or, if an election has been made by a Participant, pursuant to the election of the Participant, shall direct the distribution to a Participant or Beneficiary of any amount to which he or she is entitled under the Plan in one lump-sum payment in cash.

(b) Notwithstanding any provision in the Plan to the contrary, the distribution of a Participant's benefits, made on or after January 1, 2002, under the Plan, shall be made in accordance with the requirements set forth in Appendix B to the Plan document and shall otherwise comply with Code Section 401(a)(9) and the Regulations thereunder, the provisions of which are incorporated herein by reference.

6.5 DISTRIBUTION OF BENEFITS UPON DEATH

(a) Unless otherwise required by the Code, the Administrator shall distribute to the Decedent’s Beneficiary, or his or her estate, as the case may be, all of the Decedent’s Vested interest in his Participant Account in one lump-sum payment in cash within a reasonable time following the Administrator’s discovery of the Decedent’s death and claim by his Beneficiary for such benefits. Distributions to a Participant and his or her Beneficiaries shall only be made in accordance with the requirements set forth in Appendix B to the Plan document.

(b) In the case of a Participant who dies while performing qualified military service (as defined in Code Section 414(u)), the survivors of the Participant are entitled to any additional benefits (other than benefit accruals relating to the period of qualified military service) provided under the Plan as though the Participant resumed and then terminated employment on account of death. This provision is effective with respect to deaths occurring on or after January 1, 2007.
6.6 DISTRIBUTION FOR MINOR BENEFICIARY

In the event a distribution is to be made to a minor, then the Administrator may direct that such distribution be paid to the legal guardian, or if none, to a parent of such Beneficiary or a responsible adult with whom the Beneficiary maintains his or her residence, or to the custodian for such Beneficiary under the Uniform Transfers to Minors Act or the Uniform Gifts to Minors Act, if such is permitted by the laws of the state in which said Beneficiary resides. Such a payment to the legal guardian, custodian or parent of a minor Beneficiary shall fully discharge the Trustee, Employer, Administrator and Plan from further liability on account thereof.

6.7 LOCATION OF PARTICIPANT OR BENEFICIARY UNKNOWN

In the event that all, or any portion, of the distribution payable to a Participant or his or her Beneficiary hereunder shall, at the Participant's attainment of age 62, remain unpaid solely by reason of the inability of the Administrator, after sending a registered letter, return receipt requested, to the last known address of said Participant, and after further diligent effort by the Administrator to ascertain the whereabouts of such Participant or his or her Beneficiary, the amount so distributable shall be treated as a Forfeiture pursuant to the Plan. In the event a Participant or Beneficiary is located subsequent to his or her benefit being reallocated, such benefit shall be restored, first from Forfeitures, if any, and then from an additional Employer contribution if necessary.

6.8 QUALIFIED DOMESTIC RELATIONS ORDERS

(a) If elected in the Adoption Agreement and subject to the terms of state law, any distribution to any "alternate payee" under a domestic relations order, shall be treated as if made under the terms of a "qualified domestic relations order," as defined in Code Section 414(p). Notwithstanding the foregoing sentence, a Participant’s benefits under this Plan shall be subject to any domestic relations order entered before January 1, 1985, if payments had commenced as of such date.

(b) Effective April 6, 2007, a domestic relations order otherwise meeting the requirements to be a qualified domestic relations order ("QDRO") under Code Section 414(p)(3) shall not fail to be treated as a QDRO solely because:

(i) the order is issued after, or revises, another domestic relations order or QDRO; or

(ii) of the time at which the order is issued, including orders issued after the death of the Participant.

Any QDRO described in this subsection (b) shall be subject to the same requirements and protections which apply to QDROs under Code Section 414(p)(7).

6.9 MANDATORY DISTRIBUTIONS PROHIBITED

With respect to distributions made on or after March 28, 2005, distributions to a Participant prior to the Participant attaining his or her Normal Retirement Date shall not be made without the Participant’s written consent, unless such distributions are to comply with the minimum distribution rules set forth in Appendix B to the Plan document.
ARTICLE VII
TRUSTEE

7.1 BASIC RESPONSIBILITIES OF THE TRUSTEE

The Trustee shall have the following categories of responsibilities:

(a) To invest, manage, and control the Trust Fund Remainder subject, however, to the advice of an Investment Manager, if same should be appointed, except that the Trustee shall have no responsibility to invest or manage any investments or monies contained in any Participant Account although the Trustee shall have authority to disburse, place, transfer and distribute sums from such Participant Accounts as specified in this Plan or do any other act authorized by this Plan for said Trustee so to do with respect to the Trust Fund or the Trust Fund Remainder;

(b) At the direction of the Administrator, to pay benefits or make distributions required under the Plan to or for the benefit of Retired Participants, Terminated Participants, Deceased Participants or their designees or Beneficiaries, as applicable;

(c) To maintain records of receipts and disbursements and furnish to the Employer and/or Administrator for each Plan Year a written annual report per Section 7.7; and

(d) If there shall be more than one Trustee, they shall act by a majority of their number, but may authorize one or more of them to sign papers on their behalf.

7.2 INVESTMENT POWERS AND DUTIES OF THE TRUSTEE

(a) The Trustee shall invest and reinvest the Trust Fund Remainder to keep same invested without distinction between principal and income and in such securities or property, real or personal, wherever situated, as the Trustee shall deem advisable, including, but not limited to, stocks, common or preferred, bonds and other evidences of indebtedness or ownership, and real estate or any interest therein. The Trustee shall at all times in making investments of the Trust Fund Remainder consider, among other factors, the short and long-term financial needs of the Plan on the basis of information furnished by the Employer. In making such investments, the Trustee shall not be restricted to securities or other property of the character expressly authorized by the applicable law for trust investments; however, the Trustee shall give due regard to any limitations imposed by the Code so that at all times this Plan may qualify as a qualified Plan.

(b) The Trustee may employ a bank or trust company pursuant to the terms of its usual and customary bank agency agreement, under which the duties of such bank or trust company shall be of a custodial, clerical and record-keeping nature.

(c) The Trustee may from time to time transfer to a common, collective, or pooled trust fund maintained by any corporate Trustee hereunder pursuant to Revenue Ruling 81-100, all or such part of the Trust Fund as the Trustee may deem advisable, and such part or all of the Trust Fund so transferred shall be subject to all the terms and provisions of the common, collective, or pooled trust fund which contemplate the commingling for investment purposes of such trust assets with trust assets of other trusts. The Trustee may withdraw from such common, collective, or pooled trust fund all or such part of the Trust Fund as the Trustee may deem advisable.
7.3 OTHER POWERS OF THE TRUSTEE

The Trustee, in addition to all powers and authorities under common law, statutory authority and other provisions of this Plan, shall have the following powers and authorities to be exercised in the Trustee's sole discretion:

(a) To purchase, or subscribe for, any securities or other property and to retain the same. In conjunction with the purchase of securities, margin accounts may be opened and maintained;

(b) To sell, exchange, convey, transfer, grant options to purchase, or otherwise dispose of any securities or other property held by the Trustee, by private contract or at public auction. No person dealing with the Trustee shall be bound to see to the application of the purchase money or to inquire into the validity, expediency, or propriety of any such sale or other disposition, with or without advertisement;

(c) To vote upon any stocks, bonds, or other securities; to give general or special proxies or powers of attorney with or without power of substitution; to exercise any conversion privileges, subscription rights or other options, and to make any payments incidental thereto; to oppose, or to consent to, or otherwise participate in, corporate reorganizations or other changes affecting corporate securities, and to delegate discretionary powers, and to pay any assessments or charges in connection therewith; and generally to exercise any of the powers of an owner with respect to stocks, bonds, securities, or other property;

(d) To cause any securities or other property to be registered in the Trustee's own name or in the name of one or more of the Trustees nominees, and to hold any investments in bearer form, but the books and records of the Trustee shall at all times show that all such investments are part of the Plan;

(e) To borrow or raise money for the purposes of the Plan in such amount, and upon such terms and conditions, as the Trustee shall deem advisable; and for any sum so borrowed, to issue a promissory note as Trustee, and to secure the repayment thereof by pledging all, or any part, of the Trust Fund Remainder; and no person lending money to the Trustee shall be bound to see to the application of the money lent or to inquire into the validity, expediency, or propriety of any borrowing;

(f) To keep such portion of the Trust Fund Remainder in cash or cash balances as the Trustee may, from time to time, deem to be in the best interests of the Plan, without liability for interest thereon;

(g) To accept and retain for such time as it may deem advisable any securities or other property received or acquired by it as Trustee hereunder, whether or not such securities or other property would normally be purchased as investments hereunder;

(h) To make, execute, acknowledge and deliver any and all documents of transfer and conveyance and any and all other instruments that may be necessary or appropriate to carry out the powers herein granted;

(i) To settle, compromise, or submit to arbitration any claims, debts, or damages due or owing to or from the Plan, to commence or defend suits or legal or administrative proceedings, and to represent the Plan in all suits and legal and administrative proceedings;

(j) To employ suitable agents and counsel and to pay their reasonable expenses and compensation, and such agent or counsel may or may not be agent or counsel for the Employer;

(k) To invest funds of the Trust Fund Remainder in time deposits or savings accounts bearing a reasonable rate of interest in the Trustee's bank;
(l) To invest in Treasury Bills and other forms of United States government obligations;

(m) To sell, purchase and acquire put or call options if the options are traded on and purchased through a national securities exchange registered under the Securities Exchange Act of 1934, as amended, or, if the options are not traded on a national securities exchange, are guaranteed by a member firm of the New York Stock Exchange;

(n) To deposit monies in federally insured savings accounts or certificates of deposit in banks or savings and loan associations;

(o) To pool all or any of the Trust Fund Remainder, from time to time, with assets belonging to any other qualified employee pension benefit trust created by the Employer or any Affiliated Employer, and to commingle such assets and make joint or common investments and carry joint accounts on behalf of this Plan and such other trust or trusts, allocating undivided shares or interests in such investments or accounts or any pooled assets of the two or more trusts in accordance with their respective interests;

(p) To do all such acts and exercise all such rights and privileges, although not specifically mentioned herein, as the Trustee may deem necessary to carry out the purposes of the Plan.

(q) The powers granted to the Trustee shall be exercised in the sole fiduciary discretion of the Trustee. However, each Participant shall direct the Trustee to separate and keep separate his or her interest in the Plan; and further each Participant is authorized and empowered, in his or her sole and absolute discretion, to give directions to the Trustee in such form as the Trustee may require concerning the investment of the Participant's Account, which directions must be followed by the Trustee, and so long as such investments are offered by the Plan and approved for investment by the Administrator or Trustee. Neither the Trustee nor any other persons, including the Administrator or otherwise, shall be under any duty to question any such direction of the Participant or to review any securities or other property, real or personal, or to make any suggestions to the Participant in connection therewith, and the Trustee shall comply as promptly as practicable with directions given by the Participant hereunder. Any such direction may be of a continuing nature or otherwise. The Trustee may refuse to comply with any direction from the Participant in the event the Trustee, in its sole and absolute discretion, deems such directions improper by virtue of applicable law, and in such event, the Trustee shall not be responsible or liable for any loss or expense which may result. Any costs and expenses related to compliance with the Participant's directions shall be borne by the Participant's Account.

(r) Notwithstanding anything hereinabove to the contrary, the Trustee shall not, at any time after December 31, 1981, invest any portion of a Participant’s Account in “collectibles” within the meaning of that term as employed in Code Section 408(m).

7.4 LOANS TO PARTICIPANTS

Loans shall not be granted to any Participant.

7.5 DUTIES OF THE TRUSTEE REGARDING PAYMENTS

At the direction of the Administrator, the Trustee shall, from time to time, in accordance with the terms of the Plan, make payments out of the Trust Fund. The Trustee shall not be responsible in any way for the application of such payments.
7.6 TRUSTEE'S COMPENSATION AND EXPENSES AND TAXES

The Trustee shall be paid such reasonable compensation as set forth in the Trustee's fee schedule, if any, or as otherwise agreed upon in writing by the Employer and the Trustee or as otherwise specified by law. An individual serving as Trustee who already receives full-time pay from the Employer shall not receive compensation from this Plan. In addition, the Trustee shall be reimbursed for any reasonable expenses, including counsel fees incurred by it as Trustee. Such compensation and expenses shall be paid from the Trust Fund or fees assessed Participants unless paid or advanced by the Employer. All taxes of any kind and all kinds whatsoever that may be levied or assessed under existing or future laws upon, or in respect of, the Trust Fund or the income thereof, shall be paid from the Trust Fund or Participant Accounts to the extent permitted by law.

7.7 REPORTS OF THE TRUSTEE

Within a reasonable period of time after the end of each calendar quarterly period, the Trustee, or its agent, shall furnish to the Employer or Administrator a written statement of account setting forth:

(a) the net income, or loss, of the Trust Fund Remainder and/or Participant Accounts;
(b) all payments and distributions made from the Trust Fund Remainder and Participant Accounts; and
(c) such further information as the Trustee and/or Administrator deems appropriate or as otherwise agreed between the Administrator or Trustee and any of their third party administrators or designees. Failure by the Employer and/or Administrator to disapprove any such statement of account within thirty (30) days after its receipt thereof shall be deemed an approval thereof. The approval by the Employer and/or Administrator of any statement of account shall be binding as to all matters embraced therein as between the Employer or Administrator and the Trustee to the same extent as if the account of the Trustee had been settled by judgment or decree in an action for a judicial settlement of its account in a court of competent jurisdiction in which the Trustee, the Employer or Administrator and all persons having or claiming an interest in the Plan were parties; provided, however, that nothing herein contained shall deprive the Trustee of its right to have its accounts judicially settled if the Trustee so desires.

7.8 RESIGNATION, REMOVAL AND SUCCESSION OF TRUSTEE

(a) If authorized by Arizona Revised Statute Section 38-952, the Trustee may resign at any time by delivering to the Employer, at least thirty (30) days before its effective date, a written notice of resignation.

(b) If authorized by Arizona Revised Statute Section 38-952, the Employer may remove the Trustee by mailing by registered or certified mail, addressed to such Trustee at the Trustee’s last known address, at least thirty (30) days before its effective date, a written notice of removal.

(c) Upon the death, resignation, incapacity, or removal of any Trustee, and if authorized by Arizona Revised Statute Section 38-952, a successor may be appointed by the Employer; and such successor, upon accepting such appointment in writing and delivering same to the Employer, shall, without further act, become vested with all the estate, rights, powers, discretion’s, and duties of the predecessor with like respect as if originally named as a Trustee herein. Until such a successor is appointed, the remaining Trustee or Trustees (if there shall be one) shall have full authority to act under the terms of the Plan.

(d) If authorized by Arizona Revised Statute Section 38-952, the Employer may designate one or more successors prior to the death, resignation, incapacity, or removal of a Trustee. In the event a successor is so designated by the Employer and accepts such designation, the successor shall, without further act, become
vested with all the estate, rights, powers, discretion’s, and duties of the predecessor with the like effect as if originally named as Trustee herein immediately upon the death, resignation, incapacity, or removal of the predecessor.

(e) Whenever any Trustee hereunder ceases to serve as such, such Trustee shall furnish to the Employer and Administrator a written statement of account with respect to the portion of the Plan Year during which such Trustee served. This statement shall be either (i) included as part of the annual statement of account for the Plan Year required under Section 7.7, or (ii) set forth in a special statement. Any such special statement of account should be rendered to the Employer no later than the due date of the annual statement of account for the Plan Year. The procedures set forth in Section 7.7 for the approval by the Employer of annual statements of account shall apply to any special statement of account rendered hereunder and approval by the Employer of any such special statement in the manner provided in Section 7.7 shall have the same effect upon the statement as the Employer's approval of an annual statement of account. No successor to the Trustee shall have any duty or responsibility to investigate the acts or transactions of any predecessor who has rendered all statements of account required by Section 7.7 and this subparagraph.

7.9 TRANSFER OF INTEREST

Notwithstanding any other provision contained in this Plan, the Trustee, at the direction of the Administrator, shall transfer the Vested interest, if any, of such Participant in his Account to another trust forming part of a pension, profit sharing, or stock bonus plan maintained by such Participant's new employer and represented by said employer in writing as meeting the requirements of Code Section 401(a), provided that the trust to which such transfers are made permits the transfer to be made.

(a) Notwithstanding any provision of the Plan to the contrary, with respect to authorized distributions from the Plan , a Participant shall be permitted to elect to have any “eligible rollover distribution” transferred directly to an “eligible retirement plan” specified by the Participant. The Plan provisions otherwise applicable to distributions continue to apply to the direct transfer option. The Participant shall, in the manner prescribed by the Administrator, specify the amount to be directly transferred and the “eligible retirement plan” to receive the transfer. Any portion of a distribution which is not transferred shall be distributed to the Participant.

(b) For purposes of this Section, the term “eligible rollover distribution” means any distribution other than (i) a distribution of substantially equal periodic payments (not less frequently than annually) over the life or life expectancy of the Participant (or joint life or joint life expectations of the Participant and the designated beneficiary) or a distribution over a period certain of ten years or more; (ii) amounts required to be distributed under Code Section 401(a)(9); (iii) the portion of any other distribution that is not includible in gross income; (iv) a distribution made to satisfy the requirements of Code Section 415; (v) hardship distributions; and (vi) similar items designated by the Commissioner in revenue rulings, notices and other guidance published in the Internal Revenue Bulletin.

(c) For purposes of this Section, the term “eligible retirement plan” means (i) an individual retirement account as described in Code Section 408(a); (ii) an individual retirement annuity as described in Code Section 408(b); (iii) an annuity plan as described in Code Section 403(a); (iv) a defined contribution plan as described in Code Section 401(a) which is exempt from tax under Code Section 501(a) and which accepts rollover distributions, provided that the Plan Administrator of such plan represents in writing that such plan meets the requirements of Code Section 401(a); or (v) an annuity contract described in Code Section 403(b) and an eligible plan under Code Section 457(b), which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state and which agrees to separately account for amounts transferred into such plan from this Plan. The definition of eligible retirement plan shall also apply
in the case of a distribution to a surviving spouse or to a spouse or former spouse who is the alternate payee
under a qualified domestic relation order, as defined in Code Section 414(p).

(d) For purposes of the direct rollover provisions of the Plan, any amount that is distributed on
account of hardship shall not be an eligible rollover distribution and the distributee may not elect to have any
portion of such a distribution paid directly to an eligible retirement plan.

(e) Notwithstanding any other provisions of the Plan, effective for taxable years beginning on or
after January 1, 2007, an eligible rollover distribution may include the portion of any distribution that is not
includible in gross income. For this purpose, an eligible retirement plan includes a defined contribution or
defined benefit plan qualified under Code Section 401(a) and a tax-sheltered annuity plan under Code Section
403(b), provided the rollover is accomplished through a direct rollover and the recipient eligible retirement plan
separately accounts for any amounts attributable to the rollover of any nontaxable distribution and earnings
thereon.

(f) For distributions occurring on or after January 1, 2008, a participant or beneficiary (including
a non-spousal beneficiary to the extent permitted under Subsection 7.9(g)), may rollover an eligible rollover
distribution (as defined in Code Section 402(c)(4)) to a Roth IRA, provided that, for distributions occurring
prior to January 1, 2010, the Participant (or beneficiary) satisfies the requirements for making a Roth
contribution under Code Section 408A(c)(3)(B), as then in effect. Any amounts rolled over to a Roth IRA will
be included in gross income to the extent such amounts would have been included in gross income if not rolled
over (as required under Code Section 408A(d)(3)(A)). For purposes of this Subsection (h), the Plan
Administrator is not responsible for assuring the Participant (or beneficiary) is eligible to make a rollover to a
Roth IRA.

(g) Effective for distributions made on or after January 1, 2010, a non-spouse beneficiary (as
defined in Code Section 401(a)(9)(E)) may elect to directly rollover an eligible rollover distribution to an
individual retirement account under Code Section 408(a) or an individual retirement annuity under Code
Section 408(b) that is established on behalf of the designated beneficiary and that will be treated as an inherited
IRA pursuant to the provisions of Code Section 402(c)(11). In order to be able to rollover the distribution, the
distribution otherwise must satisfy the definition of an eligible rollover distribution (as defined in Code Section
401(c)(4)). In applying this Subsection (f), a non-spouse rollover will not be subject to the direct rollover
requirements under Code Section 401(a)(31), the rollover notice requirements under Code Section 402(f) or the
mandatory withholding requirements under Code Section 3405(c).

(h) Notwithstanding any other provisions of the Plan, the period for providing the rollover notice
as required under Code Section 402(f) will be no less than 30 days and no more than 90 days before the date of
distribution and, effective for plan years beginning on or after January 1, 2007, will be no less than 30 days and
no more than 180 days before the date of distribution.

7.10 TRUSTEE INDEMNIFICATION

The Employer agrees to indemnify and save harmless the Trustee and Administrator and their agents,
employees, attorneys, successors and assigns against any and all claims, losses, damages, expenses and
liabilities they may incur in the exercise and performance of the Trustee's powers and duties hereunder, unless
the same are determined by a final order of a court of law to be due to intentional misconduct. The Trustee and
Administrator and their agents, employees, attorneys, successors and assigns shall be conclusively deemed to
have acted innocently and without any intention to commit intentional wrongdoing if their actions or omissions,
as the case may be, were based upon and/or the result of reliance upon the advice of their designated counsel,
and this is so even if such advice is eventually proven incorrect. Upon demand, the Employer shall pay all costs
and liabilities incurred by the Administrator and/or Trustee and their agents, employees, attorneys, successors

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and assigns, including all attorneys’ fees and costs of litigation incurred by them, arising under the indemnity provided in this Section, as such costs and liabilities arise.

ARTICLE VIII
AMENDMENT, TERMINATION AND MERGERS

8.1 AMENDMENT

(a) So long as allowed by Arizona law, the Employer shall have the right at any time to amend this Plan subject to the limitations of this Section. However, any amendment which affects the rights, duties or responsibilities of the Trustee and Administrator may only be made with the Trustee’s and Administrator's written consent. Any such amendment shall become effective as provided therein upon its execution. The Trustee shall not be required to execute any such amendment unless the amendment affects the duties of the Trustee hereunder.

(b) No amendment to the Plan shall be effective if it violates Arizona law or authorizes or permits any part of the Trust Fund (other than such part as is required to pay taxes and administration expenses) to be used for or diverted to any purpose other than for the exclusive benefit of the Participants or their Beneficiaries or estates; or causes any reduction in the amount credited to the account of any Participant; or causes or permits any portion of the Trust Fund to revert to or become property of the Employer.

8.2 TERMINATION

(a) If authorized by Arizona Revised Statute Sections 38-952 to 38-956 or any amendments thereto, the Employer shall have the right at any time to terminate the Plan by delivering to the Trustee and Administrator written notice of such termination. Upon any full or partial termination, all amounts credited to the affected Participants’ Accounts shall become 100% Vested and shall not thereafter be subject to Forfeiture, and all unallocated amounts shall be allocated to the accounts of all Participants pro rata.

(b) Upon the full termination of the Plan, the Employer shall direct the distribution of the assets to Participants in a manner which is consistent with and satisfies the provisions of Section 6.4. Distributions to a Participant shall be made in cash (or in property if permitted in the Adoption Agreement).

8.3 MERGER OR CONSOLIDATION

If authorized by Arizona Revised Statute Sections 38-952 to 38-956 or any amendments thereto, this Plan may be merged or consolidated with, or its assets and/or liabilities may be transferred to any other plan only if the benefits which would be received by a Participant of this Plan, in the event of a termination of the Plan immediately after such transfer, merger or consolidation, are at least equal to the benefits the Participant would have received if the Plan had terminated immediately before the transfer, merger or consolidation.

ARTICLE IX
MISCELLANEOUS

9.1 EMPLOYER ADOPTIONS

(a) If authorized by Arizona Revised Statute Sections 38-952 to 38-956 or any amendments thereto, any organization may become the Employer hereunder by executing the Adoption Agreement in form satisfactory to the Trustee, and it shall provide such additional information as the Trustee may require. The consent of the Trustee to act as such shall be signified by its execution of the Adoption Agreement.
Except as otherwise provided in this Plan, the affiliation of the Employer and the participation of its Participants shall be separate and apart from that of any other employer and its participants hereunder.

9.2 PARTICIPANT'S RIGHTS

Nothing contained in this Plan shall be deemed to give any Participant or Employee the right to be retained in the service of the Employer or to interfere with the right of the Employer to discharge any Participant or Employee at any time regardless of the effect which such discharge shall have upon him as a Participant of this Plan.

9.3 ALIENATION

(a) Subject to the exceptions provided below, no benefit which shall be payable to any person (including a Participant or his Beneficiary) shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or charge, and any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber, or charge the same shall be void. No such benefit shall in any manner be liable for, or subject to, the debts, contracts, liabilities, engagements, or torts of any such person, nor shall it be subject to attachment or legal process for or against such person, and the same shall not be recognized except to such extent as may be required by law.

(b) This provision shall not apply to the extent a Participant or Beneficiary is indebted to the Plan, for any reason, under any provision of this Plan. At the time a distribution is to be made to or for a Participant's or Beneficiary's benefit, such proportion of the amount to be distributed equal to such indebtedness shall be paid to the Plan, to apply against or discharge such indebtedness. Prior to making a payment, however, the Participant or Beneficiary must be given written notice by the Administrator that such indebtedness is to be so paid in whole or part from his or her Participant's Account. If the Participant or Beneficiary does not agree that the indebtedness is a valid claim against his or her Vested interest in his or her Participant's Account, he or she shall be entitled to a review of the validity of the claim in accordance with procedures provided in Section 2.8.

(c) This provision shall not apply to a “qualified domestic relations order” defined in Code Section 414(p), and those other domestic relations orders permitted to be so treated by the Administrator under the provisions of the Retirement Equity Act of 1984. The Administrator shall establish a written procedure to determine the qualified status of domestic relations orders and to administer distributions under such qualified orders. Further, to the extent provided under a “qualified domestic relations order,” a former spouse of a Participant shall be treated as the spouse or surviving spouse for all purposes under the Plan.

(d) Notwithstanding any provision of this Section to the contrary, an offset to a Participant's accrued benefit against an amount that the Participant is ordered or required to pay the Plan with respect to a judgment, order, or decree issued, or a settlement entered into, on or after August 5, 1997, shall be permitted in accordance with Code Section 401(a)(13)(C).

9.4 CONSTRUCTION OF PLAN

This Plan shall be construed and enforced according to the Code and the laws of the State of Arizona, other than its laws respecting choice of law, to the extent not pre-empted by the Code. Any reference in this Plan to ARS 38-951 through ARS 38-956 shall be to Arizona Revised Statutes Section 38-951 through 38-956, as such Sections were added by Arizona State Legislature Session Laws 1999 (Forty-Fourth Legislature, First Regular Session), Ch. 329, §6.
9.5 GENDER AND NUMBER

Wherever any words are used herein in the masculine, feminine or neuter gender, they shall be construed as though they were also used in all of the other genders in all cases where they would so apply, and whenever any words are used herein in the singular or plural form, they shall be construed as though they were also used in the other form in all cases where they would so apply.

9.6 LEGAL ACTION

In the event any claim, suit, or proceeding is brought regarding the Trust Fund and/or Plan established hereunder to which the Trustee or the Administrator or their agents, employees, attorneys, successors or assigns may be a party, and such claim, suit, or proceeding is resolved in favor of the Trustee or Administrator or their agents, employees, attorneys, successors or assigns, they shall be entitled to be reimbursed from the Trust Fund for any and all costs, attorney’s fees, and other expenses pertaining thereto incurred by them for which they shall have become liable.

9.7 PROHIBITION AGAINST DIVERSION OF FUNDS

(a) Except as provided below and otherwise specifically permitted by law, it shall be impossible by operation of the Plan, by termination, by power of revocation or amendment, by the happening of any contingency, by collateral arrangement or by any other means, for any part of the corpus or income of any Trust Fund maintained pursuant to the Plan or any funds contributed thereto to be used for, or diverted to, purposes other than the exclusive benefit of Participants, Retired Participants, Terminated Participants, Deceased Participants or their Beneficiaries.

(b) In the event the Employer shall make a contribution under a mistake of fact, the Employer may demand repayment of such contribution at any time within one (1) year following the time of payment and the Trustees shall return such amount to the Employer within the one (1) year period. Earnings of the Plan attributable to the contributions may not be returned to the Employer but any losses attributable thereto must reduce the amount so returned.

9.8 RECEIPT AND RELEASE FOR PAYMENTS

Any payment to any Participant, Retired Participant, Terminated Participant, Deceased Participant, or his or her legal representative, Beneficiary, or to any guardian or committee appointed for such Participant, Retired Participant, Terminated Participant Deceased Participant or Beneficiary in accordance with the provisions of this Plan shall, to the extent thereof, be in full satisfaction of all claims hereunder against the Trustee and the Employer.

9.9 ACTION BY THE EMPLOYER

Whenever the Employer under the terms of the Plan is permitted or required to do or perform any act or matter or thing, it shall be done and performed by a person duly authorized by the Employer’s legally constituted authority.

9.10 HEADINGS

The headings and subheadings of this Plan have been inserted for convenience of reference and are to be ignored in any construction of the provisions hereof.
9.11 APPROVAL BY INTERNAL REVENUE SERVICE

Notwithstanding anything herein to the contrary, if, pursuant to a timely application filed by or in behalf of the Plan, the Commissioner of Internal Revenue Service or his delegate should determine that the Plan does not initially qualify as a tax-exempt plan and trust under Code Sections 401 and 501, respectively, and such determination is not contested, or if contested, is finally upheld, then if the Plan is a new plan, it shall be void from its establishment and all amounts remaining in the Plan attributable to contributions made to the Plan by the Employer, less expenses paid, shall be returned within one year, except that such amounts shall be net of any investment returns or losses. Thereafter, the Plan shall Terminate and the Trustee shall be discharged from all further obligations. If the disqualification relates to an amended plan, then the Plan shall operate as if it had not been amended and restated, except with respect to any part of the amended Plan which shall not cause Plan disqualification.

9.12 UNIFORMITY

All provisions of this Plan shall be interpreted and applied in a uniform, nondiscriminatory manner.

9.13 PAYMENT OF BENEFITS

Benefits under this Plan shall be paid, subject to the applicable provisions of Article, only upon death, Retirement or Termination from employment by the Employer, or upon Plan Termination.

9.14 UNIFORMED SERVICES EMPLOYMENT AND REEMPLOYMENT ACT

Notwithstanding any provision in this Plan to the contrary, contributions, benefits and service credit with respect to qualified military service will be provided in accordance with Section 414(u) of the Code.

ARTICLE X
PARTICIPATING EMPLOYERS

10.1 ELECTION TO BECOME A PARTICIPATING EMPLOYER

Notwithstanding anything herein to the contrary, with the consent of the Employer and Trustee, and if authorized by Arizona Revised Statute Sections 38-952 to 38-956 or any amendments thereto, any affiliated governmental employer may adopt this Plan and all of the provisions hereof, and participate herein and be known as a “Participating Employer”, by a properly executed document evidencing said intent and will of such Participating Employer.

10.2 REQUIREMENTS OF PARTICIPATING EMPLOYERS

(a) Each Participating Employer shall be required to select the same Adoption Agreement provisions as those selected by the Employer other than the Plan Year, the Fiscal Year, and such other items that must, by necessity, vary among employers.

(b) Each such Participating Employer shall be required to use the same Trustee as provided in this Plan.

(c) The Trustee may, but shall not be required to, commingle, hold and invest as one Trust Fund all contributions made by Participating Employers, as well as all increments thereof.
The transfer of any Participant from or to an Employer participating in this Plan, whether it be an Employee of the Employer or a Participating Employer, shall not affect such Participant's rights under the Plan, and all amounts credited to such Participant's Account as well as his or her accumulated service time with the transferor or predecessor, and his or her length of participation in the Plan, shall continue to his or her credit.

Any expenses of the Plan which are to be paid by the Employer shall be paid by each Participating Employer in the same proportion that the total amount standing to the credit of all Participants employed by such Employer bears to the total standing to the credit of all Participants.

**10.3 DESIGNATION OF AGENT**

Each Participating Employer shall be deemed to be a part of this Plan; provided, however, that with respect to all of its relations with the Trustee and Administrator for the purpose of this Plan, each Participating Employer shall be deemed to have designated irrevocably the Employer as its agent. Unless the context of the Plan clearly indicates the contrary, the word “Employer” shall be deemed to include each Participating Employer as related to its adoption of the Plan.

**10.4 EMPLOYEE TRANSFERS**

It is anticipated that an Employee may be transferred between Participating Employers, and in the event of any such transfer, the Employee involved shall carry his or her accumulated service and eligibility to the new Employer. No such transfer shall effect a termination of employment hereunder, and the Participating Employer to which the Employee is transferred shall thereupon become obligated hereunder with respect to such Employee in the same manner as was the Participating Employer from whom the Employee was transferred.

**10.5 PARTICIPATING EMPLOYER'S CONTRIBUTION AND FORFEITURES**

Any contribution or Forfeiture subject to allocation during each Plan Year shall be allocated among all Participants of all Participating Employers in accordance with the provisions of this Plan. On the basis of the information furnished by the Administrator, the Trustee shall keep separate books and records concerning the affairs of each Participating Employer hereunder and as to the accounts and credits of the Employees of each Participating Employer. In the event of an Employee transfer from one Participating Employer to another, the transferring Employer shall immediately notify the Trustee thereof.

**10.6 AMENDMENT**

Amendment of this Plan by the Employer at any time when there shall be a Participating Employer hereunder shall only be by the written action of each and every Participating Employer and with the consent of the Trustee, where such consent is necessary in accordance with the terms of this Plan.

**10.7 DISCONTINUANCE OF PARTICIPATION**

If authorized by Arizona Revised Statute Sections 38-952 to 38-956 or any amendments thereto, any Participating Employer shall be permitted to discontinue or revoke its participation in the Plan at any time. At the time of any such discontinuance or revocation, satisfactory evidence thereof and of any applicable conditions imposed shall be delivered to the Trustee. If appropriate, the Trustee shall thereafter transfer, deliver and assign Trust Fund assets allocable to the Employees of such Participating Employer, who are Plan Participants, to such new Trustee as shall have been designated by such Participating Employer, in the event that it has established a separate pension plan for its Employees. If no successor is designated, the Trustee shall retain such assets for the Employees of said Participating Employer pursuant to the provisions of Article VII.
hereof as otherwise deemed appropriate by the Trustee. In no such event shall any part of the corpus or income of the Trust Fund as it relates to such Participating Employer be used for or diverted for purposes other than for the exclusive benefit of the Employees of such Participating Employer.

10.8 ADMINISTRATOR'S AUTHORITY

The Administrator shall have authority to make any and all necessary rules or regulations, binding upon all Participating Employers and all Participants, to effectuate the purpose of this Article.

This Amended and Restated Plan document is hereby adopted, effective January 1, 2016.

ARIZONA PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM

Dated: ______________________, 2016 By ____________________________

Title ____________________________
APPENDIX A
LIMITATION ON ANNUAL ADDITIONS

SECTION 1
INTRODUCTION

Terms defined in the Plan shall have the same meanings when used in this Appendix. In addition, when used in this Appendix, the following terms shall have the following meanings:

1.1. **Annual Addition.** Annual addition means, with respect to any Participant for a Limitation Year, the sum of:

   (a) all Employer contributions (including Employer contributions of the Participant’s earnings reductions under Code Sections 414(h)(2), 403(b), and 408(k)) allocable as of a date during such Limitation Year to the Participant under all defined contribution plans;

   (b) all forfeitures allocable as of a date during such Limitation Year to the Participant under all defined contribution plans; and

   (c) all Participant contributions made as of a date during such Limitation Year to all defined contribution plans.

1.1.1. **Specific Inclusions.** With regard to a plan which contains a qualified cash or deferred arrangement or matching contributions or employee contributions, excess deferrals and excess contributions and excess aggregate contributions (whether or not distributed during or after the Limitation Year) shall be considered annual additions in the year contributed.

1.1.2. **Specific Exclusions.** Annual Additions for purposes of Code Section 415 of the Code shall not include:

   (a) The direct transfer of a benefit or employee contributions from a qualified plan to the Plan;

   (b) Rollover contributions as described in Code Sections 401(a)(31), 402(c)(1), 403(a)(4), 403(b)(8), 408(d)(3), and 457(e)(16);

   (c) Repayments of loans made to a Participant from the Plan; and

   (d) Repayments of amounts described in Code Section 415(k)(3), as well as Employer restorations of benefits that are required pursuant to such repayments.

1.1.3. **Date of Employer contributions.** Notwithstanding anything in the Plan to the contrary, Employer contributions are treated as credited to a Participant’s Aggregate Account for a particular Limitation Year only if the contributions are actually made to the Plan no later than the fifteenth (15th) day of the tenth (10th) calendar month following the end of the calendar year or fiscal year (as applicable, depending on the basis on which the Employer keeps its books) with or within which the particular Limitation Year ends.
1.2. **Defined Contribution Plans.** Defined contribution plan has the meaning assigned to such term by Code Section 415(k)(1). Whenever reference is made to defined contribution plans in this Appendix, it shall include all such plans maintained by all Employers.

1.3. **Individual Medical Account.** Individual medical account means an account, as defined in Code Section 415(1)(2) maintained by an Employer that provides an annual addition.

1.4. **Limitation Year.** Limitation Year means the Plan Year. The Limitation Year may only be changed by a Plan amendment. Furthermore, if the Plan is terminated effective as of a date other than the last day of the Plan’s Limitation Year, then the Plan is treated as if the Plan has been amended to change its Limitation Year.

1.5. **Maximum Permissible Addition.**

1.5.1. **General Rule.** Maximum permissible addition means, for any one (1) Limitation Year, the lesser of:

   (a) Forty Thousand Dollars ($40,000) or a larger amount that is effective as of January 1 of each calendar year and is due to any cost of living adjustment announced by the United States Secretary of the Treasury pursuant to Code Section 415(d); or

   (b) One hundred percent (100%) of the Participant’s §415 compensation for such Limitation Year.

1.5.2. **Medical Benefits.** The dollar limitation in Section 1.5.1(a), but not the amount determined in Section 1.5.1(b), shall be reduced by the amount of Employer contributions which are allocated to a separate account established for the purpose of providing medical benefits or life insurance benefits with respect to a key employee (as defined in Code Section 416(i)) under a welfare benefit fund or an individual medical account.

1.6. **Section 415 Compensation.**

1.6.1. **General.** Section 415 compensation (sometimes, “§415 compensation”) shall mean, with respect to any Limitation Year, the wages, tips, and other compensation paid to the Participant by an Employer and reportable in the box designated “wages, tips, other compensation” on Treasury Form W-2 (or any comparable successor box or form) for the Limitation Year but determined without regard to any rules that limit the remuneration included in wages based on the nature or location of the employment or the services performed (such as the exception for agricultural labor in Code Section 3401(a)(2)). Section 415 compensation shall be determined on a cash basis, and shall include elective contributions made by the Employer on behalf of a Participant which are not includable in gross income under Code Sections 125, 132(f)(4), 402(g)(3), or 457; provided that §415 compensation shall not include any amounts under Code Section 125 not available to a Participant in cash in lieu of group health coverage because the Participant is unable to certify that he or she has other health coverage. Notwithstanding the foregoing, the provision requiring elective contributions made by the Employer on behalf of a Participant which are not includable in gross income under Code Section 132(f)(4) shall be included within the definition of §415 compensation effective for Limitation Years beginning on or after January 1, 2001.

1.6.2. **Adjustments to Section 415 Compensation.** The following adjustments shall be made to
the definition of §415 compensation contained in Section 1.6.1:

(a) **Compensation paid after severance from employment.** Section 415 compensation shall be adjusted for the following types of compensation paid after a Participant’s severance from employment with an Employer. However, amounts described in clauses 1.6.2(a)(i) and (ii) may only be included in §415 compensation to the extent such amounts are paid by the later of two and one-half (2 ½) months after severance from employment or by the end of the Limitation Year that includes the date of such severance from employment. Any other payment of compensation paid after severance of employment that is not described in the following types of compensation is not considered §415 compensation within the meaning of Code Section 415(c)(3), even if payment is made within the time period specified above.

(i) **Regular pay.** Section 415 compensation shall include regular pay after severance of employment if: (A) the payment is regular compensation for services during the Participant’s regular working hours, or compensation for services outside the Participant’s regular working hours (such as overtime or shift differential), commission, bonuses, or other similar payments; and (B) the payment would have been paid to the Participant prior to a severance from employment if the Participant had continued in employment with the Employer.

(ii) **Leave cashouts and deferred compensation.** Leave cashouts shall be included in §415 compensation if those amounts would have been included in the definition of §415 compensation if they were paid prior to the Participant’s severance from employment, and the amounts are payment for unused accrued bona fide sick, vacation, or other leave, but only if the Participant would have been able to use the leave if employment had continued. In addition, deferred compensation shall be included in §415 compensation if the compensation would have been included in the definition of §415 compensation if it had been paid prior to the Participant’s severance from employment, and the compensation is received pursuant to a nonqualified unfunded deferred compensation plan, but only if the payment would have been paid at the same time if the Participant had continued in employment with the Employer and only to the extent that the payment is includible in the Participant’s gross income.

(iii) **Salary continuation payments for military service Participants.** Effective for Plan Years beginning after December 31, 2008, §415 compensation includes payments to an individual who does not currently perform services for the Employer by reason of qualified military service (as that term is used in Code Section 414(u)(1)) to the extent those payments do not exceed the amounts the individual would have received if the individual had continued to perform services for the Employer rather than entering qualified military service. For Plan Years beginning before January 1, 2009, §415 compensation did not include amounts described in this Section 1.6.2(a)(iii).

(iv) **Salary continuation payments for disabled Participants.** Section 415 compensation does not include compensation paid to a Participant who is permanently and totally disabled (as defined in Code Section 22(e)(3)).
(b) **Administrative delay ("the first few weeks") rule.** Section 415 compensation for a Limitation Year shall not include amounts earned but not paid during the Limitation Year solely because of the timing of pay periods and pay dates.

1.7. **Welfare Benefit Fund.** Welfare benefit fund means a fund as defined in Code Section 419(e) which provides post-retirement medical benefits allocated to separate accounts for key employees as defined in Code Section 419A(d)(3).

**SECTION 2**

**DEFINED CONTRIBUTION LIMITATION**

Notwithstanding anything to the contrary contained in the Plan Statement, there shall not be allocated to the account of any Participant under a defined contribution plan for any Limitation Year an amount which would cause the annual addition for such Participant to exceed the maximum permissible addition.

**SECTION 3**

**REMEDIAL ACTION**

Notwithstanding any provision of the Plan to the contrary, if a Participant’s Annual Additions are exceeded, then the Plan may correct such excess only in accordance with the Employee Plans Compliance Resolution System (EPCRS) as set forth in Revenue Procedure 2008-50 or any superseding guidance, including, but not limited to, the preamble of the final Treasury regulations issued under Code Section 415.
APPENDIX B

MINIMUM DISTRIBUTION REQUIREMENTS

SECTION 1

GENERAL RULES

1.1. Effective Date. The provisions of this Appendix will apply for purposes of determining required minimum distributions for calendar years beginning with the 2002 calendar year.

1.2. Precedence. The requirements of this Appendix will take precedence over any inconsistent provisions of the Plan.

1.3. Requirements of Treasury Regulations Incorporated. All distributions required under this Appendix will be determined and made in accordance with the Treasury regulations under Code Section 401(a)(9).

SECTION 2

TIME AND MANNER OF DISTRIBUTION

2.1. Required Beginning Date. The Participant's entire interest will be distributed, or begin to be distributed, to the Participant no later than the Participant's required beginning date.

2.2. Death of Participant Before Distributions Begin. If the Participant dies before distributions begin, the Participant’s entire interest will be distributed, or begin to be distributed, no later than as follows:

(a) If the Participant's surviving spouse is the Participant’s sole designated beneficiary, then, distributions to the surviving spouse will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died, or by December 31 of the calendar year in which the Participant would have attained age seventy and one-half (70-1/2), if later.

(b) If the Participant’s surviving spouse is not the Participant’s sole designated beneficiary, then, distributions to the designated beneficiary will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died.

(c) If there is no designated beneficiary as of September 30 of the year following the year of the Participant’s death, the Participant’s entire interest will be distributed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

(d) If the Participant’s surviving spouse is the Participant’s sole designated beneficiary and the surviving spouse dies after the Participant but before distributions to the surviving spouse begin, this Section 2.2, other than Section 2.2(a), will apply as if the surviving spouse were the Participant.

For purposes of this Section 2.2, unless Section 2.2(d) applies, distributions are considered to begin on the Participant's required beginning date. If Section 2.2(d) applies, distributions are considered to begin on the date distributions are required to begin to the surviving spouse under Section 2.2(a). If
distributions under an annuity purchased from an insurance company irrevocably commence to the 
Participant before the Participant's required beginning date (or to the Participant’s surviving spouse 
before the date distributions are required to begin to the surviving spouse under Section 2.2(a)), the 
date distributions are considered to begin is the date distributions actually commence.

2.3. **Forms of Distribution.** Unless the Participant’s interest is distributed in the form of an annuity 
purchased from an insurance company or in a single sum on or before the required beginning date, as 
of the first distribution calendar year distributions will be made in accordance with Sections 3 and 4 of 
this Appendix. If the Participant’s interest is distributed in the form of an annuity purchased from an 
insurance company, distributions thereunder will be made in accordance with the requirements of 
Code Section 401(a)(9) and the Treasury regulations.

**SECTION 3**

**REQUIRED MINIMUM DISTRIBUTIONS DURING PARTICIPANT'S LIFETIME**

3.1. **Amount of Required Minimum Distribution for Each Distribution Calendar Year.** During the 
Participant’s lifetime, the minimum amount that will be distributed for each distribution calendar year 
is the lesser of:

(a) the quotient obtained by dividing the Participant's account balance by the distribution period 
in the Uniform Lifetime Table set forth in Section 1.401(a)(9)-9 of the Treasury regulations, 
using the Participant’s age as of the Participant’s birthday in the distribution calendar year; or

(b) if the Participant’s sole designated beneficiary for the distribution calendar year is the 
Participant’s spouse, the quotient obtained by dividing the Participant’s account balance by 
the number in the Joint and Last Survivor Table set forth in Section 1.401(a)(9)-9 of the 
Treasury regulations, using the Participant’s and spouse's attained ages as of the Participant’s 
and spouse’s birthdays in the distribution calendar year.

3.2. **Lifetime Required Minimum Distributions Continue Through Year of Participant’s Death.** 
Required minimum distributions will be determined under this Article 3 beginning with the first 
distribution calendar year and up to and including the distribution calendar year that includes the 
Participant’s date of death.

**SECTION 4**

**REQUIRED MINIMUM DISTRIBUTIONS AFTER PARTICIPANT'S DEATH**

4.1. **Death On or After Date Distributions Begin.**

(a) **Participant Survived by Designated Beneficiary.** If the Participant dies on or after the 
date distributions begin and there is a designated beneficiary, the minimum amount that will 
be distributed for each distribution calendar year after the year of the Participant’s death is 
the quotient obtained by dividing the Participant's account balance by the longer of the 
remaining life expectancy of the Participant or the remaining life expectancy of the 
Participant’s designated beneficiary, determined as follows:

(i) The Participant’s remaining life expectancy is calculated using the age of the Participant 
in the year of death, reduced by one for each subsequent year.
If the Participant’s surviving spouse is the Participant’s sole designated beneficiary, the remaining life expectancy of the surviving spouse is calculated for each distribution calendar year after the year of the Participant’s death using the surviving spouse’s age as of the spouse’s birthday in that year. For distribution calendar years after the year of the surviving spouse’s death, the remaining life expectancy of the surviving spouse is calculated using the age of the surviving spouse as of the spouse’s birthday in the calendar year of the spouse’s death, reduced by one for each subsequent calendar year.

If the Participant’s surviving spouse is not the Participant’s sole designated beneficiary, the designated beneficiary’s remaining life expectancy is calculated using the age of the beneficiary in the year following the year of the Participant’s death, reduced by one for each subsequent year.

(b) **No Designated Beneficiary.** If the Participant dies on or after the date distributions begin and there is no designated beneficiary as of September 30 of the year after the year of the Participant’s death, the minimum amount that will be distributed for each distribution calendar year after the year of the Participant’s death is the quotient obtained by dividing the Participant’s account balance by the Participant’s remaining life expectancy calculated using the age of the Participant in the year of death, reduced by one for each subsequent year.

4.2. **Death Before Date Distributions Begin.**

   (a) **Participant Survived by Designated Beneficiary.** If the Participant dies before the date distributions begin and there is a designated beneficiary, the minimum amount that will be distributed for each distribution calendar year after the year of the Participant’s death is the quotient obtained by dividing the Participant's account balance by the remaining life expectancy of the Participant’s designated beneficiary, determined as provided in Section 4.1.

   (b) **No Designated Beneficiary.** If the Participant dies before the date distributions begin and there is no designated beneficiary as of September 30 of the year following the year of the Participant’s death, distribution of the Participant’s entire interest will be completed by December 31 of the calendar year containing the fifth anniversary of the Participant’s death.

   (c) **Death of Surviving Spouse Before Distributions to Surviving Spouse are Required to Begin.** If the Participant dies before the date distributions begin, the Participant’s surviving spouse is the Participant’s sole designated beneficiary, and the surviving spouse dies before distributions are required to begin to the surviving spouse under Section 2.2(a), this Section 4.2 will apply as if the surviving spouse were the Participant.

4.3. **Elections for Payments to Designated Beneficiaries.** Participants or beneficiaries may elect on an individual basis whether the 5-year rule or the life expectancy rule in Sections 2.2 and 4.2 of this Appendix applies to distributions after the death of a Participant who has a designated beneficiary. The election must be made no later than the earlier of September 30 of the calendar year in which distribution would be required to begin under Section 2.2 of this Amendment, or by September 30 of the calendar year which contains the fifth anniversary of the Participant’s (or, if applicable, surviving spouse’s) death. If neither the Participant nor beneficiary makes an election under this paragraph, distributions will be made in accordance with Sections 2.2 and 4.2 of this Appendix.
SECTION 5
DEFINITIONS

5.1. **Designated Beneficiary.** The individual who is designated as the Beneficiary under the Plan and is the designated beneficiary under Code Section 401(a)(9) and Section 1.401(a)(9)-4 of the Treasury regulations.

5.2. **Distribution Calendar Year.** A calendar year for which a minimum distribution is required. For distributions beginning before the Participant’s death, the first distribution calendar year is the calendar year immediately preceding the calendar year which contains the Participant's required beginning date. For distributions beginning after the Participant’s death, the first distribution calendar year is the calendar year in which distributions are required to begin under Section 2.2. The required minimum distribution for the Participant's first distribution calendar year will be made on or before the Participant's required beginning date. The required minimum distribution for other distribution calendar years, including the required minimum distribution for the distribution calendar year in which the Participant's required beginning date occurs, will be made on or before December 31 of that distribution calendar year.

5.3. **Life Expectancy.** Life expectancy as computed by use of the Single Life Table in Section 1.401(a)(9)-9 of the Treasury regulations.

5.4. **Participant’s Account Balance.** The account balance as of the last valuation date in the calendar year immediately preceding the distribution calendar year (valuation calendar year) increased by the amount of any contributions made and allocated or forfeitures allocated to the account balance as of dates in the valuation calendar year after the valuation date and decreased by distributions made in the valuation calendar year after the valuation date. The account balance for the valuation calendar year includes any amounts rolled over or transferred to the Plan either in the valuation calendar year or in the distribution calendar year if distributed or transferred in the valuation calendar year.

5.5. **Required Beginning Date.** The date specified in the Plan when distributions under Code Section 401(a)(9) are required to begin.

SECTION 6
WAIVER OF REQUIRED MINIMUM DISTRIBUTIONS

6.1 **Waiver of Required Minimum Distributions.** For calendar year 2009, the required minimum distribution rules under this Appendix B will not apply. In applying the provisions of this Appendix B for the 2009 calendar year,

(a) the required beginning date with respect to any individual shall be determined without regard to this Section 6 for purposes of applying this Section 6 for distribution calendar years after 2009, and

(b) required distributions to a beneficiary upon the death of the Participant shall be determined without regard to calendar year 2009.
A Participant or beneficiary who would have been required to receive a required minimum distribution for the 2009 distribution calendar year but for the enactment of Code Section 401(a)(9)(H) (“2009 RMD”), may elect whether or not to receive the 2009 RMD (or any portion of such distribution). A distribution of the 2009 RMD or a series of substantially equal distributions (that include the 2009 RMDs) made at least annually and expected to last for the life (or life expectancy) of the participant, the joint lives (or joint life expectancy) of the participant and the participant’s designated beneficiary, or for a period of at least 10 years, will be treated as an eligible rollover distribution for purposes of Section 7.9 of the Plan. However, if all or any portion of a distribution during calendar year 2009 is treated as an eligible rollover distribution but would not be so treated if the required minimum distribution requirements under this Appendix B had applied during calendar year 2009, such distribution shall not be treated as an eligible rollover distribution for purposes of Code Sections 401(a)(31), 402(f) or 3405(c). (See Internal Revenue Service Notice 2009-82 for transitional rules that apply for purposes of applying the rollover rules to the distribution of 2009 RMDs.)
Information

Subject
Appropriate Action regarding the Agreement to participate in the Supplemental Defined Contribution Plan with the City of Cottonwood.

Mr. Brian P. Tobin

Attachments

Joinder Agreement - 401A
THE BOARD OF TRUSTEES
Public Safety Retirement System
of the State of Arizona

Agreement to participate in the Supplemental Defined Contribution Plan

THIS AGREEMENT, entered into this ___ day of ___ , 20__, effective as of the ___ day of ___ , 20__, by and between the undersigned Employer and The Board of Trustees of the Arizona Public Safety Personnel Retirement System

WITNESSETH:

WHEREAS, the Employer is a public body deriving its powers from the legislature of the State of Arizona which employs certain employees who are members of either the Elected Officials Retirement Plan, the Public Safety Personnel Retirement System or the Corrections Officer Retirement Plan, and

WHEREAS, the Employer has determined to provide additional benefits for such employees through the supplemental defined contribution plan (the "Plan") authorized by Title 38, Chapter 5, Article 8, Arizona Revised Statutes, and has adopted a resolution or motion by the employer’s governing authority and followed such other appropriate procedures to elect to provide such benefits, and

WHEREAS, The Board of Trustees of the Arizona Public Safety Personnel Retirement System has prepared a plan document for the Plan and has entered into a contract with at least one vendor to administer the Plan, and

WHEREAS, The Board of Trustees of the Arizona Public Safety Personnel Retirement System has considered the request of the undersigned Employer to join the Plan and has approved the participation of the Employer in the Plan;

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants herein contained, the Employer and The Board of Trustees hereby agree as follows:

1. By execution of this Joinder Agreement the undersigned Employer unconditionally adopts, accepts and agrees to be bound by all the terms and conditions of the Plan with respect to employees of the employer (the "Eligible Employees") who are members of either the Elected Officials' Retirement Plan, the Public Safety Personnel Retirement System or the Corrections Officer Retirement Plan.

2. The undersigned Employer agrees that all of the Eligible Employees at their election may participate in the Plan and if such election is made will require these Eligible Employees to make employee contributions pursuant to A.R.S. section 38-953, subsection D.

3. The undersigned Employer further agrees that it will make reductions or deductions in the Eligible Employees' salary as required by law, will notify The Board of Trustees or The Board of Trustees' vendor of any employer matching monies and will submit reports as required by either The Board of Trustees or The Board of Trustees' vendor.

4. In consideration of the above, The Board of Trustees, by execution of this Joinder Agreement, accepts the Employer for participation in the Plan.

IN WITNESS WHEREOF, the Employer has caused to be executed in its behalf by a duly authorized officer and The Board of Trustees has executed this Joinder Agreement this ___ day of _____________, 20__.

BOARD OF TRUSTEES:

__________________________
Chairman, The Board of Trustees
Public Safety Personnel Retirement System

EMPLOYER:

__________________________
Mayor-City of Cottonwood
(Official Position or Title)
Information

Subject
Written report and possible discussion of monthly review of Management Fees.

Ms. Bridget Feeley
Internal Audit and Compliance Officer

Attachments
Information

Subject
Written report and possible discussion by the System's Internal Audit and Compliance Officer and discussion regarding investment compliance, holdings and transactions, as of November 30, 2015.

Ms. Bridget Feeley

Attachments

Compliance Report
Public Safety Personnel Retirement Systems

Compliance Report as of November 30, 2015

Portfolio Compliance:

We reviewed the PSPRS portfolio as of November 30, 2015 for compliance with the Amended and Restated Statement of Investment Policies (Investment Policies) as adopted by the Board of Trustees.

The portfolio is in compliance with the Investment Policies.

Bridget Feeley, Internal Audit and Compliance Officer
Information

Subject
Written report by Investment Department Staff regarding Portfolio Risk as of November 30, 2015.

Mr. Owen Zhao
Portfolio Analyst - Risk

Attachments
Information

Subject
Written report by Investment Department Staff and discussion regarding (i) the Month-End and Fiscal Year-to-Date performance for the PSPRS Trust as of November 30, 2015; and (ii) written report regarding the asset allocation and performance of the Firefighters and Peace Officers Cancer Insurance Program.

Ms. Vaida Maleckaite
Sr. Investment Analyst

Attachments

CIP Historical Returns
PSPRS Historical Returns
### Supplemental Cancer Insurance Plan (CIP) - Performance as of 11/30/2015 (Net of Fees)

<table>
<thead>
<tr>
<th>Description</th>
<th>Asset Allocation</th>
<th>Target (%)</th>
<th>Performance %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Description</strong></td>
<td><strong>Market Values ($)</strong></td>
<td><strong>%</strong></td>
<td><strong>Month Ending</strong></td>
</tr>
<tr>
<td>CIP - Total Fund</td>
<td>$22,708,746</td>
<td>100.00%</td>
<td>-0.29%</td>
</tr>
<tr>
<td></td>
<td></td>
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<td>-1.22%</td>
</tr>
<tr>
<td>Target Fund Benchmark</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Equity</td>
<td>$5,733,059</td>
<td>25.25%</td>
<td>25%</td>
</tr>
<tr>
<td>Russell 3000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-U.S. Equity</td>
<td>$5,372,668</td>
<td>23.66%</td>
<td>25%</td>
</tr>
<tr>
<td>MSCI ACWI Ex-US Net</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed Income</td>
<td>$6,925,781</td>
<td>30.50%</td>
<td>30%</td>
</tr>
<tr>
<td>Barclays Global Aggregate Index</td>
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<tr>
<td>Inflation-Linked Securities</td>
<td>$1,128,396</td>
<td>4.97%</td>
<td>10%</td>
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<tr>
<td>Barclays U.S. TIPS Index</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Commodities</td>
<td>$2,286,247</td>
<td>10.07%</td>
<td>5%</td>
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<tr>
<td>SPDR® Gold Trust Index (GLD)</td>
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<tr>
<td>Short Term Investments</td>
<td>$1,262,594</td>
<td>5.56%</td>
<td>5%</td>
</tr>
<tr>
<td>BofA ML 3-Month T-Bill</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Target Fund Benchmarks (Effective Dates):**
- July 1, 2014 to Present: 25% Russell 3000, 25% MSCI ACWI Ex-US Net, 30% Barclays Global Aggregate, 10% Barclays U.S. TIPS, 5% GLD Index, 5% BofA ML 3-Month T-Bill.
- July 1, 2009 - June 30, 2014: 30% Russell 3000, 30% MSCI ACWI Ex-US Net, 35% Barclays Global Aggregate, 5% BofA ML 3-Month T-Bill.
- July 1, 2005 - June 30, 2009: 60% Russell 3000, 35% Barclays Global Aggregate, 5% BofA ML 3-Month T-Bill.
## Arizona PSPRS Trust - Performance as of 11/30/2015 (Gross of Fees)

<table>
<thead>
<tr>
<th>Description</th>
<th>Asset Allocation</th>
<th>7/1/2015</th>
<th>Target (%)</th>
<th>Range (%)</th>
<th>7/1/2015</th>
<th>3 Month Ending</th>
<th>Fiscal YTD</th>
<th>Calendar YTD</th>
<th>1 Year</th>
<th>3 Years</th>
<th>5 Years</th>
<th>10 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Arizona PSPRS Trust - Total Fund</strong></td>
<td>$8,395,808,282</td>
<td>100.00%</td>
<td></td>
<td></td>
<td>0.37%</td>
<td>1.41%</td>
<td>0.09%</td>
<td>3.63%</td>
<td>3.45%</td>
<td>8.13%</td>
<td>7.17%</td>
<td>4.83%</td>
</tr>
<tr>
<td>Target Fund Benchmark</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-0.29%</td>
<td>1.79%</td>
<td>-0.41%</td>
<td>1.83%</td>
<td>1.25%</td>
<td>6.95%</td>
<td>7.26%</td>
<td>4.18%</td>
</tr>
<tr>
<td><strong>Total Equity</strong></td>
<td>$2,538,969,491</td>
<td>30.24%</td>
<td>30%</td>
<td>21-39%</td>
<td>-0.36%</td>
<td>2.21%</td>
<td>-3.23%</td>
<td>-0.20%</td>
<td>-1.33%</td>
<td>9.80%</td>
<td>8.28%</td>
<td>5.07%</td>
</tr>
<tr>
<td>Target Equity Benchmark</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-0.67%</td>
<td>2.99%</td>
<td>-3.27%</td>
<td>-0.40%</td>
<td>-2.08%</td>
<td>10.12%</td>
<td>9.10%</td>
<td>5.80%</td>
</tr>
<tr>
<td><strong>U.S. Equity</strong></td>
<td>$1,378,307,410</td>
<td>16.42%</td>
<td>16%</td>
<td>11-21%</td>
<td>0.64%</td>
<td>4.07%</td>
<td>-0.32%</td>
<td>1.98%</td>
<td>2.43%</td>
<td>14.65%</td>
<td>12.22%</td>
<td>N/A</td>
</tr>
<tr>
<td>Russell 3000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.55%</td>
<td>5.34%</td>
<td>0.63%</td>
<td>2.58%</td>
<td>2.58%</td>
<td>16.00%</td>
<td>14.13%</td>
<td>7.59%</td>
</tr>
<tr>
<td><strong>Non-U.S. Equity</strong></td>
<td>$1,160,662,081</td>
<td>13.82%</td>
<td>14%</td>
<td>10-18%</td>
<td>-1.54%</td>
<td>0.02%</td>
<td>-6.52%</td>
<td>-2.69%</td>
<td>-5.62%</td>
<td>4.07%</td>
<td>3.26%</td>
<td>N/A</td>
</tr>
<tr>
<td>MSCI ACWI Ex-US Net</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-2.06%</td>
<td>0.35%</td>
<td>-7.58%</td>
<td>-3.85%</td>
<td>-7.32%</td>
<td>3.31%</td>
<td>2.99%</td>
<td>3.60%</td>
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<tr>
<td><strong>Private Equity</strong></td>
<td>$1,249,811,894</td>
<td>14.89%</td>
<td>11%</td>
<td>7-17%</td>
<td>3.64%</td>
<td>4.00%</td>
<td>7.22%</td>
<td>19.02%</td>
<td>20.21%</td>
<td>19.70%</td>
<td>16.55%</td>
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<tr>
<td>Russell 3000 + 100 bps</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.64%</td>
<td>5.52%</td>
<td>1.04%</td>
<td>3.51%</td>
<td>3.58%</td>
<td>17.01%</td>
<td>15.14%</td>
<td>9.60%</td>
</tr>
<tr>
<td><strong>Fixed Income</strong></td>
<td>$607,687,565</td>
<td>7.24%</td>
<td>7%</td>
<td>3-11%</td>
<td>0.31%</td>
<td>0.70%</td>
<td>0.77%</td>
<td>1.77%</td>
<td>1.37%</td>
<td>2.55%</td>
<td>3.93%</td>
<td>4.45%</td>
</tr>
<tr>
<td>BC Global Aggregate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-1.66%</td>
<td>-0.95%</td>
<td>-0.61%</td>
<td>-3.67%</td>
<td>-4.33%</td>
<td>-2.02%</td>
<td>1.05%</td>
<td>3.79%</td>
</tr>
<tr>
<td><strong>Credit Opportunities</strong></td>
<td>$795,067,288</td>
<td>9.47%</td>
<td>13%</td>
<td>7-16%</td>
<td>0.84%</td>
<td>0.43%</td>
<td>1.31%</td>
<td>3.22%</td>
<td>3.52%</td>
<td>8.58%</td>
<td>8.16%</td>
<td>N/A</td>
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<tr>
<td>50% BofA ML US High Yield BB-B Constrained, 50% CSFB Fixed Income Arbitrage</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td><strong>Absolute Return</strong></td>
<td>$359,190,001</td>
<td>4.28%</td>
<td>5%</td>
<td>0-9%</td>
<td>0.06%</td>
<td>0.47%</td>
<td>-3.06%</td>
<td>1.47%</td>
<td>1.82%</td>
<td>8.18%</td>
<td>8.02%</td>
<td>N/A</td>
</tr>
<tr>
<td>BofA ML 3-Month T-Bill + 200 bps</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.17%</td>
<td>0.49%</td>
<td>0.83%</td>
<td>1.86%</td>
<td>2.02%</td>
<td>2.05%</td>
<td>2.07%</td>
<td>3.27%</td>
</tr>
<tr>
<td><strong>GTAA</strong></td>
<td>$788,517,855</td>
<td>9.39%</td>
<td>10%</td>
<td>6-14%</td>
<td>0.83%</td>
<td>2.10%</td>
<td>0.25%</td>
<td>5.18%</td>
<td>5.78%</td>
<td>4.83%</td>
<td>6.22%</td>
<td>N/A</td>
</tr>
<tr>
<td>3-Month LIBOR + 300 bps</td>
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<td></td>
<td></td>
<td></td>
<td>0.27%</td>
<td>0.81%</td>
<td>1.35%</td>
<td>3.02%</td>
<td>3.28%</td>
<td>3.26%</td>
<td>3.31%</td>
<td>4.63%</td>
</tr>
<tr>
<td><strong>Real Assets</strong></td>
<td>$721,958,355</td>
<td>8.60%</td>
<td>8%</td>
<td>5-11%</td>
<td>-2.30%</td>
<td>-1.62%</td>
<td>-2.71%</td>
<td>-3.05%</td>
<td>-3.65%</td>
<td>1.24%</td>
<td>2.49%</td>
<td>N/A</td>
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<tr>
<td>CPI + 200 bps</td>
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<td></td>
<td></td>
<td></td>
<td>0.10%</td>
<td>0.40%</td>
<td>0.82%</td>
<td>2.62%</td>
<td>2.44%</td>
<td>2.98%</td>
<td>3.64%</td>
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<tr>
<td><strong>Real Estate</strong></td>
<td>$877,909,585</td>
<td>10.46%</td>
<td>10%</td>
<td>5-15%</td>
<td>-0.02%</td>
<td>0.27%</td>
<td>3.02%</td>
<td>4.33%</td>
<td>5.09%</td>
<td>5.20%</td>
<td>1.54%</td>
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<tr>
<td>NCREIF NPI *</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1.02%</td>
<td>3.09%</td>
<td>5.26%</td>
<td>13.38%</td>
<td>13.51%</td>
<td>12.04%</td>
<td>12.33%</td>
<td>7.85%</td>
</tr>
<tr>
<td><strong>Risk Parity</strong></td>
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<td>3.61%</td>
<td>4%</td>
<td>0-8%</td>
<td>-0.73%</td>
<td>-0.36%</td>
<td>-3.31%</td>
<td>-2.66%</td>
<td>-3.67%</td>
<td>0.11%</td>
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<td>N/A</td>
</tr>
<tr>
<td>60% BC Global Aggregate, 30% MSCI AC World Net, 10% Bloomberg Commodity Index TR</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td><strong>Short Term Investments</strong></td>
<td>$153,303,508</td>
<td>1.83%</td>
<td>2%</td>
<td>0-6%</td>
<td>0.01%</td>
<td>0.05%</td>
<td>0.23%</td>
<td>0.36%</td>
<td>0.33%</td>
<td>0.28%</td>
<td>0.09%</td>
<td>1.44%</td>
</tr>
<tr>
<td>BofA ML 3-Month T-Bill</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.01%</td>
<td>0.00%</td>
<td>0.01%</td>
<td>0.02%</td>
<td>0.02%</td>
<td>0.05%</td>
<td>0.07%</td>
<td>1.27%</td>
</tr>
</tbody>
</table>

Please see Page 2 for additional notes regarding the benchmarks and effective dates.
Target Fund Benchmarks (Effective Dates)

July 1, 2015 to Present: 16% Russell 3000, 14% MSCI World Ex-US Net, 11% Russell 3000 + 100 bps, 7% BC Global Aggregate, 13% Credit Opportunities Benchmark, 5% BofA ML 3-Month T-Bill + 200 bps, 10% 3-Month LIBOR + 300 bps, 8% CPI + 200 bps, 10% NCREIF NPI, 4% Risk Parity Benchmark and 2% BofA ML 3-Month T-Bill

July 1, 2014 to Present: 16% Russell 3000, 14% MSCI World Ex-US Net, 11% Russell 3000 + 100 bps, 7% BC Global Aggregate, 13% Credit Opportunities Benchmark, 4% BofA ML 3-Month T-Bill + 200 bps, 10% 3-Month LIBOR + 300 bps, 8% CPI + 200 bps, 11% NCREIF NPI, 4% Risk Parity Benchmark and 2% BofA ML 3-Month T-Bill

July 1, 2013-June 30, 2014: 17% Russell 3000, 14% MSCI ACWI Ex-US Net, 10% Russell 3000 + 100 bps, 8% BC Global Aggregate, 12% Credit Opportunities Benchmark, 4% BofA ML 3-Month T-Bill + 200 bps, 10% 3-Month LIBOR + 300 bps, 8% CPI + 200 bps, 11% NCREIF NPI, 4% Risk Parity Benchmark and 2% BofA ML 3-Month T-Bill

July 1, 2012 - June 30, 2013: 18% Russell 3000, 14% MSCI World Ex-US Net, 11% Russell 3000 + 100 bps, 7% BC Global Aggregate, 13% Credit Opportunities Benchmark, 5% BofA ML 3-Month T-Bill + 200 bps, 10% 3-Month LIBOR + 300 bps, 8% CPI + 200 bps, 10% NCREIF NPI, 4% Risk Parity Benchmark and 2% BofA ML 3-Month T-Bill

July 1, 2010 - June 30, 2012: 20% Russell 3000, 15% MSCI World Ex-US Net, 8% 3-Month LIBOR + 300 bps, 20% BC US Aggregate, 4% BofA ML 3-Month T-Bill + 200 bps, 9% BofA ML US High Yield BB-B Constrained, 8% Russell 3000 + 100 bps, 6% CPI + 200 bps, 8% NCREIF NPI and 2% BofA ML 3-Month T-Bill

April 1, 2009 - June 30, 2010: 30% Russell 3000, 20% MSCI World Ex-US Net, 20% BC US Aggregate, 8% NCREIF NPI, 8% Russell 3000 + 100 bps, 8% BofA ML US High Yield BB-B Constrained, 5% CPI + 200 bps and 1% BofA ML 3-Month T-Bill

July 1, 2007 - March 31, 2009: 46% Wilshire 5000, 21% MSCI World Ex-US Net, 20% BC Gov/Cred, 6% NCREIF NPI, 6% Wilshire 5000 +300 bps and 1% BofA ML 3-Month T-Bill

July 1, 2006 - June 30, 2007: 50% S&P 500, 10% S&P 400, 5% S&P 600, 20% BC Gov/Cred, 10% Expected Annual Return for Real Estate of 8.00% and 5% BofA ML 3-Month T-Bill

July 1, 2002 - June 30, 2006: 100% S&P 500

* The NCREIF NPI index return is published on a quarterly basis approximately six weeks after the end of the quarter and will be updated as soon as it is available. The monthly returns shown above are based on geometric smoothing of the quarterly data.

Target Equity Benchmarks (Effective Dates)

July 1, 2014 to Present: 53.33% Russell 3000 and 46.67% MSCI World Ex-US Net

July 1, 2013 to June 30, 2014: 54.84% Russell 3000 and 45.16% MSCI ACWI Ex-US Net

July 1, 2012 - June 30, 2013: 56.25% Russell 3000 and 43.75% MSCI World Ex-US Net

July 1, 2010 - June 30, 2012: 57.14% Russell 3000 and 42.86% MSCI World Ex-US Net

April 1, 2009 - June 30, 2010: 60% Russell 3000 and 40% MSCI World Ex-US Net

July 1, 2007 - March 31, 2009: 67.69% Wilshire 5000 and 32.31% MSCI World Ex-US Net

July 1, 2006 - June 30, 2007: 76.92% S&P 500, 15.39% S&P 400 and 7.69% S&P 600

July 1, 2002 - June 30, 2006: 100% S&P 500
Information

Subject
Presentation and discussion by Investment Department Staff and Consultants regarding the annual Overview and Strategic Plan for the Private Equity Portfolio.

Mr. Shan Chen
Lead Portfolio Manager

Mr. David Hutchings
Albourne America

Mr. Jay Rose
StepStone Group, LLC

Attachments

PE Review 2016
Board Presentation
Board Presentation 2016
Private Equity Overview and Strategy Plan

Board of Trustees / Investment Committee meetings of January 20, 2016.

Agenda:
• AZ PSPRS Staff
  • Update of the PE program:
    • Snapshot of the program as of 12/31/2015
    • Portfolio exposure as of 9/30/2015
    • Performance as of 9/30/2015
  • Activities in 2015 Calendar Year
  • Cash flow and Pacing of Commitment
• StepStone (Jay Rose)
  • Comments on the PE program: portfolio composition and performance
  • Buyout, and Secondary
  • StepStone AZ Secondary Opportunities Fund
• Albourne (David Hutchings)
  • Comments on the PE program: portfolio composition and performance
  • VC, Growth Equity and Distressed.
  • Back Office Due Diligence
Snapshot of PSPRS Private Equity Portfolio

Since Inception:
• The Trust committed to 67 funds and 38 managers\(^1\)
  • Commitment: $1,921 million\(^1\)
  • Total capital called and fees: $1,520 million
  • Total distributions: $900 million (cash and stocks)
  • Valuation: $1,248 million\(^2\)
  • Unfunded: $635 million\(^1\)

Cash Flow For 2015 Calendar Year
• Capital contribution $224 million
• Management fees $14 million
• Distributions $253 million
• Net cash inflow $15 million

1. Based on 12/31/2015 data, including two wind-down funds and some co-investment vehicles.
2. Based on 9/30/2015 valuations and cash flow adjustment as of 12/31/2015.
## Compared with Prior Years

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Commitment</strong></td>
<td>$1,548</td>
<td>$1,772</td>
<td>$1,921</td>
</tr>
<tr>
<td><strong>Total Capital Called and Fees</strong></td>
<td>$1,104</td>
<td>$1,282</td>
<td>$1,520</td>
</tr>
<tr>
<td><strong>Total Distributions</strong></td>
<td>$421</td>
<td>$647</td>
<td>$900</td>
</tr>
<tr>
<td><strong>Valuation</strong></td>
<td>$927</td>
<td>$1,070</td>
<td>$1,248</td>
</tr>
<tr>
<td><strong>Unfunded</strong></td>
<td>$574</td>
<td>$590</td>
<td>$635</td>
</tr>
<tr>
<td><strong>Annual Capital Called</strong></td>
<td>$208</td>
<td>$168</td>
<td>$224</td>
</tr>
<tr>
<td><strong>Annual Fees</strong></td>
<td>$11</td>
<td>$11</td>
<td>$14</td>
</tr>
<tr>
<td><strong>Annual Distributions</strong></td>
<td>$154</td>
<td>$226</td>
<td>$253</td>
</tr>
<tr>
<td><strong>Annual Net Cash Inflow</strong></td>
<td>($65)</td>
<td>$47</td>
<td>$15</td>
</tr>
</tbody>
</table>
Six direct commitments for $255 million. Five co-investments for $90 million\(^1\). Three re-ups. Two new managers, and one separately management account.

- **Vivo VIII** US/China Growth $35 million + $ 25 million co-investment
- **Cortec Group V** US Buyout $40 million + $ 20 million co-investment
- **StepStone AZ China/Asia** EM Asia Growth $90 million\(^2\)
- **Sterling Group IV** US Buyout $40 million + $ 20 million co-investment
- **Tritium I** US Buyout $20 million + $ 5 million co-investment
- **TSG 7A & 7B** US Buyout $30 million\(^3\) + $ 50 million co-investment

---

1. *Co-investment is discretionary at the Trust’s option.*
3. *This is a 2016 vintage fund.*
Vintage Year Exposure

Co-Investment 18%  Secondary 5%  Primary 77%
Sub-Class Exposure

Commitment by Strategy

Nav by Strategy

- Buyout: 63%
- Venture Capital: 16%
- Mezzanine: 3%
- Growth Equity: 18%

- Buyout: 65%
- Venture Capital: 19%
- Mezzanine: 15%
- Growth Equity: 1%
Geographic Exposure

Commitment by Geographies

US: 83%
EUR: 12%
EM: 5%

NAV by Geographies

US: 82%
EUR: 11%
EM: 7%
Performance as of 9/30/2015

- IRR since inception 12.67%
- Total Value to Paid-In (TVPI) 1.43
- Distribution to Paid-In (DPI) 0.56
Performance as of 9/30/2012, three years ago

- IRR since inception is 7.48%
- Total Value to Paid-In (TVPI) is 1.16
- J-Curve effect: the lowest point is 12/31/2008
Performance as of 9/30/2013, two years ago.

- IRR since inception is 9.46%
- Total Value to Paid-In (TVPI) is 1.24
- Both IRR and Multiple are in positive territory and trending upward steadily.
Performance as of 9/30/2014, one year ago

- IRR since inception: 11.7%
- Total Value to Paid-In (TVPI): 1.36
- Distribution to Paid-In (DPI): 0.48
Compared with various ILPA indices (6/30/2015)

<table>
<thead>
<tr>
<th></th>
<th>1-Qtr.</th>
<th>YTD</th>
<th>1-Year</th>
<th>3-Year</th>
<th>5-Year</th>
<th>10-Year</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PSPRS PE Portfolio</strong></td>
<td>3.73</td>
<td>7.85</td>
<td>15.54</td>
<td>18.14</td>
<td>16.18</td>
<td>13.00</td>
</tr>
<tr>
<td><strong>ILPA All Funds Index</strong></td>
<td>4.71</td>
<td>6.37</td>
<td>8.62</td>
<td>14.95</td>
<td>14.84</td>
<td>11.84</td>
</tr>
<tr>
<td><strong>ILPA US/CAN Private Equity</strong></td>
<td>3.84</td>
<td>6.58</td>
<td>8.73</td>
<td>16.16</td>
<td>15.94</td>
<td>12.48</td>
</tr>
<tr>
<td><strong>ILPA US/CAN Venture Capital</strong></td>
<td>7.12</td>
<td>11.34</td>
<td>24.03</td>
<td>20.27</td>
<td>18.41</td>
<td>11.34</td>
</tr>
<tr>
<td><strong>ILPA Asia/Pacific PE &amp; VC</strong></td>
<td>5.21</td>
<td>10.64</td>
<td>24.35</td>
<td>18.53</td>
<td>16.08</td>
<td>14.22</td>
</tr>
<tr>
<td><strong>ILPA Distressed</strong></td>
<td>1.55</td>
<td>3.41</td>
<td>4.13</td>
<td>13.41</td>
<td>12.27</td>
<td>10.71</td>
</tr>
<tr>
<td><strong>ILPA Natural Resources</strong></td>
<td>-0.29</td>
<td>-2.99</td>
<td>-14.84</td>
<td>2.03</td>
<td>7.34</td>
<td>9.05</td>
</tr>
<tr>
<td><strong>ILPA Fund of Funds</strong></td>
<td>5.03</td>
<td>6.08</td>
<td>14.10</td>
<td>14.43</td>
<td>13.83</td>
<td>10.17</td>
</tr>
<tr>
<td><strong>ILPA Secondaries</strong></td>
<td>4.48</td>
<td>5.79</td>
<td>10.21</td>
<td>13.01</td>
<td>14.25</td>
<td>11.71</td>
</tr>
</tbody>
</table>
The pacing model serves as a guideline. The policy limit is 17%.

<table>
<thead>
<tr>
<th>End of Year</th>
<th>PE Nav (000)</th>
<th>Total Fund AUM (000)</th>
<th>PE %</th>
<th>New Commit (000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$1,316,731</td>
<td>$8,784,000</td>
<td>14.99%</td>
<td>$150,000</td>
</tr>
<tr>
<td>2017</td>
<td>$1,378,355</td>
<td>$9,306,720</td>
<td>14.81%</td>
<td>$120,000</td>
</tr>
<tr>
<td>2018</td>
<td>$1,438,931</td>
<td>$9,871,258</td>
<td>14.58%</td>
<td>$120,000</td>
</tr>
<tr>
<td>2019</td>
<td>$1,530,393</td>
<td>$10,480,958</td>
<td>14.60%</td>
<td>$120,000</td>
</tr>
<tr>
<td>2020</td>
<td>$1,602,259</td>
<td>$11,139,435</td>
<td>14.38%</td>
<td>$250,000</td>
</tr>
<tr>
<td>2021</td>
<td>$1,678,545</td>
<td>$11,850,590</td>
<td>14.16%</td>
<td>$300,000</td>
</tr>
<tr>
<td>2022</td>
<td>$1,713,059</td>
<td>$12,618,637</td>
<td>13.58%</td>
<td>$300,000</td>
</tr>
</tbody>
</table>
Agenda

Private Market Summary – Key Issues.........................3
Private Markets Performance.................................. 6
Portfolio Performance Review.................................... 7
Strategy Review:
  Growth................................................................. 8
  Lending.......................................................................9
  Venture Capital.......................................................10
  Distressed...............................................................12
  Oil & Gas...............................................................13
Operational Due Diligence.........................................14
Private Markets Summary - Looking Back

- Debt continued to be readily available at comparatively modest yields in most markets for refinancing and for larger deals of quality, from capital markets which continued to have a voracious appetite for yield, with cov-lite a notable feature running at an all time high.
- Buoyant stock markets led to an environment where it was easier and timely to exit, but problematic and pricey to complete new investments, owing to the high price expectations of vendors. To complete investments, entry prices have been running near all time highs, coupled with, or despite, the use of record levels of leverage in the US.
- Fund raising was very busy, except in Asia. Taken together with the restrained levels of investment activity in many strategies, this leads to even greater levels of dry powder.
- Despite the very strong level of recent distributions, it is apparent that the rate of exit achievement is lagging the growth of the asset class, creating an exit overhang.

![Global Private Equity Dry Powder ($bn)](chart)

Source: Preqin
Over the last 6 months there have been some important signs of change;

- **Volatility:** Across several markets volatility has increased materially.

- **Fixed-income markets** have become skittish and are fast pulling down the shutters on the riskiest deals as they brace for the Federal Reserve to raise the benchmark rate further and the outlook for global growth darkens. Several prominent loan offerings have been left with underwriters. Reduced leverage availability may lead to improved selectivity amongst private equity managers.

- **Public Markets** have weakened leading to many IPOs being deferred. Prospectively acquisition multiples should soften though this is unlikely until vendors see a floor in the market.

- **Private Equity Cycle:** Indications from some core managers that they feel they have entered an “asset accumulation cycle” and have largely finished with the industry’s “excess distribution cycle.”

- **Prospect for Defaults** in many bonds across industries slide to 60 cents on the dollar from 90 cents since September. Large portions of the Energy High Yield sector in particular are challenged.
Taken together, we expect these issues to lead to several primary outcomes:

- **Reduced Returns** – Whether arising owing to the weight of capital pressing into the market, or from the arguably high prices paid going into investments, the influences on long term returns speak to returns for near term vintages being moderate rather than strong.
- **Strong Fund Raising** – An almost exuberant market will continue to be frenetic, though strongly bifurcated between those managers able to show consistent strategy, strong returns and restraint when market conditions were tough, as against the pack for many of whom fund raising will be slow and often unsteady.
- **Access Constraints** – At a time when manager selection skills will be at a premium, selected managers, under siege from loyal LPs, will have little or no access available for new LPs, making efforts to develop the quality of portfolios, or to build new exposure, all the more difficult.
- **Reduced Alignment of Interests** – The tightening and moderation in some terms, which has been leading to some improved alignment of interests for LPs, has largely gone into reverse.
- **Development of Co-Investment and Managed Accounts** – LPs seeking better economics, and some ability to manage their portfolios rather more, will increasingly embrace co-investment and managed account strategies.
- **Asset Gathering and Potential Strategy Drift** – The strong supply of capital in the market seeking a home will be music to the ears of asset gatherers either through their push on fund sizes or the continued proliferation of new strategies aiming to tie up capital whilst it is pushing through the door.
Private Markets Performance

Compared to a range of public indices Private Markets have struggled until recently to outperform in the short/medium term owing to the material strength of public markets.

However, recent weakness in public markets has shown once again the long term position of outperformance of Private Markets over the short, medium and long term as shown in the table on the right.

As shown below, if Private Markets timing and cash flows had been invested in public equities, they would have underperformed. So the Private Markets have generated positive alpha.

### Table: To end September 2015

<table>
<thead>
<tr>
<th></th>
<th>1 Year</th>
<th>3 Year</th>
<th>5 Year</th>
<th>10 Year</th>
<th>15 Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>All PM Global</td>
<td>10.3%</td>
<td>14.3%</td>
<td>13.5%</td>
<td>11.0%</td>
<td>8.5%</td>
</tr>
<tr>
<td>All PE US</td>
<td>12.5%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All PE Asia</td>
<td>13.9%</td>
<td>15.5%</td>
<td>11.8%</td>
<td>12.3%</td>
<td>12.7%</td>
</tr>
<tr>
<td>US Buy-out</td>
<td>11.5%</td>
<td>16.1%</td>
<td>15.9%</td>
<td>11.9%</td>
<td>9.8%</td>
</tr>
<tr>
<td>US Venture</td>
<td>20.9%</td>
<td>20.1%</td>
<td>17.7%</td>
<td>11.3%</td>
<td>3.6%</td>
</tr>
<tr>
<td>European Buy-Out</td>
<td>5.3%</td>
<td>10.5%</td>
<td>11.3%</td>
<td>10.8%</td>
<td>11.8%</td>
</tr>
<tr>
<td>NCREIF ODCE*</td>
<td>13.5%</td>
<td>13.0%</td>
<td>13.7%</td>
<td>6.6%</td>
<td>7.9%</td>
</tr>
<tr>
<td>S&amp;P 500</td>
<td>-0.6%</td>
<td>12.4%</td>
<td>13.3%</td>
<td>6.8%</td>
<td>4.0%</td>
</tr>
<tr>
<td>MSCI AC World</td>
<td>-6.1%</td>
<td>7.6%</td>
<td>7.5%</td>
<td>5.2%</td>
<td>2.5%</td>
</tr>
<tr>
<td>Russell 2000 Composite</td>
<td>1.2%</td>
<td>11.0%</td>
<td>11.7%</td>
<td>6.5%</td>
<td>6.5%</td>
</tr>
<tr>
<td>NAREIT Composite**</td>
<td>6.9%</td>
<td>8.2%</td>
<td>11.4%</td>
<td>6.1%</td>
<td>10.3%</td>
</tr>
<tr>
<td>DJIA</td>
<td>-2.1%</td>
<td>9.3%</td>
<td>11.4%</td>
<td>7.2%</td>
<td>5.4%</td>
</tr>
<tr>
<td>NASDAQ Composite</td>
<td>4.1%</td>
<td>15.6%</td>
<td>15.8%</td>
<td>9.2%</td>
<td>2.5%</td>
</tr>
</tbody>
</table>

**Sources:** For all Private Markets data - Burgiss Private iQ as at 20 December 2015, for all public markets data - Bloomberg,

Methodology: This calculates an annualized excess return, describing the relative performance of the private market investment to the stated index as of the measurement date; the calculation is an IRR, based on the series of fund cash flows and the residual value, discounted to a single point in time using the respective index returns; the cash flows are discounted to the same point in time to effectively eliminate the impact of any changes in the stated public equity index from the private market cash flows; thus a direct alpha of 5.3% indicates that the private investment has generated an annualized excess return of 5.3% over the stated index.

All PM Global includes the entirety of Private Equity, Real Assets and Real Estate.

This analysis utilizes the Gredil-Griffiths-Stucke Direct Alpha methodology via Burgiss Private iQ. The Public Market Index utilized here is the MSCI ACWI (TR).

Since the underlying cash-flow data is not currently available in an appropriate form, it should be noted that all vintage calculations are for the relevant vintages (eg 10 year equates to the vintages 2006-2015) rather than end-to-end over the period for the entire strategy.
The key question that any Board should ask in relation to a Private Equity program is:

*Were we right to commit capital to Private Equity?*

The methodology to answer this question is to test performance via a Public Market Equivalent to buy and sell all the same cashflows, but in a Public Index rather than in Private Equity. There are various ways of making that analysis, several of which have material issues. The Direct Alpha methodology\(^1\) is most reliable. Here we used as the Public Index 70% *MSCI World TR* and 30% *ML Bonds All*

<table>
<thead>
<tr>
<th>Portfolio IRR</th>
<th>12.0%</th>
<th>(as at 30 September 2015)</th>
</tr>
</thead>
<tbody>
<tr>
<td>PME</td>
<td>7.1%</td>
<td></td>
</tr>
<tr>
<td><strong>Margin for PE</strong></td>
<td><strong>4.9%</strong></td>
<td></td>
</tr>
</tbody>
</table>

Using the Public Market Index of *MSCI ACWI Daily Net TR*

<table>
<thead>
<tr>
<th>Portfolio IRR</th>
<th>12.0%</th>
<th>(as at 30 September 2015)</th>
</tr>
</thead>
<tbody>
<tr>
<td>PME</td>
<td>6.6%</td>
<td></td>
</tr>
<tr>
<td><strong>Margin for PE</strong></td>
<td><strong>5.4%</strong></td>
<td></td>
</tr>
</tbody>
</table>

\(^1\) Methodology

This calculates an annualized excess return, describing the relative performance of the private market investment to the stated index as of the measurement date; the calculation is an IRR, based on the series of fund cash flows and the residual value, discounted to a single point in time using the respective index returns; the cash flows are discounted to the same point in time to effectively eliminate the impact of any changes in the stated public equity index from the private market cash flows; thus a direct alpha of 4.5% indicates that the private investment has generated an annualized excess return of 4.5% over the stated index.

Albourne
Growth investing is somewhat topical for managers finding leverage buy-outs difficult to complete in a high price environment.

Growth is typically minority investment and uses limited leverage. That makes for difficulty in terms applying influence.

In a low growth economy such as the US, whilst modestly priced debt is very available, finding high growth companies that really need equity capital, can be challenging. Technology investing can be a material exception.

Growth investing is more typically active in developing markets where entrepreneurs initially fight back against giving up control, whilst many investment managers have inadequate experience of getting value out of having control:

- Deals tend to be smaller initially, so that minority investing is acceptable.
- In developing markets such as China, Growth investing may in reality be money out for the entrepreneurs.
- Over time the necessity for control and for larger transactions tends to move the market towards Buy-out and away from Growth.

There is limited data available to help assess performance of Growth versus Buy-out.
Banks have further withdrawn from the market under closer scrutiny of selected credits from the SEC.

Though off its historic highs of 2013, leveraged finance issuance in the US remained robust until recently. However, this position has softened substantially with high yield markets becoming skittish owing to concerns about loan quality, softening of global growth and prospects for further interest rate hikes.

This position should continue to create opportunities for specialist lenders to take up some of the role.

Competition continues to increase as new providers continue to enter the crowded space, driven by private lending platforms and BDCs. Issuer sizes below $200m cannot access the high yield markets even when they are open.

Special Situations – typically good companies with bad balance sheets can be rewarding though generally complex.

Mezzanine has been significantly squeezed out by the excess availability of equity and debt.
Venture Capital - Looking Back

- **Global activity.** In 2015 the Venture Capital industry has again been active and gained high profile owing to selected investments attracting attention, including some that was unwelcome eg anti-Uber demonstrations in selected cities, a series of newsworthy sizeable exits, active fundraising, and continued talk of a possible “bubble”.

- **Investment Returns:** There remains little sign that the activity is translating into returns that provide the required premium for all but a select few.

- **Life Sciences** had renewed confidence and frequently shared in the lime-light following some high profile acquisitions of venture back drug developers by Big Pharma and following FDA approval of some notable new drugs.

---

**Source:** Preqin
Venture Capital - Looking Back & Looking Ahead

- Investment activity has been particularly prevalent at the Seed and Angel investing stages.
- Huge sums have been attracted into the Later Stages from Corporates, Hedge Funds and Mutual Funds aiming to get in pre-IPO and likely hoping for a speedy return. With the IPO markets notably softening, there are uncomfortable pressures building in that space.
- We anticipate some challenge to returns for limited partners in 2016, as exit markets become increasingly selective, venture fundraising will likely remain busy.
- The already huge dispersion of performance between the best and worst performing funds, will likely grow.

- The Life Sciences sector will continue to find its feet and further emerge from a long period in the doldrums.

![Average Value of Venture Capital Deals](source:preqin)
The Distressed universe remained muted as default rates continued to ease (by number of loans) and the credit markets remained accommodative. Loan maturities have been further pushed into the future via recaps.

With few large cap stressed and distressed opportunities to participate in, managers remained focused on more idiosyncratic and sector driven opportunities. Also, given the cyclical nature of the strategy and current low level of distress in the US, many managers continued to focus on Western Europe where financial institutional stress and bank disintermediation has created opportunities – e.g. NPLs, shipping, specialty finance.

More recently, however, there have been signs of increased volatility and the implied default rate is rising, most notably in relation to the Energy sector. High quality distressed managers have been delaying fund raising, but they are now becoming active. A new distressed cycle may be developing.
The **dramatic decline in spot crude oil prices** as a result of increased global production (US and potentially Iran in focus), OPEC announcements of maintaining current production levels, weakened global economic outlooks, stronger USD, etc. Prices moved precipitously below any ranges seen for years. The market was largely caught off guard by the downward pressure on oil prices.

In the High Yield market the potential for defaults is developing strongly.

For existing managers that have capital available the opportunity for rescue, distressed and similar investment is seen to be strong, though it will be necessary to see a bottom in the market first of all.
Operational Due Diligence (Back Office)

- Back Office due diligence highlights the extent to which the Alignment of Interests between GP:LP is biased to the GP. Managers have the inside track and it is rare for the LP to have the opportunity to get “under the skin” of GPs.
- **Normal due diligence and data rooms provide little if any help.** Typical due diligence teams do not have the requisite skills and do not meet with the necessary members of the GP team.
- Most LPs have been fairly powerless to do anything about poor Alignment of Interests.
- ILPA has been ineffectual though it has launched some more meaningful initiatives recently.
- Following the introduction of regulation into the industry, the **SEC has been actively to shine sunlight** into a lot of corners where LPs were previously in the dark.
- GPs are now somewhat motivated to volunteer “mistakes” and to change their practices before the SEC gets there.
- The **SEC’s examination focus** on PE has become very tailored, with a clear emphasis on the appropriateness of fees, both at the fund and PC level, and conflicts. Some high profile fines including Blackstone.
Operational Due Diligence (Back Office)

Issues that may come to light include:

- Insufficiently staffed back offices, poor control environments and lack of systems for fund and LP account administration.
- Conflicting relationships with fund auditor.
- GP/affiliate commitments taking a “free ride”.
- Investment team members employed as “consultants”, so that they can transfer salary from management expense to fund expense.
- Management company unaudited, so scope limitation on management fee offsets.
- Not reporting on the basis of recognized accounting standards, so fair value disclosures (e.g. IRR) unaudited. Leverage hidden.
- Misallocated expenses (private jets).

**Fee reconciliation** is a point of focus, in part owing to publicity as to high fee levels, and since many managers remain very defensive on provision of adequate data to carry out such reconciliation.

Back Office Due Diligence all too often provides **meaningful insights** that are not apparent from Front Office Due Diligence.
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Arizona PSPRS - Private Equity Overview

Board Presentation – January 20, 2016  |  Confidential
Discussion Outline

I. Performance Review

II. Strategy Overviews
   A. U.S. Buyouts
   B. Secondaries

III. Appendix – Market Overview
I. Performance Review
Private Equity Portfolio Review

Private Equity Portfolio Snapshot

- As of September 30, 2015, AZPSPRS has committed over $1.8 billion to 65 partnerships.
- Since-inception to September 30, 2015, AZPSPRS has received $827 million in distributions, with $240 million received in the trailing twelve months.
- Since-inception IRR increased from 12.86% as of September 30, 2014 to 13.70% as of September 30, 2015.

### AZPSPRS Summary Performance Since Inception

($ in millions)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of Partnerships</td>
<td>65</td>
<td>58</td>
<td>7</td>
<td>33</td>
<td>32</td>
</tr>
<tr>
<td>Total Commitments</td>
<td>$1,881</td>
<td>$1,610</td>
<td>$271</td>
<td>$882</td>
<td>$999</td>
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<tr>
<td>Total Capital Calls²</td>
<td>$1,376</td>
<td>$1,156</td>
<td>$220</td>
<td>$355</td>
<td>$1,021</td>
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<tr>
<td>Total Unfunded</td>
<td>$647</td>
<td>$561</td>
<td>$86</td>
<td>$550</td>
<td>$98</td>
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<tr>
<td>Total Distributions</td>
<td>$827</td>
<td>$587</td>
<td>$240</td>
<td>$97</td>
<td>$730</td>
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<tr>
<td>Market Value</td>
<td>$1,274</td>
<td>$1,087</td>
<td>$187</td>
<td>$312</td>
<td>$962</td>
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<tr>
<td>Total Value</td>
<td>$2,101</td>
<td>$1,673</td>
<td>$427</td>
<td>$409</td>
<td>$1,691</td>
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<tr>
<td>Gain/Loss</td>
<td>$725</td>
<td>$518</td>
<td>$207</td>
<td>$55</td>
<td>$670</td>
</tr>
<tr>
<td>Total Value Multiple (TVM)</td>
<td>1.53x</td>
<td>1.45x</td>
<td>0.08x</td>
<td>1.15x</td>
<td>0.37x</td>
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<tr>
<td>Distributions to Paid-in Capital (DPI)</td>
<td>0.60x</td>
<td>0.51x</td>
<td>0.09x</td>
<td>0.27x</td>
<td>0.33x</td>
</tr>
<tr>
<td>IRR</td>
<td>13.70%</td>
<td>12.86%</td>
<td>0.84%</td>
<td>6.27%</td>
<td>7.43%</td>
</tr>
</tbody>
</table>

1 Inception is defined as the first capital call on September 13, 2002
2 Includes management fees and expenses
AZPSPRS' Private Equity portfolio increased in value by $207 million during the twelve months ending September 30, 2015.

During the twelve months ending September 30, 2015, the portfolio received $240 million in distributions and contributed $220 million in capital calls, resulting in a net cash inflow of $20 million.
94% of Private Equity exposure is in vintage years 2008 through 2015.

Unseasoned funds in these vintage years are mostly within their investment periods and should not be expected to produce realizations until they have had time to mature.

The outsized distributions in the 2005 vintage are driven by the secondary transaction in ABRY V.

Note: Total Exposure is NAV + Unfunded Balance as of September 30, 2015. Unseasoned funds are in vintage years 2010-present. StepStone Group uses the first funding date to determine the vintage year of partnerships.
Private Equity Portfolio Review (continued)

**Sector Exposure**

- AZPSPRS Private Equity exposures closely match the target allocations determined in 2009 and are near the revised 2015 target allocations.
- The portfolio is underweight Mezzanine, which reflects the current credit cycle of loose credit underwriting standards and increased leverage multiples.

- The portfolio is well diversified by Sub-Sector. Within Buyouts, there is a strong bias towards Small and Middle Market, in which GPs can exploit the most inefficient segment of the Buyout market.

---

**Note:** Total Exposure is NAV + Unfunded Balance

SSG Sub-Sector classifications for Buyout Investments: Mega = Fund sizes greater than $6 billion, Large = $3-$6 billion, Middle = $1-$3 billion, Small = $0-$1 billion
Geographic Exposure

- 79% of NAV is in North America, with 10% in Europe and 11% in Rest of World ("RoW") regions, which include Asia and Latin America.
- As existing international managers (e.g. Baring Asia, Patria, Trustbridge, and StepStone AZ China & Asia Opportunity Fund) begin or continue to call capital, AZPSPRS exposure to Asia and Latin America will increase.

### NAV by Geography ($1,274.1M total)
As of September 30, 2015

- North America: 79%
- Europe: 10%
- RoW: 11%

### Total Exposure by Geography ($1,921.5M total)
As of September 30, 2015

- North America: 74%
- Europe: 10%
- RoW: 16%

Note: Total Exposure is NAV + Unfunded Balance
II.A - U.S. Buyouts
The Small & Mid-Market is less efficient and sponsors have greater ability to drive earnings and expand multiples.

| Attractive Entry Multiples          | • More companies at the lower end of the market.  
|                                   | • Less efficient coverage by brokers and intermediaries.  
|                                   | • Succession issues for owners/managers.  
|                                   | • Less access to credit at competitive rates.  

| Operational Value Add             | • Small & Mid-Market fund managers can have meaningful impact on company’s valuation with basic operational improvements:  
|                                   |   – Broaden customer base or product set.  
|                                   |   – Rationalize expenses.  
|                                   |   – Deepen professional management team.  

| Prudent Leverage, Better Returns  | • Small & Mid-Market fund managers often employ conservative leverage at entry, in part due to less access to credit, but typically have the ability to refinance their companies on attractive terms once company grows and diversifies.  
|                                   | • Small & Mid-Market funds have historically out-performed Large/Global funds:  
|                                   |   – The larger dispersion of returns associated with smaller funds emphasizes the importance of manager selection.  

| Multiple Expansion                | • Higher exit multiples can be achieved due to potential for significant growth and available opportunities to de-risk.  
|                                   | • Selling into a more competitive buyer universe (e.g., larger private equity funds with greater access to credit markets along with strategic buyers).  

| Alignment of Interests            | • More focus on performance to generate personal wealth (versus management fees).  
|                                   | • Each fund must perform in order for the firm to have the ability to retain talent and continue raising future funds.  
|                                   | • GP commitment is generally higher relative to net worth.  
|                                   | • Higher ratio of investment professionals to portfolio companies.  

Lower leverage and better alignment of interests contribute to higher alpha for smaller market managers.
• Small companies comprise approximately 90% of U.S. companies, but small funds represent approximately 33% of capital raised.

• This equates to more than 250 companies per fund in the small market versus less than 50 companies per fund in the Large/Global market.

2. Source: Capital IQ. Company statistics based on U.S.-based operating companies as of December 2014.
U.S. Small & Mid-Market Buyouts (continued)

- Historically, purchase price multiples in the lower end of the market have allowed for better entry points, resulting in a greater potential for multiple arbitrage.

- According to SPI’s database of over 5,250 buyout deals with operating metrics, Small Buyout funds have acquired companies at an average of 8.3x EBITDA and 3.0x leverage, versus 9.2x EBITDA and 3.8x leverage for the rest of the market.

1. Source: SPI data as of December 2015. Entry EBITDA and leverage multiples exclude the top and bottom 5% of deals, respectively.
Key Observations

• AZPSPRS has built relationships with high quality Small & Mid-Market buyout managers, emphasizing the more inefficient segment of the buyout market, while prudently underweighting Global buyouts.

• Recent commitments will increase exposure to high quality mid-market, equity restructuring, sector-focused and emerging market managers, including:

  Emerging Markets: Baring Asia VI, Patria V (Brazil), Trustbridge V (China/Healthcare)
  Mid-Market: Sterling Group IV, Cortec VI and Charlesbank VIII
  Sector Focused: Vivo VIII (Healthcare), TSG 7A/B (Consumer), Castle Creek VI (Financial Services)
  Turnaround: Littlejohn V and Centerbridge III

• Pooled IRR has exceeded the Burgiss benchmark across the global private equity program and buyouts.

\[ \text{Benchmark and AZPSPRS performance as of September 30, 2015 for funds with vintages between 2005 and 2013. Benchmark data is provided by Burgiss Private iQ and reflects Global Private Equity Funds (excluding Real Estate) Pooled IRR for funds within the vintage year range.} \]
II.B - Secondaries
Secondaries

- The shorter holding periods of secondary investments result in a substantially different return profile than primary fund investments, which mitigates the J-Curve.

- Due to the elimination of blind pool risk, secondary private equity investments have generally produced superior risk-adjusted returns.

- Secondaries can be used as a tool for more efficiently obtaining allocation to select sub-strategies, sectors, and geographies.

Risk and return by fund strategy for the ten year period from 1996 – 2006
Size of bubble represents amount of capital invested in the sector
Source: Preqin
Secondary Market Overview

- **Market Volume** — 1H 2015 market activity remained robust, with US$15 billion in closed deal volume.
  - Volume was driven by mega secondary transactions (US$1 billion or more), an increase in smaller transactions, the sale of tail-end portfolios, and a growing number of “GP restructurings.”
  - StepStone believes secondary volume will remain strong relative to historical averages.
- **Pricing Remains Favorable for Sellers** — Bifurcation in pricing between (i) higher quality, well known, and easy to price funds and (ii) lower quality, lesser known, and older vintage funds.
  - Buyout funds continued to command high prices, with average pricing in 1H 2015 at 95% of NAV.
  - StepStone continues to acquire assets at materially higher discounts relative to the overall market.

---

2. Sources: StepStone Group and Greenhill Cogent. Average secondary pricing represents the average pricing of buyouts tracked by Greenhill Cogent, as a % of NAV to record date from 2H 2009 through 1H 2015. StepStone Pricing is the weighted average pricing for each transaction vintage and calculated based on each transaction vintage’s pricing as a percentage of: (i) GP NAV at record date; (ii) most recent GP NAV prior to close; and (iii) most recent GP NAV post close; and through September 30, 2015. There can be no assurance that discounts of the magnitude shown above will continue to be available in the market.
Key Observations in Secondary Market Activity

- Supply driven by Public Pensions, General Partners, SWF and Superannuation funds, Endowments, and Foundations.
  - These investor types made up 59% of the number of funds sold in the first half of 2015 and 80% of the volume.
- Seller type remains balanced and well diversified.
- Active portfolio management trends persist – emergence of diversified multi-asset portfolio sales.
- General Partners continue to maintain a more active role in the secondary sale process.

Source: Greenhill Cogent, July 2015.
AZPSPRS Secondaries Exposures

- The secondaries portfolio is well diversified by Strategy, with 45% exposure to Buyout, 32% exposure to Growth Equity, 14% exposure to Venture Capital, and 9% exposure to Energy.
- 92% of exposure is in vintage years 2009 and prior, which are focused on monetizing mature investments.
- 91% of secondaries exposure is in North America, with the balance in Europe (5%), Asia (3%) and the Rest of the World (1%).

Note: Data is as of 9/30/2015. It includes the investment in StepStone AZ Opportunities Fund and a secondary in ABRY V. Fund Strategy and Vintage Exposure is based on NAV + Unfunded. Geography Exposure is based on portfolio company NAV. Fund vintage years 1999, 2002, 2003, and 2004 make up less than 1% exposure.
AZPSPRS Secondaries Performance

- As of September 30, 2015, AZPSPRS secondaries have generated a 1.9x net TVM and 40.1% net IRR.
  - This performance has been generated across a highly diversified portfolio of 30 funds and over 1,400 unique portfolio companies.
- Subsequent to September 30, 2015, the secondaries portfolio generated an additional $3.0 million in net distributions. The largest drivers of this activity included:
  - Charlesbank VI from the sale of Zayo Group Holdings, Inc.
  - Ridgmont from the sale of J.A.M. Distributing Company.

Performance of AZPSPRS Secondaries Investments

<table>
<thead>
<tr>
<th>Performance as of September 30, 2015</th>
<th>Contributed</th>
<th>Distributed</th>
<th>DPI</th>
<th>Total Value</th>
<th>Gain/(Loss)</th>
<th>Net TVM</th>
<th>Net IRR</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$104.4</td>
<td>$138.7</td>
<td>1.3x</td>
<td>$203.4</td>
<td>$99.0</td>
<td>1.9x</td>
<td>40.1%</td>
</tr>
</tbody>
</table>

Note: Data includes the StepStone AZ Secondary Opportunities Fund and ABRY V secondary
III. Appendix - Market Overview
Private Equity Market Overview

Fundraising (total Dollars) down 11.5% during 2015

Dollars Invested down 3.4% during 2015

Purchase Prices up 6.1% during 2015

Leverage Multiples down 2.4% during 2015
Risks and Other Considerations

**Risks Associated with Investments.** Identifying attractive investment opportunities and the right underlying fund managers is difficult and involves a high degree of uncertainty. There is no assurance that the investments will be profitable and there is a substantial risk that losses and expenses will exceed income and gains.

**Restrictions on Transfer and Withdrawal; Illiquidity of Interests; Interests Not Registered.** The investment is highly illiquid and subject to transfer restrictions and should only be acquired by an investor able to commit its funds for a significant period of time and to bear the risk inherent in such investment, with no certainty of return. Interests in the investment have not been and will not be registered under the laws of any jurisdiction. Investment has not been recommended by any securities commission or regulatory authority. Furthermore, the aforementioned authorities have not confirmed the accuracy or determined the adequacy of this document.

**Limited Diversification of Investments.** The investment opportunity does not have fixed guidelines for diversification and may make a limited number of investments.

**Reliance on Third Parties.** StepStone will require, and rely upon, the services of a variety of third parties, including but not limited to attorneys, accountants, brokers, custodians, consultants and other agents and failure by any of these third parties to perform their duties could have a material adverse effect on the investment.

**Reliance on Managers.** The investment will be highly dependent on the capabilities of the managers.

**Risk Associated with Portfolio Companies.** The environment in which the investors directly or indirectly invest will sometimes involve a high degree of business and financial risk. StepStone generally will not seek control over the management of the portfolio companies in which investments are made, and the success of each investment generally will depend on the ability and success of the management of the portfolio company.

**Taxation.** An investment involves numerous tax risks. Please consult with your independent tax advisor.

**Conflicts of Interest.** Conflicts of interest may arise between StepStone and investors. Certain potential conflicts of interest are described below; however, they are by no means exhaustive. There can be no assurance that any particular conflict of interest will be resolved in favor of an investor.

**Allocation of Investment Opportunities.** StepStone currently makes investments, and in the future will make investments, for separate accounts having overlapping investment objectives. In making investments for separate accounts, these accounts may be in competition for investment opportunities.

**Existing Relationships.** StepStone and its principals have long-term relationships with many private equity managers. StepStone clients may seek to invest in the pooled investment vehicles and/or the portfolio companies managed by those managers.

**Carried Interest.** The entitlement of StepStone and the underlying portfolio fund managers to carried interest over and above their basic management fees could create an incentive for StepStone and the portfolio fund managers to make investments that are riskier or more speculative than would otherwise be the case.

**Other Activities.** Employees of StepStone are not required to devote all of their time to the investment and may spend a substantial portion of their time on matters other than the investment.

**Material, Non-Public Information.** From time to time, StepStone may come into possession of material, non-public information that would limit their ability to buy and sell investments.
Information

Subject
Disclosure by Investment Department Staff of the following manager selection matters:

Attachments

No file(s) attached.
Information

Subject
A potential investment of up to $30 million in the Castle Creek Capital Partners VI Fund, allocated to the PSPRS Private Equity portfolio, subject to final Staff and legal due diligence.

Attachments

No file(s) attached.
Subject
A potential investment of up to $40 million in the Lubert-Adler Laramar Urban Neighborhood Fund, allocated to the PSPRS Real Estate portfolio, subject to final Staff and legal due diligence.

No file(s) attached.
Information

Subject
A potential investment of up to $50 million to establish a separately managed account (SMA) to be managed by Salient Capital Advisors, LLC, allocated to the PSPRS Real Assets portfolio, subject to final Staff and legal due diligence.

Mr. Martin Anderson
Deputy Chief Investment Officer

Attachments

No file(s) attached.
Information

Subject
New and potential investments considered this period:

Attachments
Brevan Howard Master Fund, Ltd. Staff recommends full redemption of all investments. Estimated redemption completion date: October 31, 2016. This Fund is allocated to the PSPRS Absolute Return Portfolio.

No file(s) attached.
Information

Subject
Pebble Creek (Robson Communities); Staff recommends a sale of our interest in Pebble Creek Properties (Robson Communities). The fund is allocated to the PSPRS Real Estate Portfolio.

Attachments

No file(s) attached.
Information

Subject
West Face Long Term Opportunities (USA), L.P. Staff recommends full redemption of all investments. This investment is allocated to the PSPRS Private Credit portfolio.

Attachments

No file(s) attached.
Investments considered for de-selection this period:

No file(s) attached.
Agenda - Board of Trustees Meeting
Meeting Date: 01/20/2016
Submitted By: Rose Crutcher, Investment Paralegal

Information
Subject
Davidson Kempner Special Situations Fund III; Committed Amount up to $80 million; Date Closed: August 24, 2015; PSPRS Asset Class: Credit Opportunities.

Attachments
No file(s) attached.
Agenda - Board of Trustees Meeting
Meeting Date: 01/20/2016
Submitted By: Rose Crutcher, Investment Paralegal

Information

Subject
LSV Special Opportunities Fund V; Committed Amount up to $80 million; Date Closed: September 30, 2015. PSPRS Asset class: Absolute Return.

Attachments

No file(s) attached.
Agenda - Board of Trustees Meeting
Meeting Date: 01/20/2016
Submitted By: Rose Crutcher, Investment Paralegal

Information

Subject
Tritium I, LP Fund; Committed Amount up to $20 million direct; Date Closed: November 16, 2015.
PSPRS Asset class: Private Equity.

Attachments

No file(s) attached.
Subject
TSG 7A & 7B Fund; Committed Amount up to $40 million (TSG 7A) and $10 million (TSG 7B); Date Closed: November 16, 2015. PSPRS Asset class: Private Equity.

Attachments

No file(s) attached.
Information

Subject
Pinebridge Structured Capital III Fund; Committed Amount up to $80 million; Date Closed: November 25, 2015. PSPRS Asset class: Credit Opportunities.

Attachments

No file(s) attached.
Agenda - Board of Trustees Meeting
Meeting Date: 01/20/2016
Submitted By: Rose Crutcher, Investment Paralegal

Information

Subject
Lubert-Adler Laramar Urban Neighborhood Fund; Committed Amount up to $40 million; Date Closed: December 30, 2015. PSPRS Asset class: Real Estate.

Attachments

No file(s) attached.
Information

Subject
Disclosure of closed transactions for this period.

Attachments
Information

Subject
Presentation of the Month-to-Date Budget Report for FY 2016 and possible Action on same.

Mr. John Hendricks
Manager of Finance and Accounting

Attachments

2016 Budget Report - January
PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM

Fiscal Year 2016 Budget with Expenses as of January 12, 2016

THIRD QUARTER
EXECUTIVE SUMMARY

TOTAL
As of January 12, the budget is projected to be under by 2.41%, mainly due to vacancy savings in personnel of $279,244. Because we are in the process of filling key positions, we are only showing savings from prior months and not projecting when they will actually be filled.

Administration
Personnel Services – The approved budget included in-grade adjustments and incentive compensation (as allowed by the State Personnel System) in the amount of $119,472, which is being held in the salaries and wages of the Administration department. We are in the final stages of mapping all our positions into the State Personnel System and will then determine where to allocate this amount.

Building
Repairs and Maintenance – Air Conditioner is over by $6,819 due to some failures on the second floor air conditioner.
## All Departments Budget to Actual

**Public Safety Personnel Retirement System**

*Fiscal Year Projections*

*01/12/16*

### ALL DEPARTMENTS BUDGET SUMMARY

<table>
<thead>
<tr>
<th></th>
<th>2016 Budget</th>
<th>FYTD Expenses</th>
<th>Projected Expenses</th>
<th>(Over) Under</th>
<th>(Over) Under Budget %</th>
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<td>Personnel Services</td>
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<td>3,061,382</td>
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<td>Education &amp; Training</td>
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<td>75,402</td>
<td>140,344</td>
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<td>Professional Services</td>
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<td>1,047,570</td>
<td>1,834,854</td>
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</tr>
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<td>Board of Trustees</td>
<td>465,750</td>
<td>225,181</td>
<td>240,569</td>
<td>-</td>
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<td>Communications</td>
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<td>Operating Expenses</td>
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<td>Furniture &amp; Equipment</td>
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<td>44,766</td>
<td>-</td>
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<tr>
<td><strong>All Departments Budget Total</strong></td>
<td><strong>10,683,587</strong></td>
<td><strong>4,741,701</strong></td>
<td><strong>5,684,926</strong></td>
<td><strong>256,960</strong></td>
<td><strong>2.41%</strong></td>
</tr>
<tr>
<td>Litigation</td>
<td>250,000</td>
<td>88,650</td>
<td>161,350</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Total With Litigation</strong></td>
<td><strong>10,933,587</strong></td>
<td><strong>4,830,351</strong></td>
<td><strong>5,846,276</strong></td>
<td><strong>256,960</strong></td>
<td><strong>2.35%</strong></td>
</tr>
<tr>
<td>Excluded Investment Due Diligence</td>
<td>-</td>
<td>450,429</td>
<td>-</td>
<td>-</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

### Column Descriptions:
- 2016 Budget contains the budget approved by the Board of Trustees.
- 2016 Expenses contains paid invoices to date.
- Projected Expenses consist of two components: (1) unpaid invoices that are included in the budget; (2) unpaid invoices for anticipated expenses that have arisen after the budget was approved.
- (Over) Under compares 2016 Expenses plus Projected Expenses to the 2016 Budget.
- (Over) Under Budget % is percentage of (Over) Under to 2016 Budget.
# All Departments Budget to Actual

## Public Safety Personnel Retirement System

### Fiscal Year Projections

01/12/16

## ADMINISTRATIVE DEPARTMENT BUDGET

<table>
<thead>
<tr>
<th>Personnel Services</th>
<th>2016 Budget</th>
<th>FYTD Expenses</th>
<th>Projected Expenses</th>
<th>(Over) Under</th>
<th>(Over) Under Budget %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries &amp; Wages</td>
<td>1,152,297</td>
<td>436,756</td>
<td>598,883</td>
<td>116,658</td>
<td>10.12%</td>
</tr>
<tr>
<td>DC Plan - ER Matching</td>
<td>61,969</td>
<td>17,530</td>
<td>37,440</td>
<td>6,999</td>
<td>11.29%</td>
</tr>
<tr>
<td>Fringe Benefits</td>
<td>132,759</td>
<td>47,548</td>
<td>66,852</td>
<td>18,359</td>
<td>13.83%</td>
</tr>
<tr>
<td>Payroll Expenses - Other</td>
<td>183,342</td>
<td>76,514</td>
<td>87,191</td>
<td>19,637</td>
<td>10.71%</td>
</tr>
<tr>
<td>Payroll Expenses - ADOA Fees</td>
<td>12,910</td>
<td>4,639</td>
<td>6,813</td>
<td>1,458</td>
<td>11.29%</td>
</tr>
</tbody>
</table>

**Total Personnel Services** 1,543,277 582,987 797,179 163,111 10.57%

### Education & Training

<table>
<thead>
<tr>
<th>Education &amp; Training</th>
<th>2016 Budget</th>
<th>FYTD Expenses</th>
<th>Projected Expenses</th>
<th>(Over) Under</th>
<th>(Over) Under Budget %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Travel Expense - Other</td>
<td>4,900</td>
<td>3,364</td>
<td>1,536</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Training Expense - Conferences</td>
<td>12,850</td>
<td>1,112</td>
<td>11,738</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Training Exp - Professional Dues &amp; Subsc</td>
<td>17,485</td>
<td>11,372</td>
<td>6,113</td>
<td>-</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

**Total Education & Training** 35,235 15,848 19,387 - 0.00%

### Professional Services

<table>
<thead>
<tr>
<th>Professional Services</th>
<th>2016 Budget</th>
<th>FYTD Expenses</th>
<th>Projected Expenses</th>
<th>(Over) Under</th>
<th>(Over) Under Budget %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional Services-Actuarial</td>
<td>225,000</td>
<td>169,000</td>
<td>56,000</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Prof Services-Due Diligence Other</td>
<td>1,000</td>
<td>804</td>
<td>196</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Prof Serv Admin-Legislative Liaison</td>
<td>213,600</td>
<td>99,000</td>
<td>114,600</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Prof Serv Admin-Actuarial Studies</td>
<td>150,000</td>
<td>22,000</td>
<td>128,000</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Legal Services- Legal Counsel</td>
<td>50,000</td>
<td>13,838</td>
<td>36,162</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Legal Services - AG</td>
<td>165,000</td>
<td>78,450</td>
<td>86,550</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Legal Services-Other</td>
<td>75,000</td>
<td>32,352</td>
<td>42,648</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Professional Services - Other</td>
<td>115,000</td>
<td>71,201</td>
<td>43,799</td>
<td>-</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

**Total Professional Services** 994,600 486,645 507,955 - 0.00%

### Communications

<table>
<thead>
<tr>
<th>Communications</th>
<th>2016 Budget</th>
<th>FYTD Expenses</th>
<th>Projected Expenses</th>
<th>(Over) Under</th>
<th>(Over) Under Budget %</th>
</tr>
</thead>
</table>

### Contractual Services

<table>
<thead>
<tr>
<th>Contractual Services</th>
<th>2016 Budget</th>
<th>FYTD Expenses</th>
<th>Projected Expenses</th>
<th>(Over) Under</th>
<th>(Over) Under Budget %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Temporary Services</td>
<td>6,000</td>
<td>3,427</td>
<td>2,573</td>
<td>-</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

**Total Contractual Services** 6,000 3,427 2,573 - 0.00%

### Furniture & Equipment

<table>
<thead>
<tr>
<th>Furniture &amp; Equipment</th>
<th>2016 Budget</th>
<th>FYTD Expenses</th>
<th>Projected Expenses</th>
<th>(Over) Under</th>
<th>(Over) Under Budget %</th>
</tr>
</thead>
</table>

### ADM Department Budget

<table>
<thead>
<tr>
<th>ADM Department Budget</th>
<th>2016 Budget</th>
<th>FYTD Expenses</th>
<th>Projected Expenses</th>
<th>(Over) Under</th>
<th>(Over) Under Budget %</th>
</tr>
</thead>
</table>

| Legal Services - Litigation | 250,000 | 88,650 | 161,350 | - | 0.00% |

**Total Litigation** 250,000 88,650 161,350 - 0.00%

**Total ADM Department Budget** 2,829,112 1,177,557 1,488,444 163,111 5.77%

---

**Column Descriptions:**
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- 2016 Expenses contains paid invoices to date.
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- (Over) Under Budget % is percentage of (Over) Under to 2016 Budget.
## AGENCY DEPARTMENT BUDGET

### Professional Services

<table>
<thead>
<tr>
<th>Service Type</th>
<th>2016 Budget</th>
<th>FYTD Expenses</th>
<th>Projected Expenses</th>
<th>(Over) Under</th>
<th>(Over) Under Budget %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional Services - Other</td>
<td>500</td>
<td>232</td>
<td>268</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Prof Serv Agency-On Site Shredding</td>
<td>850</td>
<td>299</td>
<td>551</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Prof Serv Agency-Records Management</td>
<td>7,000</td>
<td>5,377</td>
<td>1,623</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Total Professional Services</strong></td>
<td><strong>8,350</strong></td>
<td><strong>5,908</strong></td>
<td><strong>2,442</strong></td>
<td>-</td>
<td><strong>0.00%</strong></td>
</tr>
</tbody>
</table>

### Communications

<table>
<thead>
<tr>
<th>Service Type</th>
<th>2016 Budget</th>
<th>FYTD Expenses</th>
<th>Projected Expenses</th>
<th>(Over) Under</th>
<th>(Over) Under Budget %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Printing-External - Other</td>
<td>50</td>
<td>103</td>
<td>-</td>
<td>(53)</td>
<td>(106.00%)</td>
</tr>
<tr>
<td>Delivery Service</td>
<td>3,000</td>
<td>678</td>
<td>2,322</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Postage Meter</td>
<td>9,000</td>
<td>10,372</td>
<td>-</td>
<td>(1,372)</td>
<td>(15.24%)</td>
</tr>
<tr>
<td><strong>Total Communications</strong></td>
<td><strong>12,050</strong></td>
<td><strong>11,153</strong></td>
<td><strong>2,322</strong></td>
<td>(1,425)</td>
<td>(11.83%)</td>
</tr>
</tbody>
</table>

### Contractual Services

<table>
<thead>
<tr>
<th>Service Type</th>
<th>2016 Budget</th>
<th>FYTD Expenses</th>
<th>Projected Expenses</th>
<th>(Over) Under</th>
<th>(Over) Under Budget %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Copier/Printer Supplies</td>
<td>18,000</td>
<td>8,880</td>
<td>9,120</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Envelopes</td>
<td>500</td>
<td>193</td>
<td>307</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Forms</td>
<td>1,500</td>
<td>-</td>
<td>1,500</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Office Supplies - General</td>
<td>26,000</td>
<td>16,057</td>
<td>9,943</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Other Office Expense</td>
<td>3,000</td>
<td>1,835</td>
<td>1,165</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Total Operating Expense</strong></td>
<td><strong>49,000</strong></td>
<td><strong>26,965</strong></td>
<td><strong>22,035</strong></td>
<td>-</td>
<td><strong>0.00%</strong></td>
</tr>
</tbody>
</table>

### Total AGN Department Budget

<table>
<thead>
<tr>
<th></th>
<th>2016 Budget</th>
<th>FYTD Expenses</th>
<th>Projected Expenses</th>
<th>(Over) Under</th>
<th>(Over) Under Budget %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total AGN Department Budget</strong></td>
<td><strong>69,400</strong></td>
<td><strong>44,026</strong></td>
<td><strong>26,799</strong></td>
<td>(1,425)</td>
<td>(2.05%)</td>
</tr>
</tbody>
</table>

**Column Descriptions:**
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### BOARD OF TRUSTEES BUDGET

<table>
<thead>
<tr>
<th></th>
<th>2016 Budget</th>
<th>FYTD Expenses</th>
<th>Projected Expenses</th>
<th>(Over) Under</th>
<th>(Over) Under Budget %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of Trustee Board Meetings</td>
<td>11,000</td>
<td>5,045</td>
<td>5,955</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Board of Trustees Education &amp; Training</td>
<td>5,500</td>
<td>4,670</td>
<td>830</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Board of Trustees Expenses - Other</td>
<td>9,250</td>
<td>466</td>
<td>8,784</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Prof Serv Admin-Board Consultant</td>
<td>440,000</td>
<td>215,000</td>
<td>225,000</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Total Board of Trustee</strong></td>
<td><strong>465,750</strong></td>
<td><strong>225,181</strong></td>
<td><strong>240,569</strong></td>
<td>-</td>
<td><strong>0.00%</strong></td>
</tr>
<tr>
<td><strong>Total BOT Department Budget</strong></td>
<td><strong>465,750</strong></td>
<td><strong>225,181</strong></td>
<td><strong>240,569</strong></td>
<td>-</td>
<td><strong>0.00%</strong></td>
</tr>
</tbody>
</table>

**Column Descriptions:**
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All Departments Budget to Actual
Public Safety Personnel Retirement System

Fiscal Year Projections
01/12/16

<table>
<thead>
<tr>
<th>2016 Budget</th>
<th>FYTD Expenses</th>
<th>Projected Expenses</th>
<th>(Over) Under</th>
<th>(Over) Under Budget %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building DEPARTMENT BUDGET</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Building Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Utilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Utilities</td>
<td>55,000</td>
<td>29,746</td>
<td>25,254</td>
<td>-</td>
</tr>
<tr>
<td><strong>Janitorial</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Janitorial Services</td>
<td>22,800</td>
<td>12,565</td>
<td>10,235</td>
<td>-</td>
</tr>
<tr>
<td><strong>Window Cleaning</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Window Cleaning</td>
<td>1,560</td>
<td>515</td>
<td>1,045</td>
<td>-</td>
</tr>
<tr>
<td><strong>Elevator</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Elevator</td>
<td>4,800</td>
<td>885</td>
<td>3,915</td>
<td>-</td>
</tr>
<tr>
<td><strong>Security System</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Security System</td>
<td>360</td>
<td>186</td>
<td>174</td>
<td>-</td>
</tr>
<tr>
<td><strong>Repair &amp; Maintenance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repairs and Maintenance - Other</td>
<td>12,000</td>
<td>5,673</td>
<td>6,327</td>
<td>-</td>
</tr>
<tr>
<td>Rep &amp; Maint - Air Conditioning</td>
<td>20,000</td>
<td>26,819</td>
<td>-</td>
<td>(6,819)</td>
</tr>
<tr>
<td><strong>Property &amp; Sales Taxes</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property &amp; Sales Taxes - County</td>
<td>763</td>
<td>382</td>
<td>381</td>
<td>-</td>
</tr>
<tr>
<td>Property &amp; Sales Taxes - City</td>
<td>3,207</td>
<td>1,336</td>
<td>1,871</td>
<td>-</td>
</tr>
<tr>
<td><strong>Insurance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insurance</td>
<td>10,600</td>
<td>9,600</td>
<td>1,000</td>
<td>-</td>
</tr>
<tr>
<td><strong>Condo Association</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Condo Association Fees</td>
<td>32,340</td>
<td>15,183</td>
<td>17,157</td>
<td>-</td>
</tr>
<tr>
<td><strong>Other Occupancy Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cleaning Supplies</td>
<td>420</td>
<td>239</td>
<td>181</td>
<td>-</td>
</tr>
<tr>
<td>Lock Maintenance</td>
<td>2,000</td>
<td>451</td>
<td>1,549</td>
<td>-</td>
</tr>
<tr>
<td>Pest Control</td>
<td>1,440</td>
<td>648</td>
<td>792</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Building Expenses</strong></td>
<td>167,290</td>
<td>104,228</td>
<td>69,881</td>
<td>(6,819)</td>
</tr>
<tr>
<td><strong>Capital</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bldg - Improve-Faucet Replace</td>
<td>3,000</td>
<td>-</td>
<td>3,000</td>
<td>-</td>
</tr>
<tr>
<td>Building Improvements</td>
<td>13,000</td>
<td>100</td>
<td>12,900</td>
<td>-</td>
</tr>
<tr>
<td>Bldg Improve - Alarm &amp; Video</td>
<td>5,250</td>
<td>17</td>
<td>5,233</td>
<td>-</td>
</tr>
<tr>
<td>Bldg Improve - Wiring</td>
<td>5,000</td>
<td>1,732</td>
<td>3,268</td>
<td>-</td>
</tr>
<tr>
<td>Bldg Improve - Energy Mgmt Sys</td>
<td>15,000</td>
<td>-</td>
<td>15,000</td>
<td>-</td>
</tr>
<tr>
<td>Rep &amp; Maint - Safety Equipment</td>
<td>1,500</td>
<td>54</td>
<td>1,446</td>
<td>-</td>
</tr>
<tr>
<td>Bldg Improve - Furniture &amp; Equipment</td>
<td>5,000</td>
<td>1,081</td>
<td>3,919</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Capital</strong></td>
<td>47,750</td>
<td>2,984</td>
<td>44,766</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total BLD Department Budget</strong></td>
<td>215,040</td>
<td>107,212</td>
<td>114,647</td>
<td>(6,819)</td>
</tr>
</tbody>
</table>

Column Descriptions:
- 2012 Budget contains the budget approved by the Board of Trustees.
- 2012 Expenses contains paid invoices to date.
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- (Over) Under Budget % is percentage of (Over) Under to 2012 Budget.
## Personnel Services

<table>
<thead>
<tr>
<th>Description</th>
<th>2016 Budget</th>
<th>FYTD Expenses</th>
<th>Projected Expenses</th>
<th>(Over) Under</th>
<th>(Over) Under Budget %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries &amp; Wages</td>
<td>167,536</td>
<td>92,824</td>
<td>74,712</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>DC Plan - ER Matching</td>
<td>10,052</td>
<td>-</td>
<td>10,052</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Fringe Benefits</td>
<td>23,731</td>
<td>10,989</td>
<td>12,742</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Payroll Expenses - Other</td>
<td>32,703</td>
<td>17,876</td>
<td>14,827</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Payroll Expenses - ADOA</td>
<td>2,094</td>
<td>984</td>
<td>1,110</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Total Personnel Services</strong></td>
<td><strong>236,116</strong></td>
<td><strong>122,673</strong></td>
<td><strong>113,443</strong></td>
<td>-</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

## Education & Training

<table>
<thead>
<tr>
<th>Description</th>
<th>2016 Budget</th>
<th>FYTD Expenses</th>
<th>Projected Expenses</th>
<th>(Over) Under</th>
<th>(Over) Under Budget %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Travel Expense - Other</td>
<td>5,000</td>
<td>1,116</td>
<td>3,884</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Training Expense - Conferences</td>
<td>3,500</td>
<td>599</td>
<td>2,901</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Training Exp - Professional Dues &amp; Subsc</td>
<td>2,500</td>
<td>1,409</td>
<td>1,091</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Training Exp - HIPAA- Compliance</td>
<td>2,000</td>
<td>-</td>
<td>2,000</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Total Education &amp; Training</strong></td>
<td><strong>13,000</strong></td>
<td><strong>3,124</strong></td>
<td><strong>9,876</strong></td>
<td>-</td>
<td>0.00%</td>
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</tbody>
</table>

## Professional Services

<table>
<thead>
<tr>
<th>Description</th>
<th>2016 Budget</th>
<th>FYTD Expenses</th>
<th>Projected Expenses</th>
<th>(Over) Under</th>
<th>(Over) Under Budget %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prof Serv - IT Audit</td>
<td>25,000</td>
<td>-</td>
<td>25,000</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Total Professional Services</strong></td>
<td><strong>25,000</strong></td>
<td></td>
<td></td>
<td>-</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

## Contractual Services

<table>
<thead>
<tr>
<th>Description</th>
<th>2016 Budget</th>
<th>FYTD Expenses</th>
<th>Projected Expenses</th>
<th>(Over) Under</th>
<th>(Over) Under Budget %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Furniture &amp; Equipment</strong></td>
<td><strong>1,575</strong></td>
<td></td>
<td></td>
<td>-</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

## Software

<table>
<thead>
<tr>
<th>Description</th>
<th>2016 Budget</th>
<th>FYTD Expenses</th>
<th>Projected Expenses</th>
<th>(Over) Under</th>
<th>(Over) Under Budget %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Furniture &amp; Equipment</strong></td>
<td><strong>1,575</strong></td>
<td></td>
<td></td>
<td>-</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

## Total COM Department Budget

<table>
<thead>
<tr>
<th>Description</th>
<th>2016 Budget</th>
<th>FYTD Expenses</th>
<th>Projected Expenses</th>
<th>(Over) Under</th>
<th>(Over) Under Budget %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total COM Department Budget</strong></td>
<td><strong>275,691</strong></td>
<td><strong>125,797</strong></td>
<td><strong>149,894</strong></td>
<td>-</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

### Column Descriptions:

- **2016 Budget** contains the budget approved by the Board of Trustees.
- **2016 Expenses** contains paid invoices to date.
- **Projected Expenses** consist of two components: (1) unpaid invoices that are included in the budget; (2) unpaid invoices for anticipated expenses that have arisen after the budget was approved.
- **(Over) Under** compares 2016 Expenses plus Projected Expenses to the 2016 Budget.
- **(Over) Under Budget %** is percentage of (Over) Under to 2016 Budget.
### All Departments Budget to Actual

**Public Safety Personnel Retirement System**  
*Fiscal Year Projections*  
**01/12/16**

<table>
<thead>
<tr>
<th></th>
<th>2016 Budget</th>
<th>FYTD Expenses</th>
<th>Projected Expenses</th>
<th>(Over) Under</th>
<th>(Over) Under Budget %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FINANCE DEPARTMENT BUDGET</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Personnel Services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries &amp; Wages</td>
<td>398,648</td>
<td>206,772</td>
<td>191,876</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>DC Plan - ER Matching</td>
<td>18,462</td>
<td>9,128</td>
<td>9,334</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Fringe Benefits</td>
<td>64,881</td>
<td>36,195</td>
<td>28,686</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Payroll Expenses - Other</td>
<td>71,734</td>
<td>38,162</td>
<td>33,572</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Payroll Expenses - ADOA Fees</td>
<td>4,983</td>
<td>2,192</td>
<td>2,791</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Total Personnel Services</strong></td>
<td>558,708</td>
<td>292,449</td>
<td>266,259</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Education &amp; Training</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Training Expense - Conferences</td>
<td>500</td>
<td>378</td>
<td>122</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Training Exp - Professional Dues &amp; Subsc</td>
<td>1,100</td>
<td>906</td>
<td>194</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Total Education &amp; Training</strong></td>
<td>1,600</td>
<td>1,284</td>
<td>316</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Professional Services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Professional Services-Auditing</td>
<td>148,935</td>
<td>107,024</td>
<td>41,911</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Prof Serv Finance-Annual Report</td>
<td>3,000</td>
<td>1,095</td>
<td>1,905</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Prof Serv Finance-Banking</td>
<td>-</td>
<td>39</td>
<td>-</td>
<td>(39)</td>
<td>0.00%</td>
</tr>
<tr>
<td>Prof Serv Finance-Accounting Software</td>
<td>5,000</td>
<td>4,526</td>
<td>474</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Total Professional Services</strong></td>
<td>156,935</td>
<td>112,684</td>
<td>44,290</td>
<td>(39)</td>
<td>(0.02%)</td>
</tr>
<tr>
<td><strong>Communications</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Postage - Wells Fargo</td>
<td>16,500</td>
<td>-</td>
<td>16,500</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Total Communications</strong></td>
<td>16,500</td>
<td>-</td>
<td>16,500</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Contractual Services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Furniture &amp; Equipment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total FIN Department Budget</strong></td>
<td>733,743</td>
<td>406,417</td>
<td>327,365</td>
<td>(39)</td>
<td>(0.01%)</td>
</tr>
</tbody>
</table>

**Column Descriptions:**
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- 2016 Expenses contains paid invoices to date.
- Projected Expenses consist of two components: (1) unpaid invoices that are included in the budget; (2) unpaid invoices for anticipated expenses that have arisen after the budget was approved.
- (Over) Under compares 2016 Expenses plus Projected Expenses to the 2016 Budget.
- (Over) Under Budget % is percentage of (Over) Under to 2016 Budget.
### INVESTMENTS DEPARTMENT BUDGET

#### Personnel Services

<table>
<thead>
<tr>
<th></th>
<th>2016 Budget</th>
<th>FYTD Expenses</th>
<th>Projected Expenses</th>
<th>(Over) Under</th>
<th>(Over) Under Budget %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries &amp; Wages</td>
<td>1,143,531</td>
<td>556,754</td>
<td>532,309</td>
<td>54,468</td>
<td>4.76%</td>
</tr>
<tr>
<td>DC Plan - ER Matching</td>
<td>65,372</td>
<td>35,889</td>
<td>26,215</td>
<td>3,268</td>
<td>5.00%</td>
</tr>
<tr>
<td>Fringe Benefits</td>
<td>91,867</td>
<td>43,436</td>
<td>41,218</td>
<td>7,213</td>
<td>7.85%</td>
</tr>
<tr>
<td>Payroll Expenses - Other</td>
<td>188,987</td>
<td>88,317</td>
<td>90,306</td>
<td>10,364</td>
<td>5.48%</td>
</tr>
<tr>
<td>Payroll Expenses - ADOA Fees</td>
<td>14,294</td>
<td>5,902</td>
<td>7,711</td>
<td>681</td>
<td>4.76%</td>
</tr>
<tr>
<td><strong>Total Personnel Services</strong></td>
<td><strong>1,504,051</strong></td>
<td><strong>730,298</strong></td>
<td><strong>697,759</strong></td>
<td><strong>75,994</strong></td>
<td><strong>5.05%</strong></td>
</tr>
</tbody>
</table>

#### Education & Training

<table>
<thead>
<tr>
<th></th>
<th>2016 Budget</th>
<th>FYTD Expenses</th>
<th>Projected Expenses</th>
<th>(Over) Under</th>
<th>(Over) Under Budget %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Travel Expense - Other</td>
<td>65,000</td>
<td>17,453</td>
<td>47,547</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Training Expense - Conferences</td>
<td>5,000</td>
<td>-</td>
<td>5,000</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Training Exp - Professional Dues &amp; Subsc</td>
<td>5,500</td>
<td>8,625</td>
<td>-</td>
<td>(3,125)</td>
<td>(56.82%)</td>
</tr>
<tr>
<td>Training Exp - Investment Research</td>
<td>47,000</td>
<td>20,000</td>
<td>27,000</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Training Exp - Tuition Reimbursement</td>
<td>4,000</td>
<td>-</td>
<td>4,000</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Training Expense - Other</td>
<td>2,000</td>
<td>1,132</td>
<td>868</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Total Education &amp; Training</strong></td>
<td><strong>128,500</strong></td>
<td><strong>47,210</strong></td>
<td><strong>84,415</strong></td>
<td><strong>(3,125)</strong></td>
<td><strong>(2.43%)</strong></td>
</tr>
</tbody>
</table>

#### Professional Services

<table>
<thead>
<tr>
<th></th>
<th>2016 Budget</th>
<th>FYTD Expenses</th>
<th>Projected Expenses</th>
<th>(Over) Under</th>
<th>(Over) Under Budget %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prof Serv Inv-Hedgefund Service</td>
<td>640,000</td>
<td>224,000</td>
<td>416,000</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Prof Serv Inv-Bank Fees</td>
<td>355,000</td>
<td>-</td>
<td>355,000</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Prof Serv Inv-Portfolio Management</td>
<td>310,000</td>
<td>160,000</td>
<td>150,000</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Prof Serv Inv-Equity Advisors</td>
<td>100,000</td>
<td>58,333</td>
<td>41,667</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Prof Serv - Valuations-Legacy Real Estate</td>
<td>280,000</td>
<td>-</td>
<td>280,000</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Total Professional Services</strong></td>
<td><strong>1,685,000</strong></td>
<td><strong>442,333</strong></td>
<td><strong>1,242,667</strong></td>
<td>-</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

#### Furniture & Equipment

<table>
<thead>
<tr>
<th></th>
<th>2016 Budget</th>
<th>FYTD Expenses</th>
<th>Projected Expenses</th>
<th>(Over) Under</th>
<th>(Over) Under Budget %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Software - Investment CRM</td>
<td>23,825</td>
<td>-</td>
<td>23,825</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Software - Risk Management</td>
<td>15,000</td>
<td>120</td>
<td>14,880</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Software - Research</td>
<td>26,000</td>
<td>21,702</td>
<td>4,298</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Software - Monitoring &amp; Reporting</td>
<td>50,000</td>
<td>-</td>
<td>50,000</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Furniture &amp; Equipment Totals</strong></td>
<td><strong>114,825</strong></td>
<td><strong>21,822</strong></td>
<td><strong>93,003</strong></td>
<td>-</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

#### INV Department Excl Due Diligence

<table>
<thead>
<tr>
<th></th>
<th>2016 Budget</th>
<th>FYTD Expenses</th>
<th>Projected Expenses</th>
<th>(Over) Under</th>
<th>(Over) Under Budget %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Direct Due Diligence</strong></td>
<td><strong>3,432,376</strong></td>
<td><strong>1,241,663</strong></td>
<td><strong>2,117,844</strong></td>
<td><strong>72,869</strong></td>
<td><strong>2.12%</strong></td>
</tr>
</tbody>
</table>

#### Direct Due Diligence

<table>
<thead>
<tr>
<th></th>
<th>2016 Budget</th>
<th>FYTD Expenses</th>
<th>Projected Expenses</th>
<th>(Over) Under</th>
<th>(Over) Under Budget %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prof Serv Inv-Employment Solutions</td>
<td>-</td>
<td>144,984</td>
<td>-</td>
<td>-</td>
<td>0.00%</td>
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<tr>
<td>Legal Services</td>
<td>-</td>
<td>265,327</td>
<td>-</td>
<td>0.00%</td>
<td></td>
</tr>
<tr>
<td>Legal Services - Other</td>
<td>-</td>
<td>40,118</td>
<td>-</td>
<td>0.00%</td>
<td></td>
</tr>
<tr>
<td><strong>Total Direct Due Diligence</strong></td>
<td><strong>-</strong></td>
<td><strong>450,429</strong></td>
<td>-</td>
<td>-</td>
<td><strong>0.00%</strong></td>
</tr>
</tbody>
</table>

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- (Over) Under Budget % is percentage of (Over) Under to 2016 Budget.
## IT NETWORK SERVICES DEPARTMENT BUDGET

### Personnel Services

<table>
<thead>
<tr>
<th>Budget</th>
<th>FYTD Expense</th>
<th>Projected Expenses</th>
<th>(Over) Under</th>
<th>(Over) Under Budget %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries &amp; Wages</td>
<td>277,663</td>
<td>149,512</td>
<td>128,151</td>
<td>-</td>
</tr>
<tr>
<td>DC Plan - ER Matching</td>
<td>11,434</td>
<td>4,763</td>
<td>6,671</td>
<td>-</td>
</tr>
<tr>
<td>Fringe Benefits</td>
<td>37,469</td>
<td>20,088</td>
<td>17,381</td>
<td>-</td>
</tr>
<tr>
<td>Payroll Expenses - Other</td>
<td>54,200</td>
<td>29,220</td>
<td>24,980</td>
<td>-</td>
</tr>
<tr>
<td>Payroll Expenses - ADOA Fees</td>
<td>3,471</td>
<td>1,585</td>
<td>1,886</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Personnel Services</strong></td>
<td>384,237</td>
<td>205,168</td>
<td>179,069</td>
<td>-</td>
</tr>
</tbody>
</table>

### Education & Training

<table>
<thead>
<tr>
<th>Budget</th>
<th>FYTD Expense</th>
<th>Projected Expenses</th>
<th>(Over) Under</th>
<th>(Over) Under Budget %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Travel Expense - Other</td>
<td>6,500</td>
<td>-</td>
<td>6,500</td>
<td>-</td>
</tr>
<tr>
<td>Training Exp - Tuition Reimbursement</td>
<td>5,250</td>
<td>2,232</td>
<td>3,018</td>
<td>-</td>
</tr>
<tr>
<td>Training Expense - Other</td>
<td>12,000</td>
<td>996</td>
<td>11,004</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Education &amp; Training</strong></td>
<td>23,750</td>
<td>3,228</td>
<td>20,522</td>
<td>-</td>
</tr>
</tbody>
</table>

### Professional Services

<table>
<thead>
<tr>
<th>Budget</th>
<th>FYTD Expense</th>
<th>Projected Expenses</th>
<th>(Over) Under</th>
<th>(Over) Under Budget %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional Services - Other</td>
<td>12,500</td>
<td>-</td>
<td>12,500</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Professional Services</strong></td>
<td>12,500</td>
<td>-</td>
<td>12,500</td>
<td>-</td>
</tr>
</tbody>
</table>

### Communications

<table>
<thead>
<tr>
<th>Budget</th>
<th>FYTD Expense</th>
<th>Projected Expenses</th>
<th>(Over) Under</th>
<th>(Over) Under Budget %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communications-Telephone</td>
<td>22,680</td>
<td>9,237</td>
<td>13,443</td>
<td>-</td>
</tr>
<tr>
<td>Communications-Internet</td>
<td>30,480</td>
<td>12,370</td>
<td>18,110</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Communications</strong></td>
<td>53,160</td>
<td>21,607</td>
<td>31,553</td>
<td>-</td>
</tr>
</tbody>
</table>

### Contractual Services

- Server - Other: 12,000 - 2,134 = 9,866 - 0.00%
- Server - Replacement: 28,000 - 625 = 27,375 - 0.00%
- Server - Battery Backup: 5,000 - 1,689 = 3,311 - 0.00%
- Workstations Replacement: 8,000 - 8,000 - 0.00%
- Printers Maintenance: 2,000 - 2,000 - 0.00%
- Infrastructure - Offsite Storage: 5,100 - 2,189 = 2,911 - 0.00%
- Infrastructure - DR Service: 9,000 - 5,215 = 3,785 - 0.00%
- Infrastructure - Data Center: 21,000 - 9,608 = 11,392 - 0.00%
- Infrastructure - Spam Filter: 1,000 - 902 = 98 - 0.00%
- Infrastructure - Remote Access: 4,300 - 2,284 = 2,016 - 0.00%
- Infrastructure - SSL Certificates: 250 - 468 = (218) (87.20%)
- Infrastructure - Monitoring: 3,250 - 4,156 = (906) (27.88%)
- Infrastructure - Webfilter: 5,100 - 4,605 = 495 - 0.00%
- Infrastructure - Virtual Server: 14,000 - 12,409 = 1,591 - 0.00%
- Infrastructure - Network Support: 3,500 - 3,500 - 0.00%
- Infrastructure - Room Monitor: 100 - 100 - 0.00%
- Infrastructure - Servers: 8,500 - 8,500 - 0.00%
- Infrastructure - Storage: 18,000 - 10,855 = 7,145 - 0.00%
- Infrastructure - Switching: 8,400 - 9,773 = (1,373) (16.35%)
## All Departments Budget to Actual
### Public Safety Personnel Retirement System
#### Fiscal Year Projections
##### 01/12/16

<table>
<thead>
<tr>
<th></th>
<th>2016 Budget</th>
<th>FYTD Expenses</th>
<th>Projected Expenses</th>
<th>(Over) Under</th>
<th>(Over) Under Budget %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Software</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Software - Other</td>
<td>30,000</td>
<td>21,235</td>
<td>8,765</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>License &amp; Maintenance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>License &amp; Maintenance - Other</td>
<td>1,500</td>
<td>363</td>
<td>1,137</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>License &amp; Maintenance - Imaging Licensing</td>
<td>21,000</td>
<td>21,400</td>
<td>-</td>
<td>(400)</td>
<td>(1.90%)</td>
</tr>
<tr>
<td><strong>Contingency</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Furniture &amp; Equipment</td>
<td>209,000</td>
<td>109,910</td>
<td>101,987</td>
<td>(2,897)</td>
<td>(1.39%)</td>
</tr>
<tr>
<td><strong>Total ITN Department Budget</strong></td>
<td>682,647</td>
<td>339,913</td>
<td>345,631</td>
<td>(2,897)</td>
<td>(0.42%)</td>
</tr>
</tbody>
</table>

**Column Descriptions:**
- 2016 Budget contains the budget approved by the Board of Trustees.
- 2016 Expenses contains paid invoices to date.
- Projected Expenses consist of two components: (1) unpaid invoices that are included in the budget; (2) unpaid invoices for anticipated expenses that have arisen after the budget was approved.
- (Over) Under compares 2016 Expenses plus Projected Expenses to the 2016 Budget.
- (Over) Under Budget % is percentage of (Over) Under to 2016 Budget.
## IT SYSTEMS DEVELOPMENT DEPARTMENT BUDGET

### Personnel Services

<table>
<thead>
<tr>
<th>Description</th>
<th>2016 Budget</th>
<th>FYTD Expenses</th>
<th>Projected Expenses</th>
<th>(Over) Under</th>
<th>(Over) Under Budget %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries &amp; Wages</td>
<td>421,281</td>
<td>202,199</td>
<td>197,802</td>
<td>21,280</td>
<td>5.05%</td>
</tr>
<tr>
<td>DC Plan - ER Matching</td>
<td>9,523</td>
<td>3,877</td>
<td>4,369</td>
<td>1,277</td>
<td>13.41%</td>
</tr>
<tr>
<td>Fringe Benefits</td>
<td>81,870</td>
<td>37,282</td>
<td>38,359</td>
<td>6,229</td>
<td>7.61%</td>
</tr>
<tr>
<td>Payroll Expenses - Other</td>
<td>82,234</td>
<td>39,078</td>
<td>39,002</td>
<td>4,154</td>
<td>5.05%</td>
</tr>
<tr>
<td>Payroll Expenses - ADOA Fees</td>
<td>5,266</td>
<td>2,143</td>
<td>2,857</td>
<td>266</td>
<td>5.05%</td>
</tr>
<tr>
<td><strong>Total Personnel Services</strong></td>
<td><strong>600,174</strong></td>
<td><strong>284,579</strong></td>
<td><strong>282,389</strong></td>
<td><strong>33,206</strong></td>
<td><strong>5.53%</strong></td>
</tr>
</tbody>
</table>

### Education & Training

<table>
<thead>
<tr>
<th>Description</th>
<th>2016 Budget</th>
<th>FYTD Expenses</th>
<th>Projected Expenses</th>
<th>(Over) Under</th>
<th>(Over) Under Budget %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training Exp - Professional Dues &amp; Subsc</td>
<td>150</td>
<td>-</td>
<td>150</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Training Exp - Tuition Reimbursement</td>
<td>5,000</td>
<td>-</td>
<td>5,000</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Total Education &amp; Training</strong></td>
<td><strong>5,150</strong></td>
<td><strong>-</strong></td>
<td><strong>5,150</strong></td>
<td><strong>-</strong></td>
<td><strong>0.00%</strong></td>
</tr>
</tbody>
</table>

### Contractual Services

<table>
<thead>
<tr>
<th>Description</th>
<th>2016 Budget</th>
<th>FYTD Expenses</th>
<th>Projected Expenses</th>
<th>(Over) Under</th>
<th>(Over) Under Budget %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract Services</td>
<td>5,000</td>
<td>9,813</td>
<td>-</td>
<td>(4,813)</td>
<td>(96.26%)</td>
</tr>
<tr>
<td><strong>Total Contractual Services</strong></td>
<td><strong>5,000</strong></td>
<td><strong>9,813</strong></td>
<td><strong>-</strong></td>
<td><strong>(4,813)</strong></td>
<td><strong>(96.26%)</strong></td>
</tr>
</tbody>
</table>

### Furniture & Equipment

<table>
<thead>
<tr>
<th>Description</th>
<th>2016 Budget</th>
<th>FYTD Expenses</th>
<th>Projected Expenses</th>
<th>(Over) Under</th>
<th>(Over) Under Budget %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Software - SQL Server</td>
<td>6,825</td>
<td>-</td>
<td>6,825</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Software - Enterprise Software</td>
<td>6,000</td>
<td>5,940</td>
<td>60</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Software - Go-To-Webinar</td>
<td>950</td>
<td>-</td>
<td>950</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Software - Go-To-Meeting</td>
<td>550</td>
<td>-</td>
<td>550</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Software - Security</td>
<td>6,825</td>
<td>-</td>
<td>6,825</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>License &amp; Maintenance - Other</td>
<td>450</td>
<td>-</td>
<td>450</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>License &amp; Mtn - Backup Line</td>
<td>1,000</td>
<td>-</td>
<td>1,000</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Software - Other</td>
<td>2,000</td>
<td>408</td>
<td>1,592</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>F&amp;E - Repairs &amp; Maintenance</td>
<td>4,500</td>
<td>1,546</td>
<td>2,954</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Contingency</strong></td>
<td><strong>29,100</strong></td>
<td><strong>7,894</strong></td>
<td><strong>21,206</strong></td>
<td><strong>-</strong></td>
<td><strong>0.00%</strong></td>
</tr>
</tbody>
</table>

**Total Furniture & Equipment**                     **29,100**  **7,894**  **21,206**  **-**  **0.00%**

**Total ITS Department Budget**                     **639,424**  **302,286**  **308,745**  **28,393**  **4.44%**

### Column Descriptions:
- 2012 Budget contains the budget approved by the Board of Trustees.
- 2012 Expenses contains paid invoices to date.
- Projected Expenses consist of two components: (1) unpaid invoices that are included in the budget; (2) unpaid invoices for anticipated expenses that have arisen after the budget was approved.
- (Over) Under compares 2012 Expenses plus Projected Expenses to the 2012 Budget.
- (Over) Under Budget % is percentage of (Over) Under to 2012 Budget.
MEMBER SERVICES DIVISION BUDGET

<table>
<thead>
<tr>
<th></th>
<th>2016 Budget</th>
<th>FYTD Expenses</th>
<th>Projected Expenses</th>
<th>(Over) Under</th>
<th>(Over) Under Budget %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Personnel Services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries &amp; Wages</td>
<td>1,105,506</td>
<td>594,224</td>
<td>506,422</td>
<td>4,860</td>
<td>0.44%</td>
</tr>
<tr>
<td>DC Plan - ER Matching</td>
<td>56,273</td>
<td>26,548</td>
<td>29,433</td>
<td>292</td>
<td>0.52%</td>
</tr>
<tr>
<td>Fringe Benefits</td>
<td>188,291</td>
<td>106,262</td>
<td>81,258</td>
<td>771</td>
<td>0.41%</td>
</tr>
<tr>
<td>Payroll Expenses - Other</td>
<td>215,795</td>
<td>114,138</td>
<td>100,708</td>
<td>949</td>
<td>0.44%</td>
</tr>
<tr>
<td>Payroll Expenses - ADOA Fees</td>
<td>13,819</td>
<td>6,295</td>
<td>7,463</td>
<td>61</td>
<td>0.44%</td>
</tr>
<tr>
<td><strong>Total Personnel Services</strong></td>
<td>1,579,684</td>
<td>847,467</td>
<td>725,284</td>
<td>6,933</td>
<td>0.44%</td>
</tr>
<tr>
<td><strong>Education &amp; Training</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Travel Expense - Other</td>
<td>1,020</td>
<td>742</td>
<td>278</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Training Expense - Conferences</td>
<td>400</td>
<td>-</td>
<td>400</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Training Exp - Tuition Reimbursement</td>
<td>800</td>
<td>3,966</td>
<td>-</td>
<td>(3,166)</td>
<td>(395.75%)</td>
</tr>
<tr>
<td><strong>Total Education &amp; Training</strong></td>
<td>2,220</td>
<td>4,708</td>
<td>678</td>
<td>(3,166)</td>
<td>(142.61%)</td>
</tr>
<tr>
<td><strong>Professional Services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Communications</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Contractual Services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contract Services</td>
<td>8,500</td>
<td>8,124</td>
<td>376</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Total Contractual Services</strong></td>
<td>8,500</td>
<td>8,124</td>
<td>376</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Furniture &amp; Equipment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total MSD Department Budget</strong></td>
<td>1,590,404</td>
<td>860,299</td>
<td>726,338</td>
<td>3,767</td>
<td>0.24%</td>
</tr>
</tbody>
</table>

**Column Descriptions:**
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- 2016 Expenses contains paid invoices to date.
- Projected Expenses consist of two components: (1) unpaid invoices that are included in the budget; (2) unpaid invoices for anticipated expenses that have arisen after the budget was approved.
- (Over) Under compares 2016 Expenses plus Projected Expenses to the 2016 Budget.
- (Over) Under Budget % is percentage of (Over) Under to 2016 Budget.
## All Departments Budget to Actual

**Public Safety Personnel Retirement System**

**Year to Date**

**01/12/16**

### ALL DEPARTMENTS BUDGET SUMMARY

<table>
<thead>
<tr>
<th>Service/Department</th>
<th>2016 Budget</th>
<th>FYTD Budget</th>
<th>FYTD Expenses</th>
<th>(Over) Under</th>
<th>(Over) Under Budget %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel Services</td>
<td>6,406,247</td>
<td>3,344,861</td>
<td>3,065,621</td>
<td>279,240</td>
<td>8.35%</td>
</tr>
<tr>
<td>Education &amp; Training</td>
<td>209,455</td>
<td>71,604</td>
<td>75,402</td>
<td>(3,798)</td>
<td>(5.30%)</td>
</tr>
<tr>
<td>Professional Services</td>
<td>2,882,385</td>
<td>1,046,193</td>
<td>1,047,570</td>
<td>(1,377)</td>
<td>(0.13%)</td>
</tr>
<tr>
<td>Board of Trustees</td>
<td>465,750</td>
<td>225,181</td>
<td>225,181</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Communications</td>
<td>81,710</td>
<td>31,335</td>
<td>32,760</td>
<td>(1,425)</td>
<td>(4.55%)</td>
</tr>
<tr>
<td>Contractual Services</td>
<td>19,500</td>
<td>16,551</td>
<td>21,364</td>
<td>(4,813)</td>
<td>(29.08%)</td>
</tr>
<tr>
<td>Building</td>
<td>167,290</td>
<td>103,784</td>
<td>104,228</td>
<td>(444)</td>
<td>(0.43%)</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>49,000</td>
<td>26,965</td>
<td>26,965</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Furniture &amp; Equipment</td>
<td>354,500</td>
<td>137,866</td>
<td>139,626</td>
<td>(1,760)</td>
<td>(1.28%)</td>
</tr>
<tr>
<td>Capital</td>
<td>47,750</td>
<td>2,984</td>
<td>2,984</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>All Departments Budget Total</strong></td>
<td><strong>10,683,587</strong></td>
<td><strong>5,007,324</strong></td>
<td><strong>4,741,701</strong></td>
<td><strong>265,623</strong></td>
<td><strong>5.30%</strong></td>
</tr>
<tr>
<td>Litigation</td>
<td>250,000</td>
<td>88,650</td>
<td>88,650</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Total With Litigation</strong></td>
<td><strong>10,933,587</strong></td>
<td><strong>5,095,974</strong></td>
<td><strong>4,830,351</strong></td>
<td><strong>265,623</strong></td>
<td><strong>5.21%</strong></td>
</tr>
<tr>
<td>Excluded Investment Due Diligence</td>
<td>-</td>
<td>-</td>
<td>450,429</td>
<td>-</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

**Column Descriptions:**

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- **2016 Expenses** contains paid invoices to date.
- **Projected Expenses** consist of two components: (1) unpaid invoices that are included in the budget; (2) unpaid invoices for anticipated expenses that have arisen after the budget was approved.
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- **(Over) Under Budget %** is percentage of (Over) Under to 2016 Budget.
## All Departments Budget to Actual
### Public Safety Personnel Retirement System
#### Year to Date
##### 01/12/16

<table>
<thead>
<tr>
<th>Department</th>
<th>2016 Budget</th>
<th>FYTD Budget</th>
<th>(Over) Under</th>
<th>(Over) Under Budget %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Personnel Services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries &amp; Wages</td>
<td>1,152,297</td>
<td>553,414</td>
<td>436,756</td>
<td>116,658</td>
</tr>
<tr>
<td>DC Plan - ER Matching</td>
<td>61,969</td>
<td>24,529</td>
<td>17,530</td>
<td>6,999</td>
</tr>
<tr>
<td>Fringe Benefits</td>
<td>132,759</td>
<td>65,907</td>
<td>47,548</td>
<td>18,359</td>
</tr>
<tr>
<td>Payroll Expenses - Other</td>
<td>183,342</td>
<td>96,150</td>
<td>76,514</td>
<td>19,636</td>
</tr>
<tr>
<td>Payroll Expenses - ADOA Fees</td>
<td>12,910</td>
<td>6,097</td>
<td>4,639</td>
<td>1,458</td>
</tr>
<tr>
<td><strong>Total Personnel Services</strong></td>
<td>1,543,277</td>
<td>746,097</td>
<td>582,987</td>
<td>163,110</td>
</tr>
<tr>
<td><strong>Education &amp; Training</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Travel Expense - Other</td>
<td>4,900</td>
<td>3,364</td>
<td>3,364</td>
<td>-</td>
</tr>
<tr>
<td>Training Expense - Conferences</td>
<td>12,850</td>
<td>1,112</td>
<td>1,112</td>
<td>-</td>
</tr>
<tr>
<td>Training Exp - Professional Dues</td>
<td>17,485</td>
<td>11,372</td>
<td>11,372</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Education &amp; Training</strong></td>
<td>35,235</td>
<td>15,848</td>
<td>15,848</td>
<td>-</td>
</tr>
<tr>
<td><strong>Professional Services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Professional Services-Actuarial</td>
<td>225,000</td>
<td>169,000</td>
<td>169,000</td>
<td>-</td>
</tr>
<tr>
<td>Prof Services-Due Diligence Oth</td>
<td>1,000</td>
<td>804</td>
<td>804</td>
<td>-</td>
</tr>
<tr>
<td>Prof Serv Admin-Legislative Liais</td>
<td>213,600</td>
<td>99,000</td>
<td>99,000</td>
<td>-</td>
</tr>
<tr>
<td>Prof Serv Admin-Actuarial Studie</td>
<td>150,000</td>
<td>22,000</td>
<td>22,000</td>
<td>-</td>
</tr>
<tr>
<td>Legal Services- Legal Counsel</td>
<td>50,000</td>
<td>12,500</td>
<td>13,838</td>
<td>(1,338)</td>
</tr>
<tr>
<td>Legal Services - AG</td>
<td>165,000</td>
<td>78,450</td>
<td>78,450</td>
<td>-</td>
</tr>
<tr>
<td>Legal Services-Other</td>
<td>75,000</td>
<td>32,352</td>
<td>32,352</td>
<td>-</td>
</tr>
<tr>
<td>Professional Services - Other</td>
<td>115,000</td>
<td>71,201</td>
<td>71,201</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Professional Services</strong></td>
<td>994,600</td>
<td>485,307</td>
<td>486,645</td>
<td>(1,338)</td>
</tr>
<tr>
<td><strong>Communications</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Temporary Services</td>
<td>6,000</td>
<td>3,427</td>
<td>3,427</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Contractual Services</strong></td>
<td>6,000</td>
<td>3,427</td>
<td>3,427</td>
<td>-</td>
</tr>
<tr>
<td><strong>Furniture &amp; Equipment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ADM Department Budget</td>
<td>2,579,112</td>
<td>1,250,679</td>
<td>1,088,907</td>
<td>161,772</td>
</tr>
<tr>
<td><strong>Litigation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Legal Services - Litigation</td>
<td>250,000</td>
<td>88,650</td>
<td>88,650</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Litigation</strong></td>
<td>250,000</td>
<td>88,650</td>
<td>88,650</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total ADM Department Budget</strong></td>
<td>2,829,112</td>
<td>1,339,329</td>
<td>1,177,557</td>
<td>161,772</td>
</tr>
</tbody>
</table>

**Column Descriptions:**
- 2016 Budget contains the budget approved by the Board of Trustees.
- 2016 Expenses contains paid invoices to date.
- Projected Expenses consist of two components: (1) unpaid invoices that are included in the budget; (2) unpaid invoices for anticipated expenses that have arisen after the budget was approved.
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## All Departments Budget to Actual
### Public Safety Personnel Retirement System
#### Year to Date
##### 01/12/16

<table>
<thead>
<tr>
<th>AGENCY DEPARTMENT BUDGET</th>
<th>2016 Budget</th>
<th>FYTD Budget</th>
<th>FYTD Expenses</th>
<th>(Over) Under</th>
<th>(Over) Under Budget %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Professional Services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Professional Services - Other</td>
<td>500</td>
<td>232</td>
<td>232</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Prof Serv Agency-On Site Shredd</td>
<td>850</td>
<td>299</td>
<td>299</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Prof Serv Agency-Records Mana</td>
<td>7,000</td>
<td>5,377</td>
<td>5,377</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Total Professional Services</strong></td>
<td>8,350</td>
<td>5,908</td>
<td>5,908</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Communications</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Printing-External - Other</td>
<td>50</td>
<td>50</td>
<td>103</td>
<td>(53)</td>
<td>(106.00%)</td>
</tr>
<tr>
<td>Delivery Service</td>
<td>3,000</td>
<td>678</td>
<td>678</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Postage Meter</td>
<td>9,000</td>
<td>9,000</td>
<td>10,372</td>
<td>(1,372)</td>
<td>(15.24%)</td>
</tr>
<tr>
<td><strong>Total Communications</strong></td>
<td>12,050</td>
<td>9,728</td>
<td>11,153</td>
<td>(1,425)</td>
<td>(14.65%)</td>
</tr>
<tr>
<td><strong>Contractual Services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Operating Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Copier/Printer Supplies</td>
<td>18,000</td>
<td>8,880</td>
<td>8,880</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Envelopes</td>
<td>500</td>
<td>193</td>
<td>193</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Forms</td>
<td>1,500</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Office Supplies - General</td>
<td>26,000</td>
<td>16,057</td>
<td>16,057</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Other Office Expense</td>
<td>3,000</td>
<td>1,835</td>
<td>1,835</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Total Operating Expense</strong></td>
<td>49,000</td>
<td>26,965</td>
<td>26,965</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Total AGN Department Budget</strong></td>
<td>69,400</td>
<td>42,601</td>
<td>44,026</td>
<td>(1,425)</td>
<td>(3.34%)</td>
</tr>
</tbody>
</table>

**Column Descriptions:**
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### BOARD OF TRUSTEES BUDGET

<table>
<thead>
<tr>
<th>Board of Trustee</th>
<th>2016 Budget</th>
<th>FYTD Budget</th>
<th>FYTD Expenses</th>
<th>(Over) Under</th>
<th>(Over) Under Budget %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of Trustees Board Meeting</td>
<td>11,000</td>
<td>5,045</td>
<td>5,045</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Board of Trustees Education &amp; Tr</td>
<td>5,500</td>
<td>4,670</td>
<td>4,670</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Board of Trustees Expenses - Ot</td>
<td>9,250</td>
<td>466</td>
<td>466</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Prof Serv Admin-Board Consultant</td>
<td>440,000</td>
<td>215,000</td>
<td>215,000</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Total Board of Trustee</strong></td>
<td><strong>465,750</strong></td>
<td><strong>225,181</strong></td>
<td><strong>225,181</strong></td>
<td>-</td>
<td><strong>0.00%</strong></td>
</tr>
<tr>
<td><strong>Total BOT Department Budget</strong></td>
<td><strong>465,750</strong></td>
<td><strong>225,181</strong></td>
<td><strong>225,181</strong></td>
<td>-</td>
<td><strong>0.00%</strong></td>
</tr>
</tbody>
</table>

**Column Descriptions:**
- 2016 Budget contains the budget approved by the Board of Trustees.
- 2016 Expenses contains paid invoices to date.
- Projected Expenses consist of two components: (1) unpaid invoices that are included in the budget; (2) unpaid invoices for anticipated expenses that have arisen after the budget was approved.
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- (Over) Under Budget % is percentage of (Over) Under to 2016 Budget.
## BUILDING DEPARTMENT BUDGET

### Building Expenses

<table>
<thead>
<tr>
<th>Item</th>
<th>2016 Budget</th>
<th>FYTD Budget</th>
<th>FYTD Expenses</th>
<th>(Over) Under</th>
<th>(Over) Under Budget %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Utilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Utilities</td>
<td>55,000</td>
<td>36,121</td>
<td>29,746</td>
<td>6,375</td>
<td>17.65%</td>
</tr>
<tr>
<td><strong>Janitorial</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Janitorial Services</td>
<td>22,800</td>
<td>12,565</td>
<td>12,565</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Window Cleaning</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Window Cleaning</td>
<td>1,560</td>
<td>515</td>
<td>515</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Elevator</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Elevator</td>
<td>4,800</td>
<td>885</td>
<td>885</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Security System</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Security System</td>
<td>360</td>
<td>186</td>
<td>186</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Repair &amp; Maintenance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repairs and Maintenance - Other</td>
<td>12,000</td>
<td>5,673</td>
<td>5,673</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Rep &amp; Maint - Air Conditioning</td>
<td>20,000</td>
<td>20,000</td>
<td>26,819</td>
<td>(6,819)</td>
<td>(34.10%)</td>
</tr>
<tr>
<td><strong>Property &amp; Sales Taxes</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property &amp; Sales Taxes - County</td>
<td>763</td>
<td>382</td>
<td>382</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Property &amp; Sales Taxes - City</td>
<td>3,207</td>
<td>1,336</td>
<td>1,336</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Insurance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insurance</td>
<td>10,600</td>
<td>9,600</td>
<td>9,600</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Condo Association</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Condo Association Fees</td>
<td>32,340</td>
<td>15,183</td>
<td>15,183</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Other Occupancy Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cleaning Supplies</td>
<td>420</td>
<td>239</td>
<td>239</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Lock Maintenance</td>
<td>2,000</td>
<td>451</td>
<td>451</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Pest Control</td>
<td>1,440</td>
<td>648</td>
<td>648</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Total Building Expenses</strong></td>
<td>167,290</td>
<td>103,784</td>
<td>104,228</td>
<td>(444)</td>
<td>(0.43%)</td>
</tr>
</tbody>
</table>

### Capital

<table>
<thead>
<tr>
<th>Item</th>
<th>2016 Budget</th>
<th>FYTD Budget</th>
<th>FYTD Expenses</th>
<th>(Over) Under</th>
<th>(Over) Under Budget %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bldg - Improve-Faucet Replace</td>
<td>3,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Building Improvements</td>
<td>13,000</td>
<td>100</td>
<td>100</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Bldg Improve - Alarm &amp; Video</td>
<td>5,250</td>
<td>17</td>
<td>17</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Bldg Improve - Wiring</td>
<td>5,000</td>
<td>1,732</td>
<td>1,732</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Bldg Improve - Energy Mgmt Sys</td>
<td>15,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Rep &amp; Maint - Safety Equipment</td>
<td>1,500</td>
<td>54</td>
<td>54</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Bldg Improve - Furniture &amp; Equip</td>
<td>5,000</td>
<td>1,081</td>
<td>1,081</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Total Capital</strong></td>
<td>47,750</td>
<td>2,984</td>
<td>2,984</td>
<td>-</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

### Total BLD Department Budget

<table>
<thead>
<tr>
<th>Item</th>
<th>2016 Budget</th>
<th>FYTD Budget</th>
<th>FYTD Expenses</th>
<th>(Over) Under</th>
<th>(Over) Under Budget %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total BLD Department Budget</strong></td>
<td>215,040</td>
<td>106,768</td>
<td>107,212</td>
<td>(444)</td>
<td>(0.42%)</td>
</tr>
</tbody>
</table>
### COMPLIANCE DEPARTMENT BUDGET

<table>
<thead>
<tr>
<th>Budget</th>
<th>FYTD Budget</th>
<th>FYTD Expenses</th>
<th>(Over) Under</th>
<th>(Over) Under Budget %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Personnel Services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries &amp; Wages</td>
<td>167,536</td>
<td>92,824</td>
<td>92,824</td>
<td>-</td>
</tr>
<tr>
<td>DC Plan - ER Matching</td>
<td>10,052</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Fringe Benefits</td>
<td>23,731</td>
<td>10,989</td>
<td>10,989</td>
<td>-</td>
</tr>
<tr>
<td>Payroll Expenses - Other</td>
<td>32,703</td>
<td>17,876</td>
<td>17,876</td>
<td>-</td>
</tr>
<tr>
<td>Payroll Expenses - ADOA</td>
<td>2,094</td>
<td>984</td>
<td>984</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Personnel Services</strong></td>
<td>236,116</td>
<td>122,673</td>
<td>122,673</td>
<td>-</td>
</tr>
<tr>
<td><strong>Education &amp; Training</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Travel Expense - Other</td>
<td>5,000</td>
<td>1,460</td>
<td>1,116</td>
<td>344</td>
</tr>
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<td>Training Expense - Conferences</td>
<td>3,500</td>
<td>748</td>
<td>599</td>
<td>149</td>
</tr>
<tr>
<td>Training Exp - Professional Dues</td>
<td>2,500</td>
<td>1,409</td>
<td>1,409</td>
<td>-</td>
</tr>
<tr>
<td>Training Exp - HIPAA- Complian</td>
<td>2,000</td>
<td>2,000</td>
<td>-</td>
<td>2,000</td>
</tr>
<tr>
<td><strong>Total Education &amp; Training</strong></td>
<td>13,000</td>
<td>5,617</td>
<td>3,124</td>
<td>2,493</td>
</tr>
<tr>
<td><strong>Professional Services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prof Serv - IT Audit</td>
<td>25,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Professional Services</strong></td>
<td>25,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Communications</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Contractual Services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Furniture &amp; Equipment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Software</td>
<td>1,575</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Furniture &amp; Equipment</strong></td>
<td>1,575</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total COM Department Budget</strong></td>
<td>275,691</td>
<td>128,290</td>
<td>125,797</td>
<td>2,493</td>
</tr>
</tbody>
</table>

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### All Departments Budget to Actual

Public Safety Personnel Retirement System

**Year to Date**

**01/12/16**

<table>
<thead>
<tr>
<th></th>
<th>2016 Budget</th>
<th>FYTD Budget</th>
<th>FYTD Expenses</th>
<th>(Over) Under</th>
<th>(Over) Under Budget %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FINANCE DEPARTMENT BUDGET</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Personnel Services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries &amp; Wages</td>
<td>398,648</td>
<td>206,772</td>
<td>206,772</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>DC Plan - ER Matching</td>
<td>18,462</td>
<td>9,128</td>
<td>9,128</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Fringe Benefits</td>
<td>64,881</td>
<td>36,195</td>
<td>36,195</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Payroll Expenses - Other</td>
<td>71,734</td>
<td>38,162</td>
<td>38,162</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Payroll Expenses - ADOA Fees</td>
<td>4,983</td>
<td>2,192</td>
<td>2,192</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Total Personnel Services</strong></td>
<td>558,708</td>
<td>292,449</td>
<td>292,449</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Education &amp; Training</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Training Expense - Conferences</td>
<td>500</td>
<td>378</td>
<td>378</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Training Exp - Professional Dues</td>
<td>1,100</td>
<td>906</td>
<td>906</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Total Education &amp; Training</strong></td>
<td>1,600</td>
<td>1,284</td>
<td>1,284</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Professional Services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Professional Services-Auditing</td>
<td>148,935</td>
<td>107,024</td>
<td>107,024</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Prof Serv Finance-Annual Report</td>
<td>3,000</td>
<td>1,095</td>
<td>1,095</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Prof Serv Finance-Banking</td>
<td>-</td>
<td>-</td>
<td>39</td>
<td>(39)</td>
<td>0.00%</td>
</tr>
<tr>
<td>Prof Serv Finance-Accounting So</td>
<td>5,000</td>
<td>4,526</td>
<td>4,526</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Total Professional Services</strong></td>
<td>156,935</td>
<td>112,645</td>
<td>112,684</td>
<td>(39)</td>
<td>(0.03%)</td>
</tr>
<tr>
<td><strong>Communications</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Postage - Wells Fargo</td>
<td>16,500</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Total Communications</strong></td>
<td>16,500</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Contractual Services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Furniture &amp; Equipment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total FIN Department Budget</strong></td>
<td>733,743</td>
<td>406,378</td>
<td>406,417</td>
<td>(39)</td>
<td>(0.01%)</td>
</tr>
</tbody>
</table>

**Column Descriptions:**
- 2016 Budget contains the budget approved by the Board of Trustees.
- 2016 Expenses contains paid invoices to date.
- Projected Expenses consist of two components: (1) unpaid invoices that are included in the budget; (2) unpaid invoices for anticipated expenses that have arisen after the budget was approved.
- (Over) Under compares 2016 Expenses plus Projected Expenses to the 2016 Budget.
- (Over) Under Budget % is percentage of (Over) Under to 2016 Budget.
### All Departments Budget to Actual

**Public Safety Personnel Retirement System**

**Year to Date**

**01/12/16**

<table>
<thead>
<tr>
<th></th>
<th>2016 Budget</th>
<th>FYTD Budget</th>
<th>FYTD Expenses</th>
<th>(Over) Under</th>
<th>(Over) Under Budget %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INVESTMENTS DEPARTMENT BUDGET</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Personnel Services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries &amp; Wages</td>
<td>1,143,531</td>
<td>611,221</td>
<td>556,754</td>
<td>54,467</td>
<td>8.91%</td>
</tr>
<tr>
<td>DC Plan - ER Matching</td>
<td>65,372</td>
<td>39,157</td>
<td>35,889</td>
<td>3,268</td>
<td>8.35%</td>
</tr>
<tr>
<td>Fringe Benefits</td>
<td>91,867</td>
<td>50,648</td>
<td>43,436</td>
<td>7,212</td>
<td>14.24%</td>
</tr>
<tr>
<td>Payroll Expenses - Other</td>
<td>188,987</td>
<td>98,680</td>
<td>88,317</td>
<td>10,363</td>
<td>10.50%</td>
</tr>
<tr>
<td>Payroll Expenses - ADOA Fees</td>
<td>14,294</td>
<td>6,583</td>
<td>5,902</td>
<td>681</td>
<td>10.34%</td>
</tr>
<tr>
<td><strong>Total Personnel Services</strong></td>
<td>1,504,051</td>
<td>806,289</td>
<td>730,298</td>
<td>75,991</td>
<td>9.42%</td>
</tr>
<tr>
<td><strong>Education &amp; Training</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Travel Expense - Other</td>
<td>65,000</td>
<td>17,453</td>
<td>17,453</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Training Expense - Conferences</td>
<td>5,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Training Exp - Professional Dues</td>
<td>5,500</td>
<td>5,500</td>
<td>8,625</td>
<td>(3,125)</td>
<td>(56.82%)</td>
</tr>
<tr>
<td>Training Exp - Investment Resea</td>
<td>47,000</td>
<td>20,000</td>
<td>20,000</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Training Exp - Tuition Reimburse</td>
<td>4,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Training Expense - Other</td>
<td>2,000</td>
<td>1,132</td>
<td>1,132</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Total Education &amp; Training</strong></td>
<td>128,500</td>
<td>44,085</td>
<td>47,210</td>
<td>(3,125)</td>
<td>(7.09%)</td>
</tr>
<tr>
<td><strong>Professional Services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prof Serv Inv-Hedgefund Service</td>
<td>640,000</td>
<td>224,000</td>
<td>224,000</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Prof Serv Inv-Bank Fees</td>
<td>355,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Prof Serv Inv-Portfolio Managem</td>
<td>310,000</td>
<td>160,000</td>
<td>160,000</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Prof Serv Inv-Equity Advisors</td>
<td>100,000</td>
<td>58,333</td>
<td>58,333</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Prof Serv - Valuations-Legacy Re</td>
<td>280,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Total Professional Services</strong></td>
<td>1,685,000</td>
<td>442,333</td>
<td>442,333</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Furniture &amp; Equipment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Software - Investment CRM</td>
<td>23,825</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Software - Risk Management</td>
<td>15,000</td>
<td>120</td>
<td>120</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Software - Research</td>
<td>26,000</td>
<td>21,702</td>
<td>21,702</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Software - Monitoring &amp; Reporting</td>
<td>50,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Furniture &amp; Equipment Totals</strong></td>
<td>114,825</td>
<td>21,822</td>
<td>21,822</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>INV Department Excl Due Dilige</strong></td>
<td>3,432,376</td>
<td>1,314,529</td>
<td>1,241,663</td>
<td>72,866</td>
<td>5.54%</td>
</tr>
<tr>
<td><strong>Direct Due Diligence</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prof Serv Inv-Employment Soluti</td>
<td>-</td>
<td>-</td>
<td>144,984</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Legal Services</td>
<td>-</td>
<td>-</td>
<td>265,327</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Legal Services - Other</td>
<td>-</td>
<td>-</td>
<td>40,118</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Total Direct Due Diligence</strong></td>
<td>-</td>
<td>-</td>
<td>450,429</td>
<td>-</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

**Column Descriptions:**
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- Projected Expenses consist of two components: (1) unpaid invoices that are included in the budget; (2) unpaid invoices for anticipated expenses that have arisen after the budget was approved.
- (Over) Under compares 2016 Expenses plus Projected Expenses to the 2016 Budget.
- (Over) Under Budget % is percentage of (Over) Under to 2016 Budget.
## IT NETWORK SERVICES DEPARTMENT BUDGET

### Personnel Services

<table>
<thead>
<tr>
<th>Service</th>
<th>Budget 2016</th>
<th>FYTD Budget</th>
<th>FYTD Expenses</th>
<th>(Over) Under Budget</th>
<th>(Over) Under %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries &amp; Wages</td>
<td>277,663</td>
<td>149,512</td>
<td>149,512</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>DC Plan - ER Matching</td>
<td>11,434</td>
<td>4,763</td>
<td>4,763</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Fringe Benefits</td>
<td>37,469</td>
<td>20,088</td>
<td>20,088</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Payroll Expenses - Other</td>
<td>54,200</td>
<td>29,220</td>
<td>29,220</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Payroll Expenses - ADOA Fees</td>
<td>3,471</td>
<td>1,585</td>
<td>1,585</td>
<td>-</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

**Total Personnel Services**: 384,237 205,168 205,168 - 0.00%

### Education & Training

<table>
<thead>
<tr>
<th>Service</th>
<th>Budget 2016</th>
<th>FYTD Budget</th>
<th>FYTD Expenses</th>
<th>(Over) Under Budget</th>
<th>(Over) Under %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Travel Expense - Other</td>
<td>6,500</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Training Exp - Tuition Reimburs</td>
<td>5,250</td>
<td>2,232</td>
<td>2,232</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Training Expense - Other</td>
<td>12,000</td>
<td>996</td>
<td>996</td>
<td>-</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

**Total Education & Training**: 23,750 3,228 3,228 - 0.00%

### Professional Services

<table>
<thead>
<tr>
<th>Service</th>
<th>Budget 2016</th>
<th>FYTD Budget</th>
<th>FYTD Expenses</th>
<th>(Over) Under Budget</th>
<th>(Over) Under %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional Services - Other</td>
<td>12,500</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

**Total Professional Services**: 12,500 - - - 0.00%

### Communications

<table>
<thead>
<tr>
<th>Service</th>
<th>Budget 2016</th>
<th>FYTD Budget</th>
<th>FYTD Expenses</th>
<th>(Over) Under Budget</th>
<th>(Over) Under %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communications-Telephone</td>
<td>22,680</td>
<td>9,237</td>
<td>9,237</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Communications-Internet</td>
<td>30,480</td>
<td>12,370</td>
<td>12,370</td>
<td>-</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

**Total Communications**: 53,160 21,607 21,607 - 0.00%

### Contractual Services

### Furniture & Equipment

<table>
<thead>
<tr>
<th>Service</th>
<th>Budget 2016</th>
<th>FYTD Budget</th>
<th>FYTD Expenses</th>
<th>(Over) Under Budget</th>
<th>(Over) Under %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Server - Other</td>
<td>12,000</td>
<td>2,134</td>
<td>2,134</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Server - Replacement</td>
<td>28,000</td>
<td>625</td>
<td>625</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Server - Battery Backup</td>
<td>5,000</td>
<td>1,689</td>
<td>1,689</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Workstations - Replacement</td>
<td>8,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Printers - Maintenance</td>
<td>2,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

### Infrastructure

<table>
<thead>
<tr>
<th>Infrastructure Service</th>
<th>Budget 2016</th>
<th>FYTD Budget</th>
<th>FYTD Expenses</th>
<th>(Over) Under Budget</th>
<th>(Over) Under %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Offsite Storage</td>
<td>5,100</td>
<td>2,189</td>
<td>2,189</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>DR Service</td>
<td>9,000</td>
<td>5,215</td>
<td>5,215</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Data Center</td>
<td>21,000</td>
<td>9,608</td>
<td>9,608</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Spam Filter</td>
<td>1,000</td>
<td>902</td>
<td>902</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Remote Access</td>
<td>4,300</td>
<td>2,284</td>
<td>2,284</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>SSL Certificates</td>
<td>250</td>
<td>250</td>
<td>468</td>
<td>(218)</td>
<td>(87.20%)</td>
</tr>
<tr>
<td>Monitoring</td>
<td>3,250</td>
<td>3,250</td>
<td>4,156</td>
<td>(906)</td>
<td>(27.88%)</td>
</tr>
<tr>
<td>Webfilter</td>
<td>5,100</td>
<td>4,605</td>
<td>4,605</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Virtual Server</td>
<td>14,000</td>
<td>12,409</td>
<td>12,409</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Network Support</td>
<td>3,500</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Room Monitor</td>
<td>100</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Servers</td>
<td>8,500</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Storage</td>
<td>18,000</td>
<td>10,855</td>
<td>10,855</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Switching</td>
<td>8,400</td>
<td>8,400</td>
<td>9,773</td>
<td>(1,373)</td>
<td>(16.35%)</td>
</tr>
</tbody>
</table>
### All Departments Budget to Actual

**Public Safety Personnel Retirement System**

**Year to Date**

**01/12/16**

<table>
<thead>
<tr>
<th></th>
<th>2016 Budget</th>
<th>FYTD Expenses</th>
<th>(Over) Under</th>
<th>(Over) Under Budget %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Software</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Software - Other</td>
<td>30,000</td>
<td>21,235</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>License &amp; Maintenance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>License &amp; Maintenance - Other</td>
<td>1,500</td>
<td>1,500</td>
<td>363</td>
<td>1,137</td>
</tr>
<tr>
<td>License &amp; Maintenance - Imaging</td>
<td>21,000</td>
<td>21,000</td>
<td>21,400</td>
<td>(400)</td>
</tr>
<tr>
<td><strong>Contingency</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Furniture &amp; Equipment</td>
<td>209,000</td>
<td>108,150</td>
<td>109,910</td>
<td>(1,760)</td>
</tr>
<tr>
<td><strong>Total ITN Department Budget</strong></td>
<td>682,647</td>
<td>338,153</td>
<td>339,913</td>
<td>(1,760)</td>
</tr>
</tbody>
</table>

**Column Descriptions:**

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- Projected Expenses consist of two components: (1) unpaid invoices that are included in the budget; (2) unpaid invoices for anticipated expenses that have arisen after the budget was approved.
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- (Over) Under Budget % is percentage of (Over) Under to 2016 Budget.
## IT SYSTEMS DEVELOPMENT DEPARTMENT BUDGET

### Personnel Services

<table>
<thead>
<tr>
<th></th>
<th>2016 Budget</th>
<th>FYTD Budget</th>
<th>FYTD Expenses</th>
<th>(Over) Under</th>
<th>(Over) Under Budget %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries &amp; Wages</td>
<td>421,281</td>
<td>223,479</td>
<td>202,199</td>
<td>21,280</td>
<td>9.52%</td>
</tr>
<tr>
<td>DC Plan - ER Matching</td>
<td>9,523</td>
<td>5,154</td>
<td>3,877</td>
<td>1,277</td>
<td>24.78%</td>
</tr>
<tr>
<td>Fringe Benefits</td>
<td>81,870</td>
<td>43,511</td>
<td>37,282</td>
<td>6,229</td>
<td>14.32%</td>
</tr>
<tr>
<td>Payroll Expenses - Other</td>
<td>82,234</td>
<td>43,232</td>
<td>39,078</td>
<td>4,154</td>
<td>9.61%</td>
</tr>
<tr>
<td>Payroll Expenses - ADOA Fees</td>
<td>5,266</td>
<td>2,409</td>
<td>2,143</td>
<td>266</td>
<td>11.04%</td>
</tr>
<tr>
<td><strong>Total Personnel Services</strong></td>
<td><strong>600,174</strong></td>
<td><strong>317,785</strong></td>
<td><strong>284,579</strong></td>
<td><strong>33,206</strong></td>
<td><strong>10.45%</strong></td>
</tr>
</tbody>
</table>

### Education & Training

<table>
<thead>
<tr>
<th></th>
<th>2016 Budget</th>
<th>FYTD Budget</th>
<th>FYTD Expenses</th>
<th>(Over) Under</th>
<th>(Over) Under Budget %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training Exp - Professional Dues</td>
<td>150</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Training Exp - Tuition Reimbs</td>
<td>5,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Total Education &amp; Training</strong></td>
<td><strong>5,150</strong></td>
<td><strong>-</strong></td>
<td><strong>-</strong></td>
<td><strong>-</strong></td>
<td><strong>0.00%</strong></td>
</tr>
</tbody>
</table>

### Contractual Services

<table>
<thead>
<tr>
<th></th>
<th>2016 Budget</th>
<th>FYTD Budget</th>
<th>FYTD Expenses</th>
<th>(Over) Under</th>
<th>(Over) Under Budget %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract Services</td>
<td>5,000</td>
<td>5,000</td>
<td>9,813</td>
<td>(4,813)</td>
<td>(96.26%)</td>
</tr>
<tr>
<td><strong>Total Contractual Services</strong></td>
<td><strong>5,000</strong></td>
<td><strong>5,000</strong></td>
<td><strong>9,813</strong></td>
<td><strong>(4,813)</strong></td>
<td><strong>(96.26%)</strong></td>
</tr>
</tbody>
</table>

### Furniture & Equipment

<table>
<thead>
<tr>
<th></th>
<th>2016 Budget</th>
<th>FYTD Budget</th>
<th>FYTD Expenses</th>
<th>(Over) Under</th>
<th>(Over) Under Budget %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Software - SQL Server</td>
<td>6,825</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Software - Enterprise Software</td>
<td>6,000</td>
<td>5,940</td>
<td>5,940</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Software - Go-To-Webinar</td>
<td>950</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Software - Go-To-Meeting</td>
<td>550</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Software - Security</td>
<td>6,825</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>License &amp; Maintenance - Other</td>
<td>450</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>License &amp; Mtn - Backup Line</td>
<td>1,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Software - Other</td>
<td>2,000</td>
<td>408</td>
<td>408</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>F&amp;E - Repairs &amp; Maintenance</td>
<td>4,500</td>
<td>1,546</td>
<td>1,546</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Total Furniture &amp; Equipment</strong></td>
<td><strong>29,100</strong></td>
<td><strong>7,894</strong></td>
<td><strong>7,894</strong></td>
<td><strong>-</strong></td>
<td><strong>0.00%</strong></td>
</tr>
</tbody>
</table>

### Contingency

<table>
<thead>
<tr>
<th></th>
<th>2016 Budget</th>
<th>FYTD Budget</th>
<th>FYTD Expenses</th>
<th>(Over) Under</th>
<th>(Over) Under Budget %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total ITS Department Budget</strong></td>
<td><strong>639,424</strong></td>
<td><strong>330,679</strong></td>
<td><strong>302,286</strong></td>
<td><strong>28,393</strong></td>
<td><strong>8.59%</strong></td>
</tr>
</tbody>
</table>

### Column Descriptions:

- 2012 Budget contains the budget approved by the Board of Trustees.
- 2012 Expenses contains paid invoices to date.
- Projected Expenses consist of two components: (1) unpaid invoices that are included in the budget; (2) unpaid invoices for anticipated expenses that have arisen after the budget was approved.
- (Over) Under compares 2012 Expenses plus Projected Expenses to the 2012 Budget.
- (Over) Under Budget % is percentage of (Over) Under to 2012 Budget.
### Member Services Division Budget

#### Personnel Services

<table>
<thead>
<tr>
<th></th>
<th>2016 Budget</th>
<th>FYTD Budget</th>
<th>FYTD Expenses</th>
<th>(Over) Under</th>
<th>(Over) Under Budget %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries &amp; Wages</td>
<td>1,105,506</td>
<td>599,084</td>
<td>594,224</td>
<td>4,860</td>
<td>0.81%</td>
</tr>
<tr>
<td>DC Plan - ER Matching</td>
<td>56,273</td>
<td>26,840</td>
<td>26,548</td>
<td>292</td>
<td>1.09%</td>
</tr>
<tr>
<td>Fringe Benefits</td>
<td>188,291</td>
<td>107,033</td>
<td>106,262</td>
<td>771</td>
<td>0.72%</td>
</tr>
<tr>
<td>Payroll Expenses - Other</td>
<td>215,795</td>
<td>115,087</td>
<td>114,138</td>
<td>949</td>
<td>0.82%</td>
</tr>
<tr>
<td>Payroll Expenses - ADOA Fees</td>
<td>13,819</td>
<td>6,356</td>
<td>6,295</td>
<td>61</td>
<td>0.96%</td>
</tr>
<tr>
<td><strong>Total Personnel Services</strong></td>
<td><strong>1,579,684</strong></td>
<td><strong>854,400</strong></td>
<td><strong>847,467</strong></td>
<td><strong>6,933</strong></td>
<td><strong>0.81%</strong></td>
</tr>
</tbody>
</table>

#### Education & Training

<table>
<thead>
<tr>
<th></th>
<th>2016 Budget</th>
<th>FYTD Budget</th>
<th>FYTD Expenses</th>
<th>(Over) Under</th>
<th>(Over) Under Budget %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Travel Expense - Other</td>
<td>1,020</td>
<td>742</td>
<td>742</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Training Expense - Conferences</td>
<td>400</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Training Exp - Tuition Reimburs</td>
<td>800</td>
<td>800</td>
<td>3,966</td>
<td>(3,166)</td>
<td>(395.75%)</td>
</tr>
<tr>
<td><strong>Total Education &amp; Training</strong></td>
<td><strong>2,220</strong></td>
<td><strong>1,542</strong></td>
<td><strong>4,708</strong></td>
<td><strong>(3,166)</strong></td>
<td><strong>(205.32%)</strong></td>
</tr>
</tbody>
</table>

#### Professional Services

<table>
<thead>
<tr>
<th></th>
<th>2016 Budget</th>
<th>FYTD Budget</th>
<th>FYTD Expenses</th>
<th>(Over) Under</th>
<th>(Over) Under Budget %</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2016 Budget</th>
<th>FYTD Budget</th>
<th>FYTD Expenses</th>
<th>(Over) Under</th>
<th>(Over) Under Budget %</th>
</tr>
</thead>
</table>

#### Contractual Services

<table>
<thead>
<tr>
<th></th>
<th>2016 Budget</th>
<th>FYTD Budget</th>
<th>FYTD Expenses</th>
<th>(Over) Under</th>
<th>(Over) Under Budget %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract Services</td>
<td>8,500</td>
<td>8,124</td>
<td>8,124</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Total Contractual Services</strong></td>
<td><strong>8,500</strong></td>
<td><strong>8,124</strong></td>
<td><strong>8,124</strong></td>
<td><strong>-</strong></td>
<td><strong>0.00%</strong></td>
</tr>
</tbody>
</table>

#### Furniture & Equipment

<table>
<thead>
<tr>
<th></th>
<th>2016 Budget</th>
<th>FYTD Budget</th>
<th>FYTD Expenses</th>
<th>(Over) Under</th>
<th>(Over) Under Budget %</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2016 Budget</th>
<th>FYTD Budget</th>
<th>FYTD Expenses</th>
<th>(Over) Under</th>
<th>(Over) Under Budget %</th>
</tr>
</thead>
</table>

### Total MSD Department Budget

<table>
<thead>
<tr>
<th></th>
<th>2016 Budget</th>
<th>FYTD Budget</th>
<th>FYTD Expenses</th>
<th>(Over) Under</th>
<th>(Over) Under Budget %</th>
</tr>
</thead>
</table>

|                      | 1,590,404   | 864,066     | 860,299       | 3,767        | 0.44%                 |

**Column Descriptions:**
- 2016 Budget contains the budget approved by the Board of Trustees.
- 2016 Expenses contains paid invoices to date.
- Projected Expenses consist of two components: (1) unpaid invoices that are included in the budget; (2) unpaid invoices for anticipated expenses that have arisen after the budget was approved.
- (Over) Under compares 2016 Expenses plus Projected Expenses to the 2016 Budget.
- (Over) Under Budget % is percentage of (Over) Under to 2016 Budget.
Information

Subject
Discussion and Action regarding the creation of a new Investment Analyst Position.

Mr. Mark Steed
Deputy CIO and Chief of Staff

Attachments
Information

Subject
Report and possible Action on FY 2016 Compliance and Internal Audit Plan.

Ms. Bridget Feeley

Attachments

PSPRS Audit Plan FY2016 for January 20 2016 meeting
December 2015 Compliance and Internal Audit Summary
Implement Log Summary 1-20-16
Public Safety Personnel Retirement System

Compliance / Internal Audit Plan
FY 2015 - 2016

January 20, 2016
Detail of Proposed Internal Audit Projects

Please note: Highlighted boxes have changed from prior update.

<table>
<thead>
<tr>
<th>Process/Review</th>
<th>Objective</th>
<th>Tentative Reporting Date</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal Audit Manual and Internal Audit Procedures</td>
<td>Develop formal Internal Audit Manual and further document Internal Audit Procedures. This was a recommendation per the Auditor General’s Sunset Review.</td>
<td>December</td>
<td>Manual 50% completed, Procedures 25% completed</td>
</tr>
<tr>
<td>Train Internal Auditor in the Compliance Functions</td>
<td>Develop back-up for the Internal Audit and Compliance Officer. This concern was expressed in the Risk Assessment as well as in Board of Trustees meeting.</td>
<td>January</td>
<td>February – after completion of Procedural Documentation</td>
</tr>
<tr>
<td>Monthly sample review of accuracy of Management Fees</td>
<td>Will select five investments per month to review legal documents to obtain management fee terms, and agree to actual management fees charged.</td>
<td>Ongoing</td>
<td></td>
</tr>
<tr>
<td>Control review of Investment Management Fees</td>
<td>Review the processes to assure that fees paid to our investment partners are accurately calculated and within the terms of the agreements.</td>
<td>February</td>
<td></td>
</tr>
<tr>
<td>Review of Due Diligence Process</td>
<td>Review the controls around Manager Selection and Investment Due Diligence process</td>
<td>March</td>
<td></td>
</tr>
<tr>
<td>Process/Review</td>
<td>Objective</td>
<td>Tentative Reporting Date</td>
<td>Notes</td>
</tr>
<tr>
<td>-----------------------------------</td>
<td>---------------------------------------------------------------------------</td>
<td>--------------------------</td>
<td>--------------------------------------------</td>
</tr>
<tr>
<td>Accounting for investments</td>
<td>Review the controls around the recording of investments</td>
<td>May</td>
<td></td>
</tr>
<tr>
<td>Maintenance of Member/Retiree Data</td>
<td>Possible Project for continuous auditing. Periodic comparison of changes in data and sample testing of changes noted</td>
<td>This is an ongoing project begun in FY 2014-2015</td>
<td></td>
</tr>
<tr>
<td>ADOA policies</td>
<td>Review of PSPRS Compliance with ADOA policies</td>
<td>February</td>
<td></td>
</tr>
<tr>
<td>Refunds</td>
<td>Review of the controls around the issuance of Refunds</td>
<td>October</td>
<td>Completed</td>
</tr>
<tr>
<td>Strategic Planning</td>
<td>Review the process of developing and monitoring the strategic plan.</td>
<td>April</td>
<td></td>
</tr>
<tr>
<td>Process/Review</td>
<td>Objective</td>
<td>Tentative Reporting Date</td>
<td>Notes</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>------------------------------------------------</td>
<td>--------------------------</td>
<td>--------------------------------</td>
</tr>
<tr>
<td>Cancer Insurance Program</td>
<td>Review of Controls around the Cancer Insurance Program</td>
<td>April</td>
<td>Moved forward, 80% completed</td>
</tr>
<tr>
<td>External Penetration Review</td>
<td>Outsourced IT Review</td>
<td>TBD</td>
<td></td>
</tr>
<tr>
<td>IT General Controls Review</td>
<td>Outsourced IT Review</td>
<td>TBD</td>
<td></td>
</tr>
</tbody>
</table>
Compliance and Internal Audit
December 2015
Bridget Feeley
Internal Audit and Compliance Officer
David Pliskin
Internal Auditor

December

Compliance Projects
- Monthly Investment Compliance Review 2%
- Approval of Capital calls 12%
- New Accounts at BNY 2%
- Confirmation of Investment Management Selection approvals 3%
  19%

Internal Audit
- Draft Internal Audit Manual/ Procedures 16%
- Review of Management Fees 4%
- Review of Cancer Insurance Program 44%
  63%

Administration
- Executive/Department Meetings 4%
- Board of Trustees Meetings inc prep 8%
- Other-ACL training; other training; admin items; prof. assoc. meetings 6%
  18%

100%
<table>
<thead>
<tr>
<th>Review</th>
<th>Finding number</th>
<th>Open Items</th>
<th>Estimated completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>15.01 Accounts Payable</td>
<td>3. Credit Card purchase approvals</td>
<td>Process Documentation</td>
<td>Completed 4/30/15</td>
</tr>
<tr>
<td></td>
<td>4. Credit Card purchase documentation</td>
<td>Process Documentation</td>
<td>Completed 12/31/15</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15.07 Building Security</td>
<td>3. Employee training</td>
<td>Completed 12/31/15</td>
<td></td>
</tr>
<tr>
<td></td>
<td>4. Building Emergency/Evacuation Plan</td>
<td>Completed 12/31/15</td>
<td></td>
</tr>
<tr>
<td></td>
<td>5. Business Continuation/ Disaster Recovery Plan</td>
<td>IT portion is complete. 12/31/15 Operations part of the Plan needs departmental input and procedural updates.</td>
<td>6/30/16 12/31/15</td>
</tr>
</tbody>
</table>
Information

Subject
Summary Update – Business Continuity Plan

Mr. Sam Meier
IT Operations Manager

Attachments

PSPRS Business Continuity Plan Update
Summary PSPRS Business Continuity Plan Update

A business continuity plan is a plan to continue operations if a place of business is affected by different levels of disaster which can be localized short term disasters, to days long building wide problems, to a permanent loss of a building. Such a plan typically explains how the business would recover its operations or move operations to another location after damage by events like natural disasters, theft, or flooding. For example, if a fire destroys an office building or data center, the people and business or data center operations would relocate to a recovery site.

Currently we have a disaster recovery and business continuity plan that was created in 2012. Our compliance department determined there is a need to update the document on a yearly basis. We are in the process of updating the document as well as strengthening the document to better serve the system in case of a disaster. Each PSPRS department is in the process of creating and/or updating their processes and procedures and Sam Meier is facilitating updating each departments’ specific information in the Continuity Plan.
Information

Subject
Update on the progress of the Local Board Training Program and discussion and possible Action regarding the same.

Mr. Robert Ortega
Local Board Training Coordinator and Human Resources Manager

Mr. Don Mineer
Local Board Training Specialist

Attachments

2016 January - Local Board Training Summary
Local Board Training
Recap for January 2016
Robert Ortega, Training Coordinator
Don Mineer, Training Specialist

Local Board Outreach:

- Meet with:
  - Eloy Fire District to discuss the disability application process.
  - Gila River Police and Fire to review the responsibilities of the local board
  - Helped the Hualapai Indian Tribal Police process and approve and pay an outstanding disability application.
- CORP Local board training scheduled for February 9, 2016. Currently, there are over 20 individuals registered.
- Presented initial Actuarial Valuation to Mountain Vista Fire District for consideration for joinder.
- Working with the Central Yavapai Fire District & the Chino Valley Fire District’s establishment of Joint Power Authority and its implications with PSPRS participation.

Additional Projects:

- Created a presentation to help the employer groups understand the individual actuarial reports.
- Created a new tool which is available in the PSPRS Local Board Website. The tool will allow authorized local staff to view a list of the board’s retirement actions processed for payment each month.
- Reviewing the local board minutes and contacting local boards who need assistance.
- Working with Local Boards who have new disabilities to process.
Presentation of the "Requests for Local Board Rehearing" Report for the current month.

Mr. Jared A. Smout
Information

Subject
Review and discussion regarding law firms' billings for legal services performed in October, November and December, 2015.

Mr. Jared A. Smout

Attachments

Legal bills FY 2016 - December Summary
Legal Report-Summary - January 2016
Legal Expenses Graph FY 2016
<table>
<thead>
<tr>
<th>Vendor</th>
<th>Administration</th>
<th>Litigation</th>
<th>Investment</th>
<th>Total</th>
<th>Deals in Process</th>
<th>Committed Capital</th>
<th>Legal fees as % of Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>KUTAK ROCK</strong></td>
<td>0.00</td>
<td>1,487.95</td>
<td>49,226.03</td>
<td>50,713.98</td>
<td>2</td>
<td>80,000,000</td>
<td>0.0615%</td>
</tr>
<tr>
<td><strong>STEPTOE &amp; JOHNSON</strong></td>
<td>0.00</td>
<td>0.00</td>
<td>24,585.00</td>
<td>24,585.00</td>
<td>2</td>
<td>120,000,000</td>
<td>0.0147%</td>
</tr>
<tr>
<td><strong>FOLEY &amp; LARDNER</strong></td>
<td>0.00</td>
<td>0.00</td>
<td>17,607.50</td>
<td>17,607.50</td>
<td>2</td>
<td>120,000,000</td>
<td>0.0147%</td>
</tr>
<tr>
<td><strong>FOSTER PEPPER</strong></td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>JACKSON WALKER</strong></td>
<td>0.00</td>
<td>3,060.00</td>
<td>3,060.00</td>
<td>3,060.00</td>
<td>1</td>
<td>30,000,000</td>
<td>0.0102%</td>
</tr>
<tr>
<td><strong>CHARLES W. WHETSTINE</strong></td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>LEWIS ROCA ROTHGERBER</strong></td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Coppersmith/Brockelman</strong></td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Special Counsel</strong></td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
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<td></td>
</tr>
<tr>
<td>Category</td>
<td>Administration</td>
<td>Litigation</td>
<td>Investment</td>
<td>Total</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>---------------</td>
<td>----------------</td>
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<tr>
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*Credit for Visa fees.*
## SUMMARY BY VENDOR and TYPE

<table>
<thead>
<tr>
<th>Vendor</th>
<th>AMOUNT DUE (March 2015)</th>
<th>FYTD 2015 (Fees &amp; Costs)</th>
<th>Deals in Process</th>
<th>Committed Capital</th>
<th>Legal fees as % of Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>KUTAK ROCK</strong></td>
<td></td>
<td></td>
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<tr>
<td>Administration</td>
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<tr>
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<td><strong>STEPTOE &amp; JOHNSON</strong></td>
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<td></td>
<td></td>
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</tr>
<tr>
<td>Administration</td>
<td>0.00</td>
<td>0.00</td>
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<tr>
<td>Litigation</td>
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<td>50,128.20</td>
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<td><strong>STEPTOE &amp; JOHNSON TOTAL</strong></td>
<td>0.00</td>
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<td><strong>FOLEY &amp; LARDNER</strong></td>
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<tr>
<td>Investment</td>
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<td><strong>FOSTER PEPPER TOTAL</strong></td>
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</tr>
<tr>
<td>Investment</td>
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<td>13,733.00</td>
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<td><strong>CHARLES W. WHETSTINE</strong></td>
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<td></td>
</tr>
<tr>
<td>Administration</td>
<td>3,534.00</td>
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<tr>
<td><strong>CHARLES W. WHETSTINE TOTAL</strong></td>
<td>3,534.00</td>
<td>26,559.00</td>
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<tr>
<td><strong>LEWIS ROCA ROTHGERBER</strong></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administration</td>
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</tr>
<tr>
<td><strong>LEWIS ROCA ROTHGERBER TOTAL</strong></td>
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</tr>
<tr>
<td>Coppersmith/Brockelman</td>
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<td></td>
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<tr>
<td>Litigation</td>
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<td><strong>Coppersmith/Brockelman TOTAL</strong></td>
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</tr>
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<td>Administration</td>
<td>$3,534.00</td>
<td>$25,396.70</td>
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<td>Litigation</td>
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<td><strong>586,708.57</strong></td>
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</tr>
</tbody>
</table>

5 Internal deals in progress

*Credit for Visa fees.
Information

Subject
Update and discussion on the progress of implementing the Auditor General recommendations as agreed to in their Performance Audit and Sunset Review.

Mr. Jared A. Smout

Attachments

Auditor General Matrix
# 2015 PSPRS Performance Audit and Sunset Review

Implementation and Tracking log of Recommendations
January 20, 2016

| 1 Plans’ assets have not kept pace with estimated pension obligations |
| Recommendation | PSPRS Response | Actions/Status |
| None |

| 2 Changes in calculating and awarding annual benefit increases would help system plans’ sustainability |
| Recommendation | PSPRS Response | Actions/Status |
| 2.1. To ensure the plans’ permanent benefit increase structures are sustainable, the System should take the lead and collaborate with stakeholders to identify changes that are needed and develop solutions. In developing solutions, the System will have to pursue legislative changes to implement them since each plan’s benefit increase structure is specified in statute. The System will also need to determine if the solutions should apply to all members or members hired or retired on or after a specific date, and consider whether a constitutional change might be warranted (see Recommendations 2.2 and 2.3, page 35). In collaboration with stakeholders, the System should: |
| Response: In light of current reform discussions, it was determined in multiple meetings with many stakeholders that some of the recommendations given do not follow the same direction those reform discussions are heading for which much progress has already been gained. It is believed that the destination of a more sustainable pension fund can be reached through one of many different routes or a combination of multiple methods. However, it was also determined that introducing and pursuing new ideas into these current discussions would slow down or even halt that progress. Therefore, some recommendations may not be currently feasible or even desired among the stakeholders to pursue. Individual responses, as appropriate, are given below. |
| 2.1a Determine whether a higher funded status for each plan should be required before providing a benefit increase | The finding of the Auditor General is agreed to and the audit recommendation will be implemented. | As part of the current reform proposals, a higher funded status for new hires is being presented before an increase can be given. There will be no funding requirement for current actives and retirees. |
| 2.1b Determine whether a simple instead of a compound structure may be more sustainable for its plans | The finding of the Auditor General is agreed to and the audit recommendation will be implemented. | A compound structure is being presented in the current reform proposal. |
| 2.1c Consider whether it should link its permanent benefit increases to the Consumer Price Index, and if so, whether it should provide full inflation protection | The finding of the Auditor General is agreed to and the audit recommendation will be implemented. | Converting the PBI to a pure COLA with a 2% cap is being presented in the current reform proposal. |
| 2.1d Consider changing its permanent | The finding of the Auditor General is | Current pension reform discussions have the structure |

Matrix - follow-up on AG recommendations
<table>
<thead>
<tr>
<th></th>
<th>benefit increase structure for the PSPRS plan and CORP to be based on the funded status of individual employers instead of each plan’s overall aggregate funded status</th>
<th>agreed to and the audit recommendation will be implemented. There are a number of practices based on aggregate numbers. Changing the PBI structure to be based on individual employer funded levels will be considered along with those other practices.</th>
<th>being changed to a different mechanism where this recommendation could become moot.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1e</td>
<td>Consider whether increases for all three plans should be applied to a certain amount of a member’s pension benefit, such as the first $18,000</td>
<td>The finding of the Auditor General is agreed to and the audit recommendation will be implemented.</td>
<td>The COLA being presented in the current reform proposal will be a compounding increase based on the individual retiree’s current pension.</td>
</tr>
<tr>
<td>2.1f</td>
<td>Consider changing the EORP benefit increase formula to be based on asset value similar to the PSPRS plan and CORP, instead of retired members’ estimated pension obligations</td>
<td>The finding of the Auditor General is agreed to and the audit recommendation will be implemented.</td>
<td>Discussions are still ongoing.</td>
</tr>
<tr>
<td>2.1g</td>
<td>Consider modifying the PSPRS plan’s permanent benefit increase structure to be based on an individual member’s pension benefit</td>
<td>The finding of the Auditor General is agreed to and the audit recommendation will be implemented.</td>
<td>The COLA being presented in the current reform proposal will be a compounding increase based on the individual retiree’s current pension.</td>
</tr>
<tr>
<td>2.1h</td>
<td>Identify other necessary changes, such as basing benefit increases on long-term investment performance instead of a 1-year result, or consider whether benefit increases should be eliminated.</td>
<td>The finding of the Auditor General is agreed to and the audit recommendation will be implemented. We will consider basing benefit increases on long-term investment performance instead of a 1-year result, but do not think eliminating benefit increases altogether is appropriate.</td>
<td>It was determined in the current reform proposals that benefit increases are crucial and therefore will not be recommended for elimination. As mentioned previously, there will no longer be a investment performance measure for current actives and retirees, but will instead be tied to the funding of the System for new hires.</td>
</tr>
<tr>
<td>2.2</td>
<td>Once solutions have been decided upon, the System and stakeholders should determine if the changes should apply only to members who are hired or retire after a specific date. If so, the System should pursue the</td>
<td>The finding of the Auditor General is agreed to and the audit recommendation will be implemented.</td>
<td>Current reform proposals will effect existing and future retirees differently. As mentioned previously, the funded status criteria will only be applied to new hires, but the change from a PBI to a COLA will be applied universally...</td>
</tr>
</tbody>
</table>

Matrix - follow-up on AG recommendations
<table>
<thead>
<tr>
<th></th>
<th>necessary legislative changes to implement the solutions for all three plans’ benefit increase structures. The outcome of the Hall lawsuit may impact the System’s ability to make changes to the plans’ benefit increase structures for active members.</th>
<th>The finding of the Auditor General is agreed to and the audit recommendation will be implemented.</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2.3</td>
<td>The System should consider whether pursuing a ballot initiative to amend Arizona’s Constitution would be warranted to make changes to the benefit increase structures for all three plans’ members. Depending on how an amendment is worded, it could supersede previous legal decisions. If considering an amendment, the System and stakeholders should ensure that this amendment is specific to the System plans’ permanent benefit increases to ensure members’ base pension benefits are not impacted.</td>
<td>The finding of the Auditor General is agreed to and the audit recommendation will be implemented.</td>
<td>...and will be the only benefit change taken to the ballot.</td>
</tr>
<tr>
<td>2.4</td>
<td>Throughout the process of developing solutions for the plans’ benefit increase structures, the System should ensure it provides the necessary training or informational materials to ensure stakeholders and the public understand the purpose and impact of the proposed changes.</td>
<td>The finding of the Auditor General is agreed to and the audit recommendation will be implemented.</td>
<td>Once the solutions have been identified and agreed upon, increased efforts will be made to provide information and training.</td>
</tr>
<tr>
<td>2.5</td>
<td>The System should ensure that its actuarial assumptions appropriately include the estimated costs for its permanent benefit increases when conducting the System plans’ annual valuations by:</td>
<td>The finding of the Auditor General is agreed to and the audit recommendation will be implemented.</td>
<td></td>
</tr>
<tr>
<td>2.5a</td>
<td>Conducting an audit of its actuary as soon as possible.</td>
<td>The finding of the Auditor General is agreed to and the audit recommendation will be implemented. Our internal governance policies state that “an actuarial audit or equivalent is</td>
<td>This will be budgeted for fiscal 2016-17.</td>
</tr>
</tbody>
</table>

Matrix - follow-up on AG recommendations
conducted at least every seven (7) years.” Three actuarial audits or equivalents were performed between 2005 and 2009, the last being performed by our current actuaries as part of their new engagement that year. In consultation with those actuaries, and accepted by the Board of Trustees’ Operations, Governance Policy and Audit Committee, we agreed it would be best to wait until the Hall case is determined before conducting the next actuarial audit. It is our understanding and hope that the Hall case will be determined early enough to incorporate any necessary retro payments and return of contributions in this fiscal year if the Superior Court ruling is upheld. If so, performing the next actuarial audit as of June 30, 2016 will still be in compliance with our internal policies.

### 3 Additional actions necessary to improve system plans’ financial condition and long-term sustainability

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>PSPRS Response</th>
<th>Actions/Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1 The System should develop and implement a funding improvement strategy. This funding improvement strategy will need to be at the participating-employer level for the PSPRS plan and CORP, but at the plan level for EORP. In developing this strategy, the System should review</td>
<td>The finding of the Auditor General is agreed to and the audit recommendation will be implemented. We have already discussed the need for a funding improvement strategy with employer stakeholders and will be working with them to develop it. We will review Rhode Island’s funding</td>
<td>As part of pension reform, an advisory committee is statutorily being created with equal representation by members and employers to provide guidance to the Board of Trustees on a number of issues. This funding improvement strategy and all the elements therein will be included as one of those issues.</td>
</tr>
</tbody>
</table>
and incorporate key elements from Rhode Island’s funding improvement strategy that may reasonably help increase plans’ funded statuses.

improvement strategy and incorporate those key elements that may reasonably help increase an individual plan’s funded status.

<table>
<thead>
<tr>
<th>3.2</th>
<th>The funding improvement strategy the System develops should consider:</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.2a</td>
<td>Establishing the funded status level at which its plans should be considered at-risk, and work with its actuary to determine what would be appropriate.</td>
</tr>
<tr>
<td></td>
<td>The finding of the Auditor General is agreed to and the audit recommendation will be implemented.</td>
</tr>
<tr>
<td></td>
<td>See response to 3.1 above.</td>
</tr>
<tr>
<td>3.2b</td>
<td>Requiring annual certification of the at-risk funded status. This could be done as a part of the annual actuarial valuations performed by the System’s actuary.</td>
</tr>
<tr>
<td></td>
<td>The finding of the Auditor General is agreed to and the audit recommendation will be implemented.</td>
</tr>
<tr>
<td></td>
<td>See response to 3.1 above.</td>
</tr>
<tr>
<td>3.2c</td>
<td>Specifying who must be notified when a plan is certified to be at-risk.</td>
</tr>
<tr>
<td></td>
<td>The finding of the Auditor General is agreed to and the audit recommendation will be implemented.</td>
</tr>
<tr>
<td></td>
<td>See response to 3.1 above.</td>
</tr>
<tr>
<td>3.2d</td>
<td>Posting a notice of the at-risk status on its Web site.</td>
</tr>
<tr>
<td></td>
<td>The finding of the Auditor General is agreed to and the audit recommendation will be implemented.</td>
</tr>
<tr>
<td></td>
<td>See response to 3.1 above.</td>
</tr>
<tr>
<td>3.2e</td>
<td>Establishing the specific actions that can be taken when a plan or plan employer is determined to be at-risk, including a requirement that the System review and approve the actions.</td>
</tr>
<tr>
<td></td>
<td>The finding of the Auditor General is agreed to and the audit recommendation will be implemented.</td>
</tr>
<tr>
<td></td>
<td>See response to 3.1 above.</td>
</tr>
<tr>
<td>3.2f</td>
<td>Identifying who is responsible for the various actions, including the employer, an actuary, or system administrator.</td>
</tr>
<tr>
<td></td>
<td>The finding of the Auditor General is agreed to and the audit recommendation will be implemented.</td>
</tr>
<tr>
<td></td>
<td>See response to 3.1 above.</td>
</tr>
<tr>
<td>3.2g</td>
<td>Establishing the amount of improvement in funded status that should be achieved.</td>
</tr>
<tr>
<td></td>
<td>The finding of the Auditor General is agreed to and the audit recommendation will be implemented.</td>
</tr>
<tr>
<td></td>
<td>See response to 3.1 above.</td>
</tr>
<tr>
<td>3.2h</td>
<td>Determining time frames for completing the various actions, including an overall time frame for improvement in a plan’s funded</td>
</tr>
<tr>
<td></td>
<td>The finding of the Auditor General is agreed to and the audit recommendation will be implemented.</td>
</tr>
<tr>
<td></td>
<td>See response to 3.1 above.</td>
</tr>
<tr>
<td>3.3</td>
<td>Once the System has developed a funding improvement strategy, to provide greater leverage, the System should pursue legislation to incorporate the requirements related to the funding improvement strategy and its various components within its statutes.</td>
</tr>
<tr>
<td>3.4</td>
<td>The System should work with the PSPRS plan and CORP employers and local boards, and other stakeholders, such as professional associations for firefighters or police, to explore the feasibility of offering multiple benefit options.</td>
</tr>
<tr>
<td>3.5</td>
<td>If the System decides to offer a limited number of pension benefit options, it should take the following actions:</td>
</tr>
<tr>
<td>3.5a</td>
<td>Determine the specific pension options that should be available.</td>
</tr>
<tr>
<td>3.5b</td>
<td>Determine the specific times and conditions under which an employer can change its options.</td>
</tr>
<tr>
<td>3.5c</td>
<td>Seek the necessary changes to the PSPRS plan and CORP laws to allow for employers to select options.</td>
</tr>
<tr>
<td>3.5d</td>
<td>Develop and implement training materials on the various pension benefit options and their costs so that PSPRS plan and CORP employers can make informed decisions about which benefit options would be the most appropriate.</td>
</tr>
<tr>
<td>3.6</td>
<td>The System should develop and</td>
</tr>
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</table>

Matrix - follow-up on AG recommendations
<table>
<thead>
<tr>
<th>3.7</th>
<th>The System should adopt practices similar to those in peer public pension plans to ensure that contributions are correct, including:</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.7a</td>
<td>Establishing formal, written policies and procedures for system staff to flag and document any abnormal contributions that may indicate abnormal wage increases or contribution errors. These procedures should detail which staff will be responsible for completing these tasks.</td>
</tr>
<tr>
<td></td>
<td>The finding of the Auditor General is agreed to and the audit recommendation will be implemented. Informal, unwritten procedures are already in place so we will make sure they are formally written and reviewed in accordance with our annual policies and procedures process.</td>
</tr>
<tr>
<td></td>
<td>Completed and approved on 12/29/15.</td>
</tr>
<tr>
<td>3.7b</td>
<td>Establishing formal, written policies and procedures for system staff to investigate flagged contributions. These procedures should detail the necessary steps and documentation for any investigation as well as which staff will be responsible for conducting these investigations.</td>
</tr>
<tr>
<td></td>
<td>The finding of the Auditor General is agreed to and the audit recommendation will be implemented. Informal, unwritten procedures are already in place so we will make sure they are formally written and reviewed in accordance with our annual policies and procedures process.</td>
</tr>
<tr>
<td></td>
<td>Completed and approved on 12/29/15.</td>
</tr>
<tr>
<td>3.7c</td>
<td>Developing and implementing written policies and procedures for conducting regular audits of participating employers for compliance in reporting wages and contributions.</td>
</tr>
<tr>
<td></td>
<td>The finding of the Auditor General is agreed to and the audit recommendation will be implemented. This should be something that can be incorporated into the GASB 68 census data audits or we can go out to bid for a private firm to audit these employers on this specific issue.</td>
</tr>
</tbody>
</table>
3.8 To ensure that the EORP has sufficient assets to cover its estimated pension obligations, the Legislature should consider revising A.R.S. §38-810 to allow the Board to annually establish contribution rates or consider increasing its annual appropriations over time.

3.9 The System should continue its efforts to provide additional training to employers and local boards. In conducting such training, the System should ensure that employers and local board members understand the associated costs and effects of certain benefit decisions, such as long-term disability approvals and benefit calculations, as well as the significance of their individual funded status. The finding of the Auditor General is agreed to and the audit recommendation will be implemented. We are already doing this to some degree in our Local Board Training program formally adopted by the Board of Trustees in 2008. We will review that material and expand as appropriate.

**Sunset Factor Recommendations**

**SS 1 The System should take additional actions to improve the system plans’ financial condition and long-term sustainability**

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>PSPRS Response</th>
<th>Actions/Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>SS 1.a Train IT staff on the roles and responsibilities of its updated disaster recovery plan.</td>
<td>The finding of the Auditor General is agreed to and the audit recommendation will be implemented. This has already been completed.</td>
<td>Completed on 8/17.</td>
</tr>
<tr>
<td>SS 1.b Develop processes for reviewing, approving, and implementing its IT policies.</td>
<td>The finding of the Auditor General is agreed to and the audit recommendation will be implemented. This has already been completed.</td>
<td>Completed on 8/19.</td>
</tr>
<tr>
<td>SS 1.c Implement additional controls on its hosted Web site, such as encryption technologies, to prevent unauthorized access of confidential system information.</td>
<td>The finding of the Auditor General is agreed to and the audit recommendation will be implemented. Just to clarify for the public, the hosted website referred to is for Board of Trustee meeting material only. All personally identifiable and other confidential membership information and material is hosted internally and</td>
<td>Completed on 10/1.</td>
</tr>
</tbody>
</table>
very secure. We have received assurance from the third party host that this website will be made secure before the end of October.

SS 2 The Board and System should enhance its internal audit function by:

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>PSPRS Response</th>
<th>Actions/Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>SS 2.a</td>
<td>Revising the System’s internal audit charter to ensure internal and external assessments are conducted and scheduling an external assessment of the internal audit function</td>
<td>The finding of the Auditor General is agreed to and the audit recommendation will be implemented. The Internal Audit and Compliance Officer prepared an internal review of the IIA standards and how they are addressed at PSPRS for the Auditor General as part of this review. We will incorporate this review into a self-assessment review and expand as needed. We will also schedule an external review for this fiscal year.</td>
</tr>
<tr>
<td>SS 2.b</td>
<td>Requiring that the internal auditors disclose any conflicts of interest and their appropriate mitigation to the Operations, Governance Policy and Audit Committee.</td>
<td>The finding of the Auditor General is agreed to and the audit recommendation will be implemented.</td>
</tr>
<tr>
<td>SS 2.c</td>
<td>Periodically reviewing its internal audit charter, including requiring internal auditors to regularly brief the Board on the purpose, authority, and responsibility of the internal audit function according to the charter. In addition, the Board should also amend the internal audit charter to require these activities;</td>
<td>The finding of the Auditor General is agreed to and the audit recommendation will be implemented. In March of 2012 the Internal Audit Officer, in conjunction with audit partner from our external audit firm, made a presentation of the roles of Internal Audit, External Audit and the Audit Committee. This has not been updated since then; however, there has been no turnover on the Board, This is included in the 2015-2016 audit plan.</td>
</tr>
</tbody>
</table>
but we will expand upon this presentation to more frequently and fully comply with this recommendation.

This is included in the 2015-2016 audit plan.

| SS 2.d | Developing and implementing policies and procedures to guide internal audit function | The finding of the Auditor General is not agreed to, but the recommendation will be implemented. We have established policies and procedures, but agree they are not sufficiently documented. We will include this documentation as part of the Internal Audit and Compliance plan for the current Fiscal Year. | This is included in the 2015-2016 audit plan. |

**SS 3To enhance its processes for addressing members’ issues, the System should:**

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>PSPRS Response</th>
<th>Actions/Status</th>
</tr>
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<tbody>
<tr>
<td>SS 3.a</td>
<td>Develop and implement formal, written policies and procedures for handling member communications to ensure that system staff provide uniform treatment to members. These policies and procedures should define what member communications should be documented and tracked</td>
<td>The finding of the Auditor General is agreed to and the audit recommendation will be implemented.</td>
</tr>
<tr>
<td>SS 3.b</td>
<td>Develop and implement a central record that details when members’ issues are received, the nature of the issue, the system staff members who handled the issue and when, and how the issue was resolved</td>
<td>The finding of the Auditor General is agreed to and the audit recommendation will be implemented.</td>
</tr>
<tr>
<td>SS 3.c</td>
<td>Develop and implement procedures for requiring a regular analysis of the</td>
<td>The finding of the Auditor General is agreed to and the audit recommendation will be implemented.</td>
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</table>

Matrix - follow-up on AG recommendations
<table>
<thead>
<tr>
<th>Task</th>
<th>Recommendation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Task 1.c:</td>
<td>Determine the processes the System uses to monitor how well its investment strategies and objectives are performing and guide it toward meeting its expected rates of return.</td>
</tr>
<tr>
<td>1.c</td>
<td>Gallagher recommends that the System consider including consecutive calendar year performance for the most recent ten years, as well as the inception to date returns in its quarterly investment reporting.</td>
</tr>
<tr>
<td></td>
<td>The finding of the Gallagher Fiduciary Advisors, LLC is agreed to and the audit recommendation will be implemented.</td>
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<td></td>
<td>Will be implemented starting with quarter-ending 12/31/15.</td>
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<thead>
<tr>
<th>Task 1.h:</th>
<th>Determine the causes for any underperformance, including any procedures or requirements that limit the System’s investment strategies.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.h1</td>
<td>Given the poor performance of the overall real estate portfolio, in particular the Joint Venture investments, Gallagher recommends that the System staff continue to work with its specialty consultants to review and possibly restructure the portfolio as feasible.</td>
</tr>
<tr>
<td></td>
<td>As Gallagher Fiduciary Advisors, LLC discuss in their report, the System restructured the Joint-Venture Real Estate portfolio and is working with legal counsel and external consultants towards a resolution for the remaining assets. Therefore, the finding of the Gallagher Fiduciary Advisors, LLC is agreed to and the audit recommendation will be implemented.</td>
</tr>
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<td></td>
<td>Completed</td>
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</table>

| 1.h2       | The System should continue to monitor performance of the Trust and the underlying strategies and adjust its asset allocation and restructure asset classes as appropriate and reasonable. |
|            | The System will continue to monitor performance. The finding of the Gallagher Fiduciary Advisors, LLC is agreed to and the audit recommendation will be implemented. |
|            | Complete. Staff will continue with asset class strategy reviews. |

<table>
<thead>
<tr>
<th>Task 2.a:</th>
<th>Identify the processes and other controls the System uses for selecting, developing terms and conditions for, monitoring, valuing investments, and terminating alternative investment manager contracts.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.a</td>
<td>The Fund Due Diligence procedure was approved in 2014 and our review shows that it is due to be reviewed in 2015. Gallagher recommends following the annual review schedule</td>
</tr>
<tr>
<td></td>
<td>The System will continue to update procedures on an annual basis. The finding of the Gallagher Fiduciary Advisors, LLC is agreed to and the audit recommendation will be implemented.</td>
</tr>
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<td></td>
<td>Review of the due diligence process is on the 2015-2016 audit schedule.</td>
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Matrix - follow-up on AG recommendations
<table>
<thead>
<tr>
<th>Task 2.b: Determine whether the System used the identified processes and controls for alternative investment contracts the System’s entered into during fiscal years 2005 through 2014.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.b1 Gallagher recommends creating an Executive Summary for each partnership that reflects the twelve areas of focus outlined in the due diligence process (FDD2014). The summary should indicate that each area has been reviewed and completed as outlined in the process document. The summary should be included in all due diligence records, in both electronic and hard copy form, as appropriate.</td>
</tr>
<tr>
<td>2.b2 The Internal Audit and Compliance Officer should review, at least annually, each investment that has been approved by the Administrator, Staff and consultants for the System portfolio. The scope of this review should mirror that of the internal process documented in the Review of Investment Due Diligence Report dated March 18, 2013. Future annual reviews should be presented to the Board of Trustees.</td>
</tr>
<tr>
<td>2.b3. Gallagher recommends updating and revising the due diligence procedures on an annual basis. In the next revision of the procedure outlined in FDD2014, Gallagher specifically recommends:</td>
</tr>
<tr>
<td>2.b3.a Expand the staff memo to specifically include information on how the investment was identified and selected for due diligence.</td>
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<tr>
<td>2.b3.b Include a note in the FDD2014 procedure that very clearly specifies that the Meeting Scorecard is only</td>
</tr>
<tr>
<td>Task 2.c: Determine if the System collects and utilizes monitoring data to improve subsequent contracts</td>
</tr>
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<td>--------------------------------------------------------------------------------------------------</td>
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<tr>
<td><strong>2.c1</strong></td>
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<tr>
<td><strong>2.c2</strong></td>
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<table>
<thead>
<tr>
<th>Task 2.d: Compare the System’s processes and other controls for selecting, monitoring, and terminating alternative investment manager contracts and valuing investments to best practices, including but not limited to industry standards.</th>
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<tbody>
<tr>
<td><strong>2.d1</strong></td>
</tr>
<tr>
<td>The System will continue to update its procedures. Therefore, the finding of the Gallagher Fiduciary Advisors, LLC is agreed to and the audit recommendation will be implemented</td>
</tr>
</tbody>
</table>
2. to the Administrator, Staff and consultants for the System’s portfolio.

2.d2 A periodic review of all service providers (both investment advisors and legal representation) would help to ensure that the System continues to receive high-quality guidance and advice at a reasonable cost. Gallagher recommends that these reviews be conducted at least every three years.

The finding of the Gallagher Fiduciary Advisors, LLC is agreed to and the audit recommendation will be implemented.

Complete. Vendor contracts are reviewed annually and the Trust maintains a “Right to Cancel” with 30-day notice.

Task 3: Determine if the System has adequate processes and other controls over external investment manager fees; identify the reasons for and impact of any inadequate processes and controls; and make recommendations for improving processes and controls, as appropriate. Tasks will include the following:

Task 3.a: Identify the processes and other controls the System uses for accepting and/or negotiating external investment manager fees

| Task 3.a | The documented procedures mentioned in Section 3.a should include a standard method for documentation of fee negotiation. The documentation should match what is already being done, including the proposed fees from the manager before negotiation, the System office proposed fee structure, and the final agreement. | Gallagher Fiduciary Advisors, LLC discusses the positive economic impact of Staff’s active stance toward negotiating business terms. Simply documenting that practice is easily done. The finding of the Gallagher Fiduciary Advisors, LLC is agreed to and the audit recommendation will be implemented. | Will be implemented by 12/31/15. |

Task 3.b: Determine whether the System used the identified processes and controls for accepting and/or negotiating external investment manager fees for contracts the System entered into during fiscal years 2005 through 2014.

| Task 3.b | The documented procedures mentioned in Section 3.a should include a standard method for documentation of fee negotiation. The documentation should match what is already being done, including the proposed fees from the manager before negotiation, the System office proposed fee structure, and the final agreement. | This recommendation is identical to the previous recommendation. The finding of the Gallagher Fiduciary Advisors, LLC is agreed to and the audit recommendation will be implemented. | Will be implemented by 12/31/15. |

Task 3.c: Compare the System’s processes and other controls over setting external investment manager fees to best practices, including but not limited to:

Matrix - follow-up on AG recommendations
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<th>Gallagher recommends that the System begin by giving a person or group responsibility for fee policy and negotiations. Once established, this group can also be tasked with documenting procedures that include the best practices outlined by the GFOA. The group should draft a formal report on fee negotiations to be completed prior to the execution of each investment agreement.</th>
<th>This recommendation is directionally similar to the previous recommendations in this section. The finding of the Gallagher Fiduciary Advisors, LLC is agreed to and the audit recommendation will be implemented.</th>
<th>Will be implemented by 12/31/15. Staff will draft a policy that will closely follow the philosophy espoused by the GFOA’s best practices document.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>3.c</strong></td>
<td><strong>Task 3.d: Identify the reasons for and impact of any inadequate processes or other controls.</strong></td>
<td><strong>3.d</strong></td>
<td>Gallagher recommends the documentation of fee negotiations should include acknowledgement of where the manager fee ranks compared to an appropriate peer group. Above-median fees should be justified by the perceived ability of the manager to add value over the appropriate benchmark.</td>
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Information

Subject
Review, discussion and possible Action on potential legislative proposals for the 2016 legislative session including items for a possible administrative amendments bill.

Mr. Jared A. Smout

Attachments

2016 Proposed Legislation
H2019 - Military Service Purchase
H2074 - Omnibus
H2237 - Return to Work
EORP

38-816. **Redemption of prior service**

A. Any present active elected official who has at least five years of credited service with the plan may elect to redeem up to sixty months of any part of the following prior service or employment by paying into the fund the amounts required under subsection B of this section if the prior service or employment is not on account with any other retirement system or plan:

1. Prior service in this state as an elected official with an employer now covered by the plan before the effective date of participation if the elected official has received a refund from a prior retirement system or plan on termination of employment before the elected official's application for redemption of prior service.

2. Prior service in this state as an elected official with an employer now covered by the plan before the effective date of participation if the elected official was not covered by a retirement system or plan during the elected official's prior elected official service.

3. Prior service as an elected official of this state or a city, town or county of this state if the elected official was not covered by a retirement system or plan during that service whether or not the city, town or county is an employer now covered by the plan.

4. Prior employment with the United States government, a state of the United States or a political subdivision of a state of the United States.

B. Any present active elected official who elects to redeem any part of the prior service or employment for which the elected official is deemed eligible by the board under this section shall pay into the plan the amounts previously withdrawn by the elected official as a refund of the elected official's accumulated contributions, if any, plus the additional amount, if any, that is computed by the plan's actuary and that is necessary to equal the increase in the actuarial present value of projected benefits resulting from the redemption calculated using the actuarial methods and assumptions that are prescribed by the plan's actuary. The discount rate used by the actuary for the calculation of the actuarial present value of the projected benefits resulting from the redemption calculation pursuant to this subsection is an amount equal to the lesser of the assumed rate of return that is prescribed by the board or an amount equal to the yield on a ten year treasury note as of March 1 that is published by the federal reserve board plus two per cent. This discount rate is effective beginning in the next fiscal year and the board shall recalculates the rate each year.

C. On approval by the governing body of an incorporated city or town that executes a joinder agreement under section 38-815, the city or town may pay into the fund all or any part of the amount sufficient to provide retirement benefits for elected officials or former elected officials for the time of service as an elected official of the city or town before the joinder agreement if no retirement benefits were in effect for elected officials during the time of service being redeemed under this section.

D. A member electing to redeem service pursuant to this section may pay for service being redeemed in the form of a lump sum payment to the plan, a trustee-to-trustee transfer or a direct rollover of an eligible distribution from an plan described in section 402(c)(8)(B)(iii), (iv), (v) or (vi)of the internal revenue code or a rollover of an eligible distribution from an individual retirement account or annuity described in section 408(a) or (b) of the internal revenue code.

New Section (each section referred to below should somehow reference this section)

The discount rate used by the actuary for the following calculations:

(a) Redemption calculation pursuant to Section 38-816, subsection B
(b) Military service pursuant to Section 38-820, subsection A
(c) Charter city service pursuant to Section 38-821
(d) How can we apply this same logic to 38-921 through 38-924, which is in a different Article and also affects ASRS?

is an amount equal to the lesser of the assumed rate of return that is prescribed by the board or an amount equal to the yield on a ten year treasury note as of March 1 that is published by the federal reserve board plus two per cent. This discount rate is effective beginning in the next fiscal year and shall be recalculated each year.
38-843.05  Retired members; return to work; employer contributions

A. An employer shall pay contributions at an alternate contribution rate on behalf of a retired member who returns to work in any capacity in a position ordinarily filled by an employee of the employer of an eligible group, unless the retired member is required to participate in another state retirement system and the retired member returned to work before July 20, 2011. For the purposes of this subsection, “returns to work in any capacity” includes a retired member who returns to work and is ineligible for benefits pursuant to section 38-849, subsection E.

B. The alternate contribution rate shall be equal to that portion of the INDIVIDUAL EMPLOYER’S total required contribution that is applied to the amortization of the unfunded actuarial accrued liability for the fiscal year beginning July 1, based on the system’s actuary’s calculation of the total required contribution for the preceding fiscal year ended on June 30. The alternate contribution rate shall be applied to the compensation, gross salary or contract fee of a retired member who meets the requirements of this section.

C. The alternate contribution rate shall not be less than eight per cent in any fiscal year.

D. All contributions made by the employer and allocated to the fund are irrevocable and shall be used as benefits under this article or to pay the expenses of the system. Payments made pursuant to this section by employers become delinquent after the due date prescribed in section 38-843, subsection D, and thereafter shall be increased by interest from and after that date until payment is received by the system.

E. An employer of a retired member shall immediately notify the local board after the employment of a retired member and shall submit any reports, data, paperwork or materials that are requested by the board or the local board that are necessary to determine the compensation, gross salary or contract fee associated with a retired member who returns to work or to determine the function, use, efficacy or operation of the return to work program.

38-847. Local boards

A. The administration of the system and responsibility for making the provisions of the system effective for each employer are vested in a local board. The department of public safety, the Arizona game and fish department, the department of emergency and military affairs, the University of Arizona, Arizona State University, Northern Arizona University, each county sheriff’s office, each county attorney’s office, each county parks department, each municipal fire department, each eligible fire district, each community college district, each municipal police department, the department of law, the department of liquor licenses and control, the Arizona department of agriculture, the Arizona state parks board, each Indian reservation police agency and each Indian reservation fire fighting agency shall have a local board. A nonprofit corporation operating pursuant to sections 28-8423 and 28-8424 shall have one local board for all of its members. Each local board shall be constituted as follows:

1. For political subdivisions or Indian tribes, the mayor or chief elected official or a designee of the mayor or chief elected official approved by the respective governing body as chairman, two members elected by secret ballot by members employed by the appropriate employer and two citizens, one of whom shall be the head of the merit system, or the head's designee from among the other members of the merit system, if it exists for the group of members, appointed by the mayor or chief elected official and with the approval of the governing body of the city or the governing body of the employer. The appointed two citizens shall serve on both local boards in a city or Indian tribes where both fire and police department employees are members.

2. For state agencies and nonprofit corporations operating pursuant to sections 28-8423 and 28-8424, two members elected by secret ballot by the members employed by the appropriate employer and three citizens appointed by the governor. Each state agency local board shall elect a chair.

3. For fire districts organized pursuant to section 48-804, the secretary-treasurer as chairman, the chief elected official of the fire district governing board or a designee of the chief elected official approved by the fire district governing board as chairman, two members elected by secret ballot by members employed by the fire district and two citizens appointed by the secretary-treasurer chief elected official and with approval of the fire district governing board, one of whom is a resident of the fire district and one of whom has experience in personnel administration but who is not required to be a resident of the fire district.

4. For joint powers authorities organized pursuant to section 48-805.01, the joint powers authority board chairman or a designee approved by the governing body, two members elected by secret ballot by members employed by the joint powers authority and two citizens, appointed by the joint powers authority chairman and with approval of the governing body, one of whom is a resident of one of the partner entities and one of whom has experience in personnel administration but who is
not required to be a resident of a partner entity.

38-849. **Limitations on receiving pension; violation; classification; reemployment after severance; reinstatement of service credits; reemployment of retired or member with a disability**

A. If a member is convicted of, or discharged because of, theft, embezzlement, fraud or misappropriation of an employer's property or property under the control of the employer, the member shall be subject to restitution and fines imposed by a court of competent jurisdiction. The court may order the restitution or fines to be paid from any payments otherwise payable to the member from the retirement system.

B. A person who knowingly makes any false statement or who falsifies or permits to be falsified any record of the system with an intent to defraud the system is guilty of a class 5 felony. If any change or error in the records results in any member or beneficiary receiving from the system more or less than the member or beneficiary would have been entitled to receive had the records been correct, the local board shall correct such error, and as far as practicable shall adjust the payments in such manner that the actuarial equivalent of the benefit to which such member or beneficiary was correctly entitled shall be paid. If a member is convicted of a crime specified in this subsection, section 13-713 applies.

C. If a member who received a severance refund on termination of employment pursuant to section 38-846.02 becomes reemployed with the same employer within two years after the former member's termination date, the member may have forfeited credited service attributable to service rendered during a prior period of service as an employee restored on satisfaction of each of the following conditions:
   1. The member files with the system a written application for reinstatement of forfeited credited service within ninety days after again becoming an employee.
   2. The retirement fund is paid the total amount previously withdrawn pursuant to section 38-846.02 plus compound interest from the date of withdrawal to the date of repayment. Interest shall be computed at the rate of nine per cent for each year compounded each year from the date of withdrawal to the date of repayment. Forfeited credited service shall not be restored until complete payment is received by the fund.
   3. The required payment is completed within one year after returning to employee status.

D. If a member who received a severance refund on termination of employment, as provided in section 38-846.02, is subsequently reemployed by an employer, the member's prior service credits shall be cancelled and service shall be credited only from the date the member's most recent reemployment period commenced. However, a present active member of the system who forfeited credited service, received a severance refund pursuant to section 38-846.02 and becomes reemployed with the same employer two years or more after the member's termination date or becomes reemployed with another employer may elect to redeem any part of that forfeited credited service by paying into the system any amounts required pursuant to this subsection. A present active member who elects to redeem any part of forfeited credited service for which the member is deemed eligible by the board shall pay into the system the amounts previously paid or transferred to the member as a severance refund plus an amount, computed by the system's actuary that is necessary to equal the increase in the actuarial present value of projected benefits resulting from the redemption calculated using the actuarial methods and assumptions prescribed by the system's actuary. On satisfaction of this obligation the member's prior service credits shall be reinstated.

E. If a retired member becomes reemployed in any capacity by the employer from which the member retired before one year from the date of retirement or in the same position at any time following retirement:
   1. The following apply:
      (a) Within ten days after the retired member is reemployed, the local board shall advise the system in writing of the retired member's reemployment.
      (b) The system shall not make pension payments to the retired member during the period of reemployment.
      (c) Employee contributions shall not be made on the retired member's account, nor shall any service be credited during the period of reemployment. On subsequent termination of employment by the retired member, the retired member is entitled to receive a pension based on the member's service and compensation before the date of the member's reemployment. The employer shall pay the alternate contribution rate pursuant to section 38-843.05.
   2. Paragraph 1, subdivisions (a) and (b) of this subsection do not apply if either:
      (a) The retired member becomes reemployed after sixty consecutive days from the member's retirement date as a result of participating in an open competitive new hire process for an entry level, nonsupervisory position, except if the retired member is hired for the same position.
      (b) The retired member is hired as a fire inspector or arson investigator.
F. If a retired member is assigned voluntary duties acting as a limited authority peace officer, pursuant to the Arizona peace officer standards and training board rules, employee contributions shall not be made on the retired member's account, and any service shall not be credited during the period of reemployment. The employer shall not pay the alternate contribution rate pursuant to section 38-843.05.

G. If after one year from the date of retirement a retired member becomes reemployed by the employer from which the member retired in a position other than the same position from which the member retired, employee contributions shall not be made on the retired member's account, and any service shall not be credited during the period of reemployment. The employer shall pay the alternate contribution rate pursuant to section 38-843.05.

H. At any time following retirement, if the retired member becomes employed by an employer, other than the employer from which the member retired, in a position ordinarily filled by an employee of an eligible group, employee contributions shall not be made on the retired member's account, and any service shall not be credited during the period of reemployment. The employer shall pay the alternate contribution rate pursuant to section 38-843.05.

I. If a member who retired under an accidental or ordinary disability becomes reemployed as an employee of an eligible group, section 38-844 applies and a determination shall be made by the local board as to whether subsection E, F, G or H of this section applies.

J. The local board shall review all reemployment determinations and voluntary assignments as described in subsection F of this section. If the local board or the system is not provided the necessary information required by the system to make a reemployment determination, the local board and the system shall suspend pension payments until information is received and a determination is made regarding whether the reemployment meets the requirements of subsection E, F, G, H or I of this section.

K. A person who defrauds the system or who takes, converts, steals or embezzles monies owned by or from the system and who fails or refuses to return the monies to the system on the board's written request is subject to civil suit by the system in the superior court in Maricopa county. On entry of an order finding the person has defrauded the system or taken, converted, stolen or embezzled monies owned by or from the system, the court shall enter an order against that person and for the system awarding the system all of its costs and expenses of any kind, including attorney fees, that were necessary to successfully prosecute the action. The court shall also grant the system a judicial lien on all of the nonexempt property of the person against whom judgment is entered pursuant to this subsection in an amount equal to all amounts awarded to the system, plus interest at the rate prescribed by section 44-1201, subsection A, until all amounts owed are paid to the system.

L. Notwithstanding any other provision of this article, the board may offset against any benefits otherwise payable by the system to an active or retired member or survivor any court ordered amounts awarded to the board and system and assessed against the member or survivor.

M. For the purposes of this section, “same position” means a position in which the member performs substantially similar duties that were performed and exercises substantially similar authority that was exercised by the retired member before retirement.

N. NOTWITHSTANDING ANY OTHER PROVISION OF THIS ARTICLE, A MEMBER WHO RETIRES, HAVING MET ALL QUALIFICATIONS FOR RETIREMENT, AND SUBSEQUENTLY, BY ELECTION OR APPOINTMENT, BECOMES AN ELECTED OFFICIAL, SHALL NOT BE CONSIDERED REEMPLOYED BY THE SAME EMPLOYER.

38-853.01. Redemption of prior service

A. Each present active member of the system who has at least five years of service with the system may elect to redeem up to sixty months of any part of the following prior service or employment by paying into the system any amounts required under subsection B of this section if the prior service or employment is not on account with any other retirement system:

1. Prior service in this state as an employee with an employer now covered by the system or prior service with an agency of the United States government, a state of the United States or a political subdivision of this state or of a state of the United States as a full-time paid firefighter full-time paid certified peace officer or full-time paid corrections officer engaged in law enforcement duties.

2. Subject to any limitations prescribed by federal law, prior employment as an employee of a corporation that contracted with an employer now covered by the system to provide firefighting services on behalf of that employer as a full-time paid firefighter or that provided firefighting services for a political subdivision of this state.

B. Any present active member who elects to redeem any part of the prior service or employment for which the employee is deemed eligible by the board under this section shall pay into the system the amounts previously withdrawn by the member, if any, as a refund of the member’s accumulated contributions plus
accumulated interest as determined by the board and the additional amount, if any, computed by the system's actuary that is necessary to equal the increase in the actuarial present value of projected benefits resulting from the redemption calculated using the actuarial methods and assumptions prescribed by the system's actuary. The discount rate used by the actuary for the redemption calculation pursuant to this subsection is an amount equal to the lesser of the assumed rate of return that is prescribed by the board or an amount equal to the yield on a ten-year treasury note as of March 1 that is published by the federal reserve board plus two per cent. The discount rate is effective beginning in the next fiscal year, and the board shall recalculate the rate each year.

C. A member electing to redeem service pursuant to this section may pay for service being redeemed in the form of a lump sum payment to the system, a trustee-to-trustee transfer or a direct rollover of an eligible distribution from a plan described in section 402(c)(8)(B)(iii), (iv), (v) or (vi) of the internal revenue code or a rollover of an eligible distribution from an individual retirement account or annuity described in section 408(a) or (b) of the internal revenue code.

New Section (each section referred to below should somehow reference this section)

The discount rate used by the actuary for the following calculations:

(a) Repayment of 38-849(D)
(b) Redemption calculation pursuant to Section 38-853.01, subsection B
(c) Military service pursuant to Section 38-858, subsection A
(d) How can we apply this same logic to 38-921 through 38-924, which is in a different Article and also affects ASRS?

is an amount equal to the lesser of the assumed rate of return that is prescribed by the board or an amount equal to the yield on a ten year treasury note as of March 1 that is published by the federal reserve board plus two per cent. This discount rate is effective beginning in the next fiscal year and shall be recalculated each year.
38-891.01 Retired members; return to work; employer contributions
A. An employer shall pay contributions at an alternate contribution rate on behalf of a retired member who returns to work in any capacity in a position ordinarily filled by an employee of the employer in a designated position. This section applies to a retired member who has been retired for more than twelve consecutive months.

B. The alternate contribution rate shall be equal to that portion of the **INDIVIDUAL EMPLOYER’S** total required contribution that is applied to the amortization of the unfunded actuarial accrued liability for the fiscal year beginning July 1, based on the system’s actuary’s calculation of the total required contribution for the preceding fiscal year ended on June 30. The alternate contribution rate shall be applied to the compensation, gross salary or contract fee of a retired member who meets the requirements of this section.

C. The alternate contribution rate shall not be less than six per cent in any fiscal year.

D. All contributions made by the employer and allocated to the fund established by section 38-882 are irrevocable and shall be used as benefits under this article or to pay the expenses of the plan. Payments made pursuant to this section by employers become delinquent after the due date prescribed in 38-891, subsection C, and thereafter shall be increased by interest from and after that date until payment is received by the plan.

E. An employer of a retired member shall submit any reports, data, paperwork or materials that are requested by the board and that are necessary to determine the compensation, gross salary or contract fee associated with a retired member who returns to work or to determine the function, use, efficacy or operation of the return to work program.

38-909. Redemption of prior service; calculation
A. Each present active member of the plan who has at least five years of credited service with the plan who had previous service in this state as an employee with an employer now covered by the plan or who had previous service with an agency of the united states government, a state of the united states or a political subdivision of this state or a state of the united states as a full-time paid corrections officer or full-time paid certified peace officer may elect to redeem up to sixty months of any part of the prior service by paying into the plan any amounts required under subsection B if the prior service is not on account with any other retirement system.

B. Any present active member who elects to redeem any part of the prior service or employment for which the employee is deemed eligible by the board under this section shall pay into the plan the amounts previously withdrawn by the member, if any, as a refund of the member’s accumulated contributions plus accumulated interest as determined by the board and the additional amount, if any, computed by the plan’s actuary that is necessary to equal the increase in the actuarial present value of projected benefits resulting from the redemption calculated using the actuarial methods and assumptions prescribed by the plan’s actuary.

C. The discount rate used by the actuary for the redemption calculation pursuant to subsection B is an amount equal to the lesser of the assumed rate of return that is prescribed by the board or an amount equal to the yield on a ten year treasury note as of March 1 that is published by the federal reserve board plus two per cent. This discount rate is effective beginning in the next fiscal year and shall be recalculated each year.

D. A member electing to redeem service pursuant to this section may pay for service being redeemed in the form of a lump sum payment to the plan, a trustee-to-trustee transfer or a direct rollover of an eligible distribution from a plan described in section 402(c)(8)(B)(iii), (iv), (v) or (vi) of the internal revenue code or a rollover of an eligible distribution from an individual retirement account or annuity described in section 408(a) or (b) of the internal revenue code.

New Section (each section referred to below should somehow reference this section)
The discount rate used by the actuary for the following calculations:

- (e) Military service pursuant to Section 38-907, subsection A
- (f) Redemption calculation pursuant to Section 38-909, subsection B
- (g) **How can we apply this same logic to 38-921 through 38-924, which is in a different Article and also affects ASRS?**

is an amount equal to the lesser of the assumed rate of return that is prescribed by the board or an amount equal to the yield on a ten year treasury note as of March 1 that is published by the federal reserve board plus two per cent. This discount rate is effective beginning in the next fiscal year and shall be recalculated each year.
Bill Histories

H2019 CREDITED SERVICE; MILITARY SERVICE PURCHASE

Members of the Elected Officials Retirement Plan, Public Safety Personnel Retirement System and Corrections Officer Retirement Plan are permitted to purchase credited service for periods of active military service if the member has at least 5 years of credited service with the applicable plan, decreased from 10 years.

ARS Titles Affected: 38

First sponsor: Rep. Stevens

NOTE: Measure was originally sponsored by the member(s) shown here. If it has been changed by amendment the sponsor(s) may or may not still support the measure.

Hearing: House Government & Higher Education (Thursday 01/21/16 at 9:00AM, House Rm. 1)

H2019 Daily History

CREDITED SERVICE; MILITARY SERVICE PURCHASE 1/11 referred to House gov-higher ed.
AN ACT

AMENDING SECTIONS 38-820, 38-858 AND 38-907, ARIZONA REVISED STATUTES; RELATING TO PUBLIC RETIREMENT SYSTEMS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

Be it enacted by the Legislature of the State of Arizona:

Section 1. Section 38-820, Arizona Revised Statutes, is amended to read:

38-820. Credit for military service

A. A member of the plan who has at least five years of credited service with the plan may receive credited service for periods of active military service performed before employment with the member's current employer if:

1. The member was honorably separated from the military service.
2. The period of military service for which the member receives credited service does not exceed sixty months.
3. The period of military service for which the member receives credited service is not on account with any other retirement system, except as provided by 10 United States Code section 12736 or except if the member is not yet eligible for a military retirement benefit.
4. The member pays the cost to purchase the prior active military service. The cost is the amount necessary to equal the increase in the actuarial present value of projected benefits resulting from the additional credited service.
5. The amount of benefits purchased pursuant to this subsection is subject to limits established by section 415 of the internal revenue code.

B. An active member of the plan who volunteers or is ordered to perform military service may receive credited service for not more than sixty months of military service as provided by the uniformed services employment and reemployment rights act of 1994 (38 United States Code part III, chapter 43). The member's employer shall make employer contributions and the member shall make the member contributions pursuant to subsection C of this section if the member meets the following requirements:

1. Was an active member of the plan on the day before the member began military service.
2. Entered into and served in the armed forces of the United States or is a member of the national guard.
3. Complies with the notice and return to work provisions of 38 United States Code section 4312.

C. Contributions made pursuant to subsection B of this section shall be for the period of time beginning on the date the member began military service and ending on the later of one of the following dates:

1. The date the member is separated from military service.
2. The date the member is released from service related hospitalization or two years after initiation of service related hospitalization, whichever date is earlier.

D. Notwithstanding any other law, on payment of the contributions made pursuant to subsection B of this section, the member shall be credited with service for retirement purposes for the period of military service of not more than sixty months. The member shall submit a copy of the military discharge certificate (DD-256A) and a copy of the military service record (DD-214) or its equivalent with the member's application when applying for credited service corresponding to the period of military service.

E. The employer and the member shall make contributions pursuant to subsection B of this section as follows:

1. Contributions shall be based on the compensation that the member would have received but for the period that the member was ordered into active military service.
2. If the employer cannot reasonably determine the member's rate of compensation for the period that the member was ordered into military service, contributions shall be based on the member's average rate of compensation during the twelve-month period immediately before the period that the member was ordered into active military service.
period immediately preceding the period of military service.

3. If a member has been employed less than twelve months before being ordered into military service, contributions shall be based on the member's compensation being earned immediately preceding the period of military service.

4. The member has up to three times the length of military service, not to exceed sixty months, to make the member contributions. Once the member has made the member contributions or on receipt of the member’s death certificate, the employer shall make the employer contributions in a lump sum. Death benefits shall be calculated as prescribed by law.

5. If the member's employer pays military differential wage pay to members serving in the military, contributions shall be paid to the plan pursuant to section 38-810 for any military differential wage pay paid to the member while performing military service.

F. In computing the length of total credited service of a member for the purpose of determining retirement benefits or eligibility, the period of military service, as prescribed by this section, shall be included.

G. If a member performs military service due to a presidential call-up, not to exceed forty-eight months, the employer shall make the employer contributions for the period of military service as prescribed by this section. The employer contributions shall be computed pursuant to subsection B of this section.

H. In addition to, but not in duplication of, subsection B of this section, beginning December 12, 1994 contributions, benefits and credited service provided pursuant to this section shall be provided pursuant to section 414(u) of the internal revenue code, and this section shall be interpreted in a manner consistent with that internal revenue code section.

I. For plan years beginning after December 31, 2008, a member who does not currently perform services for an employer by reason of qualified military service as defined in section 414(u)(5) of the internal revenue code is not considered having a severance from employment during that qualified military service. Any payments by the employer to the member during the qualified military service shall be considered compensation to the extent those payments do not exceed the amounts the member would have received if the member had continued to perform services for the employer rather than entering qualified military service.

J. For deaths occurring from and after December 31, 2006, in the case of a member who dies while performing qualified military service as defined in section 414(u)(5) of the internal revenue code, the survivors of the member are entitled to any benefits, other than benefit accruals relating to the period of qualified military service, provided under the plan as though the member resumed and then terminated employment on account of death.

Sec. 2. Section 38-858, Arizona Revised Statutes, is amended to read:

38-858. Credit for military service
A. A member of the system who has at least ten FIVE years of service with the system may receive credited service for periods of active military service performed before employment with the member's current employer if:

1. The member was honorably separated from the military service.

2. The period of military service for which the member receives credited service does not exceed sixty months.

3. The period of military service for which the member receives credited service is not on account with any other retirement system, except as provided by 10 United States Code section 12736 or except if the member is not yet eligible for a military retirement benefit.

4. The member pays the cost to purchase the prior active military service. The cost is the amount necessary to equal the increase in the actuarial present value of projected benefits resulting from the additional credited service.

5. The amount of benefits purchased pursuant to this subsection is subject to limits established by section 415 of the internal revenue code.

B. An active member of the system who volunteers or is ordered to perform military service may receive credited service for not more than sixty months of military service as provided by the uniformed services employment and reemployment rights act OF 1994 (38 United States Code part III, chapter 43). The member's employer shall make employer contributions and the member shall make the member contributions pursuant to subsection C of this section if the member meets the following requirements:

1. Was an active member of the system on the day before the member began military service.

2. Entered into and served in the armed forces of the United States or is a member of the national guard.

3. Complies with the notice and return to work provisions of 38 United States Code section 4312.

4. The member shall make contributions pursuant to subsection B of this section shall be for the period of time beginning on the date the member began military service and ending on the later of one of the following dates:

1. The date the member is separated from military service.

2. The date the member is released from service related hospitalization or two years after initiation of service related hospitalization, whichever date is earlier.

3. The date the member dies as a result of or during military service.

D. Notwithstanding any other law, on payment of the contributions made pursuant to subsection B of this section, the member shall be credited with service for retirement purposes for the period of military service of not more than sixty months. The member shall submit a copy of the military discharge certificate (DD-256A) and a copy of the military service record (DD-214) or its equivalent with the member's application when applying for credited service corresponding to the period of military service.

E. The employer and the member shall make contributions pursuant to subsection B of this section as follows:

1. Contributions shall be based on the compensation that the member would have received but for the period that the member was in active military service.

2. If the employer cannot reasonably determine the member's rate of compensation for the period that the member was ordered into military service, contributions shall be based on the member's average rate of compensation during the twelve-month period immediately preceding the period of military service.

3. If a member has been employed less than twelve months before being ordered into military service, contributions shall be based on the member's compensation being earned immediately preceding the period of military service.

4. The member has up to three times the length of military service, not to exceed sixty months, to make the member contributions. Once the member has made the member contributions or on receipt of the member’s death certificate, the employer shall make the employer contributions in a lump sum. Death benefits shall be calculated as prescribed by law.

5. If the member's employer pays military differential wage pay to members serving in the military, contributions shall be paid to the plan pursuant to section 38-843 for any military differential wage pay paid to the member while performing military service.

F. In computing the length of total credited service of a member for the purpose of determining retirement benefits or eligibility, the period of military service, as prescribed by this section, shall be included.

G. If a member performs military service due to a presidential call-up, not to exceed forty-eight months, the employer shall make the employer and member contributions computed pursuant to subsection E of this section on the member's return and in
FIVE years of credited service with the plan may receive credited service for periods of active military service performed before employment with the member's current employer if:

I. For plan years beginning after December 31, 2008, a member who does not currently perform services for an employer by reason of qualified military service as defined in section 414(u)(5) of the internal revenue code, and this section shall be interpreted in a manner consistent with that internal revenue code section.

J. For deaths occurring from and after December 31, 2006, in the case of a member who dies while performing qualified military service as defined in section 414(u)(5) of the internal revenue code, the survivors of the member are entitled to any benefits, other than benefit accruals relating to the period of qualified military service, provided under the system as though the member had continued to perform services for the employer rather than entering qualified military service.

Sec. 3. Section 38-907, Arizona Revised Statutes, is amended to read:

38-907. Credit for military service 
A. A member of the plan who has at least ten FIVE years of credited service with the plan may receive credited service for periods of active military service performed before employment with the member's current employer if:

1. The member was honorably separated from the military service.

2. The period of military service for which the member receives credited service does not exceed sixty months.

3. The period of military service for which the member receives credited service is not on account with any other retirement system, except as provided by 10 United States Code section 12736 or except if the member is not yet eligible for a military retirement benefit.

4. The member pays the cost to purchase the prior active military service. The cost is the amount necessary to equal the increase in the actuarial present value of projected benefits resulting from the additional credited service.

5. The amount of benefits purchased pursuant to this subsection is subject to limits established by section 415 of the internal revenue code.

B. An active member of the plan who volunteers or is ordered to perform military service may receive credited service for not more than sixty months of military service as provided by the uniformed services employment and reemployment rights act of 1994 (38 United States Code part III, chapter 43). The member's employer shall make employer contributions and the member shall make the member contributions pursuant to subsection C of this section if the member meets the following requirements:

1. Was an active member of the plan on the day before the member began military service.

2. Entered into and served in the armed forces of the United States or is a member of the national guard.

3. Complies with the notice and return to work provisions of 38 United States Code section 4312.

C. Contributions made pursuant to subsection B of this section shall be for the period of time beginning on the date the member began military service and ending on the later of one of the following dates:

1. The date the member is separated from military service.

2. The date the member is released from service related hospitalization or two years after initiation of service related hospitalization, whichever date is earlier.

3. The date the member dies as a result of or during military service.

D. Notwithstanding any other law, on payment of the contributions made pursuant to subsection B of this section, the member shall be credited with service for retirement purposes for the period of military service of not more than sixty months. The member shall submit a copy of the military discharge certificate (DD-256A) and a copy of the military service record (DD-214) or its equivalent with the member's application when applying for credited service corresponding to the period of military service.

E. The employer and the member shall make contributions pursuant to subsection B of this section as follows:

1. Contributions shall be based on the compensation that the member would have received but for the period that the member was ordered into active military service.

2. The employer cannot reasonably determine the member's rate of compensation for the period that the member was ordered into military service, contributions shall be based on the member's average rate of compensation during the twelve-month period immediately preceding the period of military service.

3. If a member has been employed less than twelve months before being ordered into military service, contributions shall be based on the member's compensation being earned immediately preceding the period of military service.

4. The member has up to three times the length of military service, not to exceed sixty months, to make the member contributions. Once the member has made the member contributions or on receipt of the member's death certificate, the employer shall make the employer contributions in a lump sum. Death benefits shall be calculated as prescribed by law.

5. If the member's employer pays military differential wage pay to members serving in the military, contributions shall be paid to the plan pursuant to section 38-891 for any military differential wage pay paid to the member while performing military service.

F. In computing the length of total credited service of a member for the purpose of determining retirement benefits or eligibility, the period of military service, as prescribed by this section, shall be included.

G. If a member performs military service due to a presidential call-up, not to exceed forty-eight months, the employer shall make the employer and member contributions computed pursuant to subsection E of this section on the member's return and in compliance with subsection B of this section.

H. In addition to, but not in duplication of, subsection B of this section, beginning December 12, 1994 contributions, benefits and credited service provided pursuant to this section shall be provided pursuant to section 414(u) of the internal revenue code, and this section shall be interpreted in a manner consistent with that internal revenue code section.

I. For plan years beginning after December 31, 2008, a member who does not currently perform services for an employer by reason of qualified military service as defined in section 414(u)(5) of the internal revenue code is not considered having a severance from employment during that qualified military service. Any payments by the employer to the member during the qualified military service shall be considered compensation to the extent those payments do not exceed the amounts the member would have received if the member had continued to perform services for the employer rather than entering qualified military service.

J. For deaths occurring from and after December 31, 2006 in the case of a member who dies while performing qualified military service as defined in section 414(u)(5) of the internal revenue code, the survivors of the member are entitled to any benefits, other than benefit accruals relating to the period of qualified military service, provided under the plan as though the member resumed and then terminated employment on account of death.

Bill Histories

Bill number(s): H2074

Use the space bar or the plus sign to separate bill numbers.

H2074 PUBLIC SAFETY EMPLOYEES; OMNIBUS

Various changes relating to public safety employees. Neither a public entity nor a public employee is liable for an injury caused by a peace officer if the injury was caused by any act or omission while rendering emergency care at the scene of an emergency occurrence. Employees of "other members" (defined elsewhere in statute) of purpose of the the Corrections Officer Retirement Plan are eligible to participate in the Firefighter, Peace Officer and Corrections Officer Cancer Insurance Policy Program. Retroactive to August 2, 2012, for the Public Safety Personnel Retirement System, the discount rate used by the actuary for the redemption calculation for prior service (which was enacted in 2012) must be used beginning January 1, 2018.

ARS Titles Affected: 12 38

First sponsor: Rep. Borrelli

NOTE: Measure was originally sponsored by the member(s) shown here. If it has been changed by amendment the sponsor(s) may or may not still support the measure.

Versions

H2074 Daily History Date Action

No actions posted for this bill.
REFERENCE TITLE: public safety employees; omnibus

State of Arizona
House of Representatives
Fifty-second Legislature
Second Regular Session
2016

HB 2074
Introduced by
Representative Borrelli

AN ACT

AMENDING SECTIONS 12-820.02, 38-641, 38-642, 38-644 AND 38-853.01,
ARIZONA REVISED STATUTES; RELATING TO PUBLIC SAFETY EMPLOYEES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

Be it enacted by the Legislature of the State of Arizona:

Section 1. Section 12-820.02, Arizona Revised Statutes, is amended to read:

12-820.02. Qualified immunity
A. Unless a public employee acting within the scope of the public employee's employment intended to cause injury or was grossly negligent, neither a public entity nor a public employee is liable for:
1. The failure to make an arrest or the failure to retain an arrested person in custody.
2. An injury caused by an escaping or escaped prisoner or a youth committed to the department of juvenile corrections.
3. An injury resulting from the probation, community supervision or discharge of a prisoner or a youth committed to the department of juvenile corrections, from the terms and conditions of the prisoner's or youth's probation or community supervision or from the revocation of the prisoner's or youth's probation, community supervision or conditional release under the psychiatric security review board.
4. An injury caused by a prisoner to any other prisoner or an injury caused by a youth committed to the department of juvenile corrections to any other committed youth.
5. The issuance of or failure to revoke or suspend any permit, license, certificate, approval, order or similar authorization for which absolute immunity is not provided pursuant to section 12-820.01.
6. The failure to discover violations of any provision of law when inspections are done of property other than property owned by the public entity in question.
7. An injury to the driver of a motor vehicle that is attributable to the violation by the driver of section 28-693, 28-1381 or 28-1382.
8. The failure to prevent the sale or transfer of a handgun to a person whose receipt or possession of the handgun is unlawful under any federal law or any law of this state.
9. Preventing the sale or transfer of a handgun to a person who may lawfully receive or possess a handgun.
10. The failure to detain a juvenile taken into temporary custody or arrested for a criminal offense or delinquent or incorrigible act in the appropriate detention facility, jail or lockup described in section 8-305.

AN INJURY CAUSED BY A PEACE OFFICER IF THE INJURY WAS CAUSED BY ANY ACT OR OMISSION WHILE RENDERING EMERGENCY CARE AT THE SCENE OF AN EMERGENCY OCCURRENCE OR AS THE RESULT OF ANY ACT OR FAILURE TO ACT TO PROVIDE OR ARRANGE FOR FURTHER MEDICAL TREATMENT OR CARE FOR THE INJURED PERSON.

B. The qualified immunity provided in this section applies to a public entity or public employee if the injury or damage was caused by a contractor's employee or a contractor of a public entity acting within the scope of the contract. The qualified immunity provided in this section does not apply to the contractor or the contractor's employee.

Sec. 2. Section 38-641, Arizona Revised Statutes, is amended to read:

38-641. Definitions
In this article, unless the context otherwise requires:
1. "Board" means the board of trustees of the public safety personnel retirement system established by section 38-848, including its authorized employees, administrators, attorneys and agents.
2. "Employer" means this state or any political subdivision of this state, including cities, towns, fire districts and Indian tribes, that employs firefighters, peace officers, corrections officers, or detention officers OR OTHER MEMBERS AS DEFINED IN SECTION 38-881 and that participates in the public safety personnel retirement system established by chapter 5, article 4 of this title or the corrections officer retirement plan established by chapter 5, article 6 of this title.

3. "Peace officer" means a certified peace officer as defined in section 38-842.

4. "Program" means the firefighter, peace officer and corrections officer cancer insurance policy program established by this article.

Sec. 3. Section 38-642, Arizona Revised Statutes, is amended to read:

38-642. Firefighter, peace officer and corrections officer cancer insurance policy program
A. Except as provided in subsection D of this section, the board shall establish and administer a firefighter, peace officer and corrections officer cancer insurance policy program for participating employers that employ firefighters, peace officers, corrections officers, or detention officers OR OTHER MEMBERS AS DEFINED IN SECTION 38-881. For the purposes of the internal revenue code, the program is an integral part of a political subdivision of this state.

B. Except as provided in subsection D of this section, participating employers that employ firefighters or peace officers shall participate in the program.

C. The board shall contract for a group cancer insurance policy to provide coverage as prescribed by section 38-645 or may self-insure the program by establishing an insurance policy that is of its own design and that is underwritten by the assets of the firefighter, peace officer and corrections officer cancer insurance policy program account established by section 38-643. When procuring, establishing or administering any cancer insurance policy provided pursuant to this article the board is exempt from the requirements of title 41, chapter 23.

D. The board shall administer a firefighter, peace officer and corrections officer cancer insurance policy program for employers and their employees who are corrections officers, or detention officers OR OTHER MEMBERS AS DEFINED IN SECTION 38-881 and who join the program. The state department of corrections, the state department of juvenile corrections, THE DEPARTMENT OF PUBLIC SAFETY OR A COUNTY, CITY OR TOWN may establish a voluntary cancer insurance policy program for employees who are corrections officers OR detention officers. The state department of corrections, the state department of juvenile corrections, THE DEPARTMENT OF PUBLIC SAFETY OR A COUNTY, CITY OR TOWN that, in its discretion, establishes a program shall collect the payments for the program and submit the monies to the board on behalf of the employees who voluntarily enroll in the program and make payments for the cancer insurance. If a county, city or town establishes a cancer insurance policy program, the county, city or town is not required to make payments for the cancer insurance. If the state department of corrections, or state THE department of juvenile corrections OR THE DEPARTMENT OF PUBLIC SAFETY establishes a cancer insurance policy program, the department shall not make payments for the cancer insurance. The board may adopt policies that establish criteria for participation in the program pursuant to this subsection.

E. On or before July 31 of each year, the board shall notify each employer required to participate in the program of the total amount payable to the board to pay for the costs of the program. The amount charged to each employer shall not exceed one hundred eighty dollars for each employee of the employer who is a firefighter, peace officer, corrections officer, or detention officer OR ANY OTHER MEMBER AS DEFINED IN SECTION 38-881 on record with the board as of June 30 of that year. Each employer shall pay this amount to the board on or before August 31 of each year.

F. Employers that fail to pay the amount required by subsection E of this section by August 31 shall pay a fifteen percent late charge to the board on all delinquent amounts accrued monthly. If the amount due and the late charge are not paid within thirty days, the board may recover the amounts due from the employer by either:

1. Filing an action in a court of competent jurisdiction to recover the amount due.

2. Requesting a deduction of any monies, including excise revenue taxes, payable to the employer by any department or agency of this state.

G. If the board self-insures the program the board and the program are exempt from title 20 and any rules adopted pursuant to title 20.

Sec. 4. Section 38-644, Arizona Revised Statutes, is amended to read:

38-644. Eligibility
A. Except as provided in subsections B, C and D of this section, to qualify for covered benefits under the program, a person must satisfy all of the following criteria:

1. Be an active or retired member of the public safety personnel retirement system or the corrections officer retirement plan.

2. Be one of the following:
   (a) A firefighter who is or was regularly assigned to hazardous duty of the type normally expected of a firefighter.
   (b) A peace officer.
   (c) A corrections officer employed by the state department of corrections or the state department of juvenile corrections, or a detention officer employed by a county, city or town OR ANY OTHER MEMBER AS DEFINED IN SECTION 38-881 if the department, county, city, or town OR PARTICIPATING EMPLOYER AS DEFINED IN SECTION 38-881 has voluntarily established a program and the corrections officer, or detention officer OR ANY OTHER MEMBER AS DEFINED IN SECTION 38-881 voluntarily enrolled in the program and made the payments pursuant to section 38-642, subsection D.

3. Have cancer that was first diagnosed after the person's date of membership in the public safety personnel retirement system or corrections officer retirement plan.

4. Persons who terminate employment with a participating employer are not eligible for benefits under the program unless the person has made a valid claim for payment of expenses under the program before termination of employment.

5. On retirement, persons who were either receiving benefits under the program before retirement or who are diagnosed with cancer subsequent to retirement remain eligible for coverage under the program for five months for each year of credited service accumulated toward retirement under the public safety personnel retirement system or corrections officer retirement plan.

D. A person whose eligibility to receive benefits under subsection C of this section is expiring may continue to remain eligible for coverage under the program if the person makes an election with the board and pays to the board the cost of the premium as determined by the board at the time determined by the board.

E. A person is not eligible for benefits under the program if there is any evidence that the cancer that forms the basis for a benefit claim under the program existed before the person's membership in the public safety personnel retirement system or corrections officer retirement plan.

Sec. 5. Section 38-853.01, Arizona Revised Statutes, is amended to read:

38-853.01. Redemption of prior service; calculation

A. Each present active member of the system who has at least five years of service with the system may elect to redeem up to sixty months of any part of the following prior service or employment by paying into the system any amounts required under subsection B of this section if the prior service or employment is not on account with any other retirement system:

1. Prior service in this state as an employee with an employer now covered by the system or prior service with an agency of the United States government, a state of the United States or a political subdivision of this state or of a state of the United States as a full-time paid firefighter, full-time paid certified peace officer or full-time paid corrections officer engaged in law enforcement duties.

2. Subject to any limitations prescribed by federal law, prior employment as an employee of a corporation that contracted with an employer now covered by the system to provide firefighting services on behalf of that employer as a full-time paid firefighter or that provided firefighting services for a political subdivision of this state.

B. Any present active member who elects to redeem any part of the prior service or employment for which the employee is deemed eligible by the board under this section shall pay into the system the amounts previously withdrawn by the member, if any, as a refund of the member's accumulated contributions plus accumulated interest as determined by the board and the additional amount, if any, computed by the system's actuary that is necessary to equal the increase in the actuarial present value of projected benefits resulting from the redemption calculated using the actuarial methods and assumptions prescribed by the system's actuary. BEGINNING JANUARY 1, 2018, the discount rate used by the actuary for the redemption calculation pursuant to this subsection is an amount equal to the lesser of the assumed rate of return that is prescribed by the board or an amount equal to the yield on a ten-year treasury note as of March 1 that is published by the federal reserve board plus two per-cent PERCENT. The discount rate is effective beginning in the next fiscal year, and the board shall recalculate the rate each year.

C. A member electing to redeem service pursuant to this section may pay for service being redeemed in the form of a lump sum payment to the system, a trustee-to-trustee transfer or a direct rollover of an eligible distribution from a plan described in section 402(c)(8)(B)(iii), (iv), (v) or (vi) of the internal revenue code or a rollover of an eligible distribution from an individual retirement account or annuity described in section 408(a) or (b) of the internal revenue code.

Sec. 6. Retroactivity

Section 38-853.01, Arizona Revised Statutes, as amended by this act, applies retroactively to from and after August 1, 2012.
Bill Histories

H2237 RETIREMENT; RETURN TO WORK; RESTRICTIONS

Arizona State Retirement System, Public Safety Personnel Retirement System, and Corrections Officer Retirement Plan employers are prohibited from contracting with or leasing a retired member within one year after the member's retirement date.

ARS Titles Affected: 38

First sponsor: Rep. J. Allen

NOTE: Measure was originally sponsored by the member(s) shown here. If it has been changed by amendment the sponsor(s) may or may not still support the measure.

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<th>H2237 Daily History</th>
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Be it enacted by the Legislature of the State of Arizona:

Section 1. Section 38-766, Arizona Revised Statutes, is amended to read:

Section 38-766. Retired members; return to work; suspension of benefits; exceptions; maximum benefit

A. A retired member who is engaged to work by an employer for at least twenty weeks in each fiscal year and at least twenty hours per week resumes active membership in ASRS. ASRS shall suspend payment of the member's retirement benefits until the member either:

1. Terminates employment and files an application for reretirement on a form that is approved by the director.

2. Attains a normal retirement date, no longer meets the requirements for active membership pursuant to this subsection and files an application for reretirement on a form that is approved by the director.

B. A retired member whose retirement benefits have been suspended pursuant to subsection A of this section shall repay ASRS any retirement benefits received by the member from the date ASRS notifies the member in writing that the member's employment resulted in membership in ASRS pursuant to subsection A of this section, from the date ASRS determines that the member knew or should have known that the member's employment resulted in membership in ASRS pursuant to subsection A of this section or for any other period that approximates the duration of the violation, as determined by ASRS.

C. A member who satisfies subsection A, paragraph 1 or 2 of this section is entitled to receive an annuity recomputed to include the additional compensation and credited service. However, the recomputed annuity shall be in the original optional form chosen pursuant to section 38-760, with the same beneficiary, if applicable, as when the member first retired, unless the member has resumed active membership for at least sixty consecutive months. A member who retired under a provision of law allowing increased benefits if the retirement occurred during a specific period of time and who subsequently becomes an employee under ASRS shall not retain the increased benefits under the prior law when benefits are computed for the member's most recent retirement.

D. Notwithstanding subsection A of this section, ASRS shall not suspend the payment of retirement benefits if a retired member begins or returns to employment with an employer in a position that satisfies all of the following:

1. Results in a true change in position, job duties and job title from the position occupied by the member before ASRS retirement.

2. Either:
   (a) Requires participation in another state retirement system, plan or program and the retired member makes contributions or waives participation pursuant to section 38-804, subsection A.
   (b) Permits a member to elect to participate in another state retirement system, plan or program and the member makes such an election.

3. Does not require membership in the defined benefit plan established by this article.

E. A retired member who returns to work pursuant to subsection D of this section does not accrue credited service, member service as provided in section 15-1628, subsection B, paragraph 4, additional account balances, retirement benefits or long-term disability program benefits pursuant to article 2.1 of this chapter for the period the retired member returns to work. The period the retired member returns to work is not eligible for purchase under section 38-743 or 38-744.

F. Section 38-769, subsection L applies when determining the maximum benefit that may be paid to a retired member who
resumes active membership and subsequently retires.

G. An employer that engaged the retired member to work pursuant to this section shall pay to ASRS an amount equal to the rate established by the actuary pursuant to section 38-766.02, subsection B for the period starting with the first day the retired member began working after retirement through the earlier of:
1. The date the member terminates employment.
2. The date the employer begins payment for that member pursuant to section 38-766.02.
3. The date the member resumes active membership pursuant to subsection A of this section and the member and employer are required to make contributions pursuant to section 38-736, 38-737 or 38-738.

H. AN EMPLOYER MAY NOT CONTRACT WITH OR LEASE A RETIRED MEMBER WITHIN THREE HUNDRED SIXTY-FIVE DAYS AFTER THE MEMBER'S RETIREMENT DATE.

Sec. 2. Section 38-849, Arizona Revised Statutes, is amended to read:

38-849. Limitations on receiving pension; violation; classification; reemployment after severance; reinstatement of service credits; reemployment of retired member or member with a disability; definition

A. If a member is convicted of, or discharged because of, theft, embezzlement, fraud or misappropriation of an employer's property or property under the control of the employer, the member shall be subject to restitution and fines imposed by a court of competent jurisdiction. The court may order the restitution or fines to be paid from any payments otherwise payable to the member from the retirement system.

B. A person who knowingly makes any false statement or who falsifies or permits to be falsified any record of the system with an intent to defraud the system is guilty of a class 5 felony. If any change or error in the records results in any member or beneficiary receiving from the system more or less than the member or beneficiary would have been entitled to receive had the records been correct, the local board shall correct such error, and as far as practicable shall adjust the payments in such manner that the actuarial equivalent of the benefit to which such member or beneficiary was correctly entitled shall be paid. If a member is convicted of a crime specified in this subsection, section 13-713 applies.

C. If a member who received a severance refund on termination of employment pursuant to section 38-846.02 becomes reemployed with the same employer within two years after the former member's termination date, the member may have forfeited credited service attributable to service rendered during a prior period of service as an employee restored on satisfaction of each of the following conditions:
1. The member files with the system a written application for reinstatement of forfeited credited service within ninety days after again becoming an employee.
2. The retirement fund is paid the total amount previously withdrawn pursuant to section 38-846.02 plus compound interest from the date of withdrawal to the date of repayment. Interest shall be computed at the rate of nine percent PERCENT for each year compounded each year from the date of withdrawal to the date of repayment. Forfeited credited service shall not be restored until complete payment is received by the fund.
3. The required payment is completed within one year after returning to employee status.

D. If a member who received a severance refund on termination of employment, as provided in section 38-846.02, is subsequently reemployed by an employer, the member's prior service credits shall be cancelled and service shall be credited only from the date the member's most recent reemployment period commenced. However, a present active member of the system who forfeited credited service, received a severance refund pursuant to section 38-846.02 and becomes reemployed with the same employer two years or more after the former member's termination date or becomes reemployed with another employer may elect to redeem any part of that forfeited credited service by paying into the system any amounts required pursuant to this subsection. A present active member who elects to redeem any part of forfeited credited service for which the member is deemed eligible by the board shall pay into the system the amounts previously paid or transferred to the member as a severance refund plus an amount, computed by the system's actuary that is necessary to equal the increase in the actuarial present value of projected benefits resulting from the redemption calculated using the actuarial methods and assumptions prescribed by the system's actuary. On satisfaction of this obligation the member's prior service credits shall be reinstated.

E. If a retired member becomes reemployed in any capacity by the employer from which the member retired before one year from the date of retirement or in the same position at any time following retirement:
1. The following apply:
   (a) Within ten days after the retired member is reemployed, the local board shall advise the system in writing of the retired member's reemployment.
   (b) The system shall not make pension payments to the retired member during the period of reemployment.
   (c) Employee contributions shall not be made on the retired member's account, nor shall any service be credited during the period of reemployment. On subsequent termination of employment by the retired member, the retired member is entitled to receive a pension based on the member's service and compensation before the date of the member's reemployment. The employer shall pay the alternate contribution rate pursuant to section 38-843.05.
2. Paragraph 1, subdivisions (a) and (b) of this subsection do not apply if either:
   (a) The retired member becomes reemployed after sixty consecutive days from the member's retirement date as a result of participating in an open competitive new hire process for an entry level, nonsupervisory position, except if the retired member is hired for the same position.
   (b) The retired member is hired as a fire inspector or arson investigator.

F. AN EMPLOYER MAY NOT CONTRACT WITH OR LEASE A RETIRED MEMBER WITHIN ONE YEAR AFTER THE MEMBER'S RETIREMENT DATE.

G. If a retired member is assigned voluntary duties acting as a limited authority peace officer, pursuant to the Arizona peace officer standards and training board rules, employee contributions shall not be made on the retired member's account, and any service shall not be credited during the period of reemployment. The employer shall pay the alternate contribution rate pursuant to section 38-843.05.

H. If after one year from the date of retirement a retired member becomes reemployed by the employer from which the member retired in a position other than the same position from which the member retired, employee contributions shall not be made on the retired member's account, and any service shall not be credited during the period of reemployment. The employer shall pay the alternate contribution rate pursuant to section 38-843.05.

I. At any time following retirement, if the retired member becomes employed by an employer, other than the employer from which the member retired, in a position ordinarily filled by an employee of an eligible group, employee contributions shall not be made on the retired member's account, and any service shall not be credited during the period of reemployment. The employer shall pay the alternate contribution rate pursuant to section 38-843.05.
J. If a member who retired under an accidental or ordinary disability becomes reemployed as an employee of an eligible group, section 38-844 applies and a determination shall be made by the local board as to whether subsection E, F, G, or H of this section applies.

K. The local board shall review all reemployment determinations and voluntary assignments as described in subsection F-G of this section. If the local board or the system is not provided the necessary information required by the system to make a reemployment determination, the local board and the system shall suspend pension payments until information is received and a determination is made regarding whether the reemployment meets the requirements of subsection E, F, G, H, or I of this section.

L. A person who defrauds the system or who takes, converts, steals or embezzles monies owned by or from the system and who fails or refuses to return the monies to the system on the board's written request is subject to civil suit by the system in the superior court in Maricopa county. On entry of an order finding the person has defrauded the system or taken, converted, stolen or embezzled monies owned by or from the system, the court shall enter an order against that person and for the system awarding the system all of its costs and expenses of any kind, including attorney fees, that were necessary to successfully prosecute the action. The court shall also grant the system a judicial lien on all of the nonexempt property of the person against whom judgment is entered pursuant to this subsection in an amount equal to all amounts awarded to the system, plus interest at the rate prescribed by section 44-1201, until all amounts owed are paid to the system.

M. Notwithstanding any other provision of this article, the board may offset against any benefits otherwise payable by the system to an active or retired member or survivor any court ordered amounts awarded to the board and system and assessed against the member or survivor.

N. For the purposes of this section, "same position" means a position in which the member performs substantially similar duties that were performed and exercises substantially similar authority that was exercised by the retired member before retirement.

Sec. 3. Section 38-884, Arizona Revised Statutes, is amended to read:

38-884. Membership of retirement plan; termination; credited service; redemption; reemployment; definition

A. Each employee of a participating employer is a member of the plan unless the employee is receiving a pension from the plan. A person employed shall undergo a medical examination performed by a designated physician or a physician working in a clinic that is appointed by the local board or, in the case of a state correctional officer who is employed by the state department of corrections, complete a physical examination pursuant to section 41-1822, subsection B. For the purposes of subsection B of this section, the designated physician or a physician working in a clinic that is appointed by the local board may be the employee's regular employee or contractor.

B. The purpose of the medical examination authorized by this section is to identify a member's physical or mental condition or injury that existed or occurred before the member's date of membership in the plan. Any employee who fails or refuses to submit to the medical examination prescribed in this section is deemed to waive all rights to disability benefits under this article. Medical examinations conducted under this article shall be conducted by a physician and shall not be conducted or used for purposes of hiring, advancement, discharge, job training or other terms, conditions and privileges of employment unrelated to receipt or qualification for pension benefits or service credits from the fund. This subsection does not affect or impair the right of an employer to prescribe medical or physical standards for employees or prospective employees.

C. If a member who becomes a member of the plan before January 1, 2012 ceases to be an employee for any reason other than death or retirement, within twenty days after filing a completed application with the board, the member is entitled to receive the following amounts, less any benefit payments the member has received and any amount the member may owe to the plan:

1. If the member has less than five years of credited service with the plan, the member may withdraw the member's accumulated contributions from the plan.

2. If the member has five or more years of credited service with the plan, the member may withdraw the member's accumulated contributions plus an amount equal to the amount determined as follows:

(a) 5.0 to 5.9 years of credited service, twenty-five percent of all member contributions deducted from the member's salary pursuant to section 38-891, subsection B.

(b) 6.0 to 6.9 years of credited service, forty percent of all member contributions deducted from the member's salary pursuant to section 38-891, subsection B.

(c) 7.0 to 7.9 years of credited service, fifty-five percent of all member contributions deducted from the member's salary pursuant to section 38-891, subsection B.

(d) 8.0 to 8.9 years of credited service, seventy percent of all member contributions deducted from the member's salary pursuant to section 38-891, subsection B.

(e) 9.0 to 9.9 years of credited service, eighty-five percent of all member contributions deducted from the member's salary pursuant to section 38-891, subsection B.

(f) 10.0 or more years of credited service, one hundred percent of all member contributions deducted from the member's salary pursuant to section 38-891, subsection B.

D. If a member who becomes a member of the plan before January 1, 2012 has more than ten years of credited service with the plan, leaves the monies prescribed in subsection C of this section on account with the plan for more than thirty days after termination of employment and after that time period requests a refund of those monies, the member is entitled to receive the amount prescribed in subsection C of this section plus interest at a rate determined by the board for each year computed from and after the member's termination of employment.

E. The accumulated member contributions of a member who ceases to be an employee for a reason other than death or retirement and who becomes a member of the plan on or after January 1, 2012 shall be paid to the member plus interest at a rate determined by the board as of the date of termination within twenty days after filing with the plan a written application for payment.

F. If the refund includes monies that are an eligible rollover distribution and the member elects to have the distribution paid directly to an eligible retirement plan or individual retirement account or annuity and specifies the eligible retirement plan or individual retirement account or annuity to which the distribution is to be paid, the distribution shall be made in the form of a direct trustee-to-trustee transfer to the specified eligible retirement plan. The distribution shall be made in the form and at the time prescribed by the systems.

G. For distributions occurring from and after December 31, 2007, a member or a member's beneficiary, including a nonspouse designated beneficiary to the extent permitted under subsection H of this section, may roll over an eligible rollover distribution as defined in section 402(c)(4) of the internal revenue code to a Roth individual retirement account, if, for distributions occurring before January 1, 2010, the member or the member's beneficiary satisfies the requirements for making a Roth individual...
O. An employer may not contract with or lease a retired member within twelve months after the member's retirement date.
Information

Subject

Mr. Corey Arvizu
Managing Partner
Mr. Christopher Heinfeld
Audit Manager
Heinfeld, Meech & Co., P.C

Attachments
Auditor PSPRS Board of Trustee Presentation
GAS Report PSPRS FY15 12 23 15
SAS 114 Communication FY15 PSPRS 1 11 16
2014 Examination/Audit In-Review  
(related to GASB Statement No. 68)  
2015 Audit In-Review  
(related to financial statements)  

Presented by Heinfeld, Meech & Co., P.C.:  
Corey Arvizu, CPA  
Christopher W. Heinfeld, CPA
2014 EXAMINATION/AUDIT
(RELATED TO GASB STATEMENT NO. 68)

• Planning Procedures

• On-site (Fieldwork) Procedures
  • 14 entities selected (415 active members; 90 retirees)
  • 2-3 individuals each visit
  • Census data

• Wrap-up (Concluding) Procedures
  • PSPRS and CORP: tie-off, recalculation, and analysis (263)
    • Contributions, net investment income, benefits, administrative expenses, net transfers, and net position
  • EORP and CORP-AOC: tie-off, recalculation, and allocation (55)
    • Contributions, net pension liability, deferred outflows and inflows of resources, and pension expense

• Over 400 staff hours
SUMMARY OF RESULTS
(RELATED TO GASB STATEMENT NO. 68)

• Examination/Audit Procedures
  • No difficulties with member entities or getting information
  • No difficulties with System employees or getting information
  • No disagreements with management
  • No findings noted

• Schedules and Reports
  • Minor changes/edits
  • No disagreements with management

• New Requirement
2015 AUDIT
(RELATED TO FINANCIAL STATEMENTS)

- Planning Procedures
- On-site (Fieldwork) Procedures
  - 4 weeks on-site
  - 3-4 individuals each week
  - Contributions, benefits, and cash and investments (along with related activity)
  - Administrative expenses, member data, internal audit, information technology, use of specialists (GRS), and use of service organizations (Wells Fargo and BNY Mellon)
- Wrap-up (Concluding) Procedures
- Over 550 staff hours
2015 AUDIT PROCEDURES
(RELATED TO FINANCIAL STATEMENTS)

• Contributions, Benefits, and Administrative Expenses – understanding of procedures and internal controls; sample transactions to ensure proper recording; perform various analysis

• Cash and Investments – understanding of procedures and internal controls; sample transactions to ensure proper valuation; agree balances to bank and investment statements

• Member Data – understanding of procedures and internal controls; agree to source documentation; comparison to data used by the actuary

• Internal Audit – understanding of procedures, and review reports

• Information Technology – understanding of procedures and internal controls, along with safeguards and security

• Use of Specialists (GRS) – understanding of procedures performed, assumptions used, and qualifications of the specialist

• Use of Service Organizations (Wells Fargo & BNY Mellon) – understanding of procedures performed and qualifications of the organizations; review service auditor reports
SUMMARY OF RESULTS (RELATED TO FINANCIAL STATEMENTS)

• Audit Procedures
  • No difficulties with System employees or getting information
  • No disagreements with management
  • No findings noted

• Financial Statements and Report
  • Minor changes/edits
  • No disagreements with management

• Combined Report
  • Separate columns for pension and health insurance subsidy balances and activity for each plan (including CORP-AOC)
  • Consolidation of several sections (transmittal letter, mda, notes, and supporting schedules, along with the investment, actuarial, and statistical sections)
Final Notes

- We will begin reviewing the Fire Fighter & Peace Officer Cancer Insurance Policy Program report in the next couple of weeks.
- We will begin performing the examination and audit procedures related to GASB Statement No. 68 for FY15 in the next few months.

Questions and Comments

Access to Auditors:

- Corey Arvizu, CPA
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520-742-2611 ex.101

- Christopher W. Heinfeld, CPA
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Report On Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with Government Auditing Standards

Independent Auditor's Report

Board of Trustees
Public Safety Personnel Retirement System

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Public Safety Personnel Retirement System, as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated December 23, 2015. Our report included an emphasis of matter paragraph as to comparability because of the implementation of Governmental Accounting Standards Board Statement No. 68, as amended by Statement No. 71. Our report also included an emphasis of matter paragraph as to the use of alternative sources of information as evidence for fair value of investments for which quoted market prices are not available.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered Public Safety Personnel Retirement System’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Public Safety Personnel Retirement System’s internal control. Accordingly, we do not express an opinion on the effectiveness of Public Safety Personnel Retirement System’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.
Compliance and Other Matters
As part of obtaining reasonable assurance about whether Public Safety Personnel Retirement System’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HEINFELD, MEECH & CO., P.C.
CPAs and Business Consultants

December 23, 2015
January 11, 2016

Board of Trustees
Public Safety Personnel Retirement System

We have audited the Combined Statement of Fiduciary Net Position and the related Combined Statement of Changes in Fiduciary Net Position of the Public Safety Personnel Retirement System for the year ended June 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and Government Auditing Standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter provided to you during the planning phase of the audit. Professional standards also require that we communicate to you the following matters related to our audit.

**Qualitative Aspects of Accounting Practices**
Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Public Safety Personnel Retirement System are described in Note 1 and other notes to the financial statements. No matters have come to our attention that would require us, under professional standards, to inform you about the methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

As described in Notes 15 and 16 of the financial statements, PSPRS implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, for the year ended June 30, 2015. GASB Statement No. 68 requires governments providing defined benefit pensions to recognize the long-term obligation for pension benefits as a liability, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised note disclosures and new required supplementary information.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from management’s current judgments.

The most sensitive estimates affecting the financial statements are:

- The determination of the funded status and net pension liabilities of the PSPRS are calculated with actuarial methods and assumptions as applied by the actuary of the PSPRS under the supervision of management. We evaluated the key elements of the actuarial methods, assumptions, and underlying participant data in determining the reasonableness of the actuarial valuations performed in relation to the financial statements as a whole.
- Certain investments are valued utilizing the most recent reported valuations adjusted for subsequent cash flows. In addition, non-publicly traded assets managed by external managers are valued using established valuation policies, which may include discounted cash flows methodologies.
- The assumptions used in the actuarial valuations of the ASRS pension and other postemployment benefits plans are based on historical trends and industry standards.
We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

**Difficulties Encountered in Performing the Audit**
We encountered no significant difficulties in dealing with management in performing and completing our audit.

**Audit Adjustments**
Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. During the course of the audit we did not identify any misstatements which require communication.

**Disagreements with Management**
For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor’s report. We are pleased to report that no such disagreements arose during the course of our audit.

**Management Representations**
We have requested certain written representations from management, which are included in the management representation letter provided to us at the conclusion of the audit.

**Management Consultations with Other Independent Accountants**
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Public Safety Personnel Retirement System’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. Management informed us that, and to our knowledge, there were no such consultations with other accountants regarding auditing and accounting matters.

**Discussions with Management**
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management throughout the course of the year. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention as PSPRS’s auditors.

**Compliance with Ethics Requirements Regarding Independence**
The engagement team, others in our firm, and as appropriate, our firm, have complied with all relevant ethical requirements regarding independence. Heinfeld, Meech & Co., P.C. continually assesses client relationships to comply with relevant ethical requirements, including independence, integrity, and objectivity, and policies and procedures related to the acceptance and continuance of client relationships and specific engagements. Our firm follows the “Independence Rule” of the AICPA Code of Professional Conduct and the rules of state boards of accountancy and applicable regulatory agencies. It is the policy of the firm that all employees be familiar with and adhere to the independence, integrity, and objectivity rules, regulations, interpretations, and rulings of the AICPA, U.S. Government Accountability Office (GAO), and applicable state boards of accountancy.
Responsibility for Fraud
It is important for both management and the members of the governing body to recognize their role in preventing, deterring, and detecting fraud. One common misconception is that the auditors are responsible for detecting fraud. Auditors are required to plan and perform an audit to obtain reasonable assurance that the financial statements do not include material misstatements caused by fraud. Unfortunately most frauds which occur in an organization do not meet this threshold.

The attached document prepared by the Association of Certified Fraud Examiners (ACFE) is provided as a courtesy to test the effectiveness of the fraud prevention measures of your organization. Some of these steps may already be in place, others may not. Not even the most well-designed internal controls or procedures can prevent and detect all forms of fraud. However, an awareness of fraud related factors, as well as the active involvement by management and the members of the governing body in setting the proper “tone at the top”, increases the likelihood that fraud will be prevented, deterred and detected.

Restriction on Use
This information is intended solely for the use of the members of the Board and management of Public Safety Personnel Retirement System and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

HEINFELD, MEECH & CO., P.C.

HEINFELD, MEECH & CO., P.C.
CPAs and Business Consultants
Fraud Prevention Checklist

The most cost-effective way to limit fraud losses is to prevent fraud from occurring. This checklist is designed to help organizations test the effectiveness of their fraud prevention measures.

1. Is ongoing anti-fraud training provided to all employees of the organization?
   - Do employees understand what constitutes fraud?
   - Have the costs of fraud to the company and everyone in it — including lost profits, adverse publicity, job loss and decreased morale and productivity — been made clear to employees?
   - Do employees know where to seek advice when faced with uncertain ethical decisions, and do they believe that they can speak freely?
   - Has a policy of zero-tolerance for fraud been communicated to employees through words and actions?

2. Is an effective fraud reporting mechanism in place?
   - Have employees been taught how to communicate concerns about known or potential wrongdoing?
   - Is there an anonymous reporting channel available to employees, such as a third-party hotline?
   - Do employees trust that they can report suspicious activity anonymously and/or confidentially and without fear of reprisal?
   - Has it been made clear to employees that reports of suspicious activity will be promptly and thoroughly evaluated?
   - Do reporting policies and mechanisms extend to vendors, customers and other outside parties?

3. To increase employees’ perception of detection, are the following proactive measures taken and publicized to employees?
   - Is possible fraudulent conduct aggressively sought out, rather than dealt with passively?
   - Does the organization send the message that it actively seeks out fraudulent conduct through fraud assessment questioning by auditors?
   - Are surprise fraud audits performed in addition to regularly scheduled audits?
   - Is continuous auditing software used to detect fraud and, if so, has the use of such software been made known throughout the organization?
4. **Is the management climate/tone at the top one of honesty and integrity?**
   - Are employees surveyed to determine the extent to which they believe management acts with honesty and integrity?
   - Are performance goals realistic?
   - Have fraud prevention goals been incorporated into the performance measures against which managers are evaluated and which are used to determine performance-related compensation?
   - Has the organization established, implemented and tested a process for oversight of fraud risks by the board of directors or others charged with governance (e.g., the audit committee)?

5. **Are fraud risk assessments performed to proactively identify and mitigate the company’s vulnerabilities to internal and external fraud?**

6. **Are strong anti-fraud controls in place and operating effectively, including the following?**
   - Proper separation of duties
   - Use of authorizations
   - Physical safeguards
   - Job rotations
   - Mandatory vacations

7. **Does the internal audit department, if one exists, have adequate resources and authority to operate effectively and without undue influence from senior management?**

8. **Does the hiring policy include the following (where permitted by law)?**
   - Past employment verification
   - Criminal and civil background checks
   - Credit checks
   - Drug screening
   - Education verification
   - References check

9. **Are employee support programs in place to assist employees struggling with addictions, mental/ emotional health, family or financial problems?**

10. **Is an open-door policy in place that allows employees to speak freely about pressures, providing management the opportunity to alleviate such pressures before they become acute?**

11. **Are anonymous surveys conducted to assess employee morale?**