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

Chairman Ferguson called the meeting to order at 11:00 a.m.

2. Review, discussion and possible approval of Operations, Governance Policy and Audit Committee Minutes from May 28, 2014.

Mr. Gregory Ferguson
Committee Chairman

<table>
<thead>
<tr>
<th>MOTION: 1-6/25/14</th>
<th>At 11:01 a.m.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motion:</td>
<td>To approve, as presented, the Minutes of the Operations, Governance Policy and Audit Committee from May 28, 2014.</td>
</tr>
<tr>
<td>Moved by: Ms. Stein</td>
<td>Seconded by: Mr. Ferguson</td>
</tr>
<tr>
<td>Discussion: None</td>
<td>In Favor: Unanimous</td>
</tr>
<tr>
<td>Motion: Passes</td>
<td></td>
</tr>
</tbody>
</table>

3. Presentation of the Month-to-Date Budget Report for FY 2014 and possible Recommendations.

Mr. John Hendricks
Manager Finance and Accounting
A preview of the projected budget for the end of the fiscal year was discussed.

4. Written update on the progress of the Local Board Training Program and discussion and possible **Recommendations** regarding same.

   Mr. Robert Ortega  
   *Local Board Training Coordinator and Human Resources Manager*

   Mr. Don Mineer  
   *Local Board Training Specialist*

   In addition to the written report, it was mentioned that Mr. Mineer held a training session in Benson, Arizona.

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

   Mr. Jim Hacking  
   *Administrator*

   There is one request for rehearing pending.

6. Review, discussion and possible **Action** regarding law firms' billings for legal services performed in May, 2014.

   Mr. Jim Hacking

   Details of the billings were discussed.

   **MOTION: 2-6/25/14**  
   At 11:11 a.m.

   **Motion:** To move approval of the law firms' billings in the amount of $189,943.47 for services performed in May, 2014.

   **Moved by:** Ms. Stein  
   **Seconded by:** Mr. Ferguson  
   **Discussion:** None  
   **In Favor:** Unanimous  
   **Motion:** Passes


   Ms. Bridget Feeley  
   *Internal Audit and Compliance Officer*

   **MOTION: 3-6/25/14**  
   At 11:22 a.m.

   **Motion:** Move to approve review of disability retirements and benefits to FY 2016. Move to review service purchases to FY 2015. Move approval of the revised Audit Plan for FY 2015

   **Moved by:** Ms. Stein  
   **Seconded by:** Mr. Ferguson  
   **Discussion:** None  
   **In Favor:** Unanimous  
   **Motion:** Passes
8. Consideration of, revisions to, and possible Recommendation on the FY 2015 PSPRS Administrative Budget.

   Mr. Jim Hacking

   Two areas of change were discussed. Personnel expenses in budget version A reduced by $2,900 due to ADOA limits of 5% increases for in grade adjustments and additional fees for actuarial services for their work on GASB 67 and 68. The reduction of personnel expenses and the additional actuarial expenses add another $77,000 to the FY 2015 budget.

   **MOTION: 4-6/25/14**
   At 11:27 a.m.
   Motion: To approve the $77,000 additional expenses to the FY 2015 budget.
   Moved by: Ms. Stein
   Seconded by: Mr. Ferguson
   Discussion: None
   In Favor: Unanimous
   Motion: Passes


   Mr. Jim Hacking

   In-house legal counsel will begin on or about August 1, 2014 and the investment accountant will begin on June 30, 2014.

10. Presentation, discussion and possible Recommendation regarding renewal contracts between the PSPRS and the actuary, outside counsel and lobbyist.

    Mr. Jared A. Smout
    Deputy Administrator

   Changes in the proposed fees were discussed.

   **MOTION: 5-6/25/14**
   At 11:34 a.m.
   Motion: To recommend to the Board of Trustees renewal of the contracts between the PSPRS and the actuary, outside counsel and lobbyist.
   Moved by: Ms. Stein
   Seconded by: Mr. Ferguson
   Discussion: None
   In Favor: Unanimous
   Motion: Passes

11. Report and possible Recommendations on the ballot initiative with respect to constitutional amendment(s) and conforming statutory changes designed to improve significantly the financial status of one or more of the PSPRS - administered plans.

    Mr. Jim Hacking
It does not look as though the Governor will call a special session to consider any of the proposed changes to the plans we administer. It is possible the Governor may call a special session after the November elections to take up some form of initiative.

12. Consideration of and possible Recommendation on, an Actuarial Funding Policy made necessary by GASB statements numbers 67 and 68.

   Mr. Jim Hacking

Discussion was held regarding a draft by GRS of Actuarial Funding Policy as it relates to PSPRS. The draft includes the actuarial method of entry age normal; a 7 year smoothing process and, as of June 30, 2013, a closed amortization period of 23 years remaining on a 30 year amortization period.

<table>
<thead>
<tr>
<th>MOTION: 6-6/25/14</th>
<th>At 11:46 a.m.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motion:</td>
<td>To recommend discussion since we have a couple of issues we wish the full board to discuss.</td>
</tr>
<tr>
<td>Moved by:</td>
<td>Ms. Stein</td>
</tr>
<tr>
<td>Seconded by:</td>
<td>Mr. Ferguson</td>
</tr>
<tr>
<td>Discussion:</td>
<td>None</td>
</tr>
<tr>
<td>In Favor:</td>
<td>Unanimous</td>
</tr>
<tr>
<td>Motion:</td>
<td>Passes</td>
</tr>
</tbody>
</table>

13. Call to the Public.

   This is the time for the public to comment. Members of the Committee may not discuss items that are not specifically identified on the agenda. Therefore, pursuant to A.R.S. § 38-431.01 (H), action taken as a result of public comment will be limited to directing staff to study the matter, responding to any criticism, or scheduling the matter for a later date for further consideration and possible recommendations to the Board of Trustees.

   There was no reply to the Call to the Public.

14. Schedule next meeting. (Currently scheduled for Wednesday, July 23, 2014)

   To be determined.

15. Adjournment.

   The meeting was adjourned at 11:50 a.m.

Mr. Gregory Ferguson, Chairman