1. Call to Order, Roll Call, Opening remarks

The meeting was called to order at 11 a.m. by Chairman Ferguson.

2. Review, discussion and possible approval of the Operations, Governance Policy and Audit Committee Minutes from January 25, 2012 and February 29, 2012

<table>
<thead>
<tr>
<th>MOTION: 4-1-12</th>
<th>At 11:01 a.m.</th>
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<tbody>
<tr>
<td>Motion:</td>
<td>To approve the Operations, Governance Policy and Audit Committee Minutes from January 25, 2012 and February 29, 2012 as presented.</td>
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<tr>
<td>Moved by:</td>
<td>Mr. McHenry</td>
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<tr>
<td>Seconded by:</td>
<td>Ms. Stein</td>
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<tr>
<td>Discussion:</td>
<td>None</td>
</tr>
<tr>
<td>In Favor:</td>
<td>Unanimous</td>
</tr>
<tr>
<td>Motion:</td>
<td>Passes</td>
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</tbody>
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3. Presentation of the Month-to-Date Budget Report for FY 2012 and possible Recommendations (Tab 14)

Mr. Hendricks reported that litigation expenses have now been separated from other legal expenses and are a single line item in the Administrative budget. The summary page for professional services includes the total amount for legal expenses. Legal expenses for investments continues to be over budget and will remain so until the position for in-house investment legal counsel is filled. There is an additional expense resulting from the employer
expense to cover the 3% variance for the difference from the employee/employer contribution rate change from 53/47% to 50/50%. Employers must pay back the 3% difference to the employees.

4. Status report on the filling of vacant staff positions and possible legislation that may affect the filling of vacant positions ................................................................. Mr. Jared Smout .......................................................... Deputy Administrator

Mr. Smout stated the only vacant position is that of the in-house investment legal counsel and we are working on the final version of a contract for a candidate to fill the position.

5. Written update on the progress of the Local Board Training Program and discussion and possible Recommendations regarding same (Tab 16) ................................................................. Mr. Robert Ortega .......................................................... Local Board Training Coordinator and Human Resources Manager ................................................................. Mr. Don Mineer .......................................................... Local Board Training Specialist

A written report was presented in the information packet to the Board members. Two seminars have been held. Members find the newsletter useful. Two regional training sessions are to be held in the near future and the Local Board Training Team is working with new local Boards on the new joinder agreements.

6. Status report regarding proposed 2012 legislation and possible Recommendations (Tab 17) ............................................................................................................................... Mr. Jared Smout

Mr. Smout updated the status of the following bills:

a. HB 2087 - (regarding employment agreements) has become a striker bill
b. HB 2571 - (Personnel Reform) is stalled due to budget talks; PSPRS has given the Governor’s staff and lawmakers our latest amendment
c. SB 1115 - PSPRS’ Iran/Sudan bill was signed March 21, 2012
d. SB 1116 - PSPRS’ administrative/technical change bill was signed March 29, 2012
e. HB 2409 - service purchase agreements for the three Plans is waiting for House action
f. HB 2643 - supplemental benefits plan for duty related peace officer injuries passed the Senate
g. HB 2745 – (removal of retroactivity of Alternate Contribution Rates) passed the Senate on March 19, 2012
h. SB 1120 – (Accelerating the effective date of the new benefit increase formula for CORP and EORP) passed Senate January 26, 2012
i. SB 1211 – return of DROP contributions is ready for House action

7. Review, discussion and possible Action regarding the March 2012 Kutak Rock bill for legal services performed in February 2012 (Tab 18) ............................................................... Mr. Jared Smout
The legal bill for services performed in February 2012 was $51,617.

MOTION: 4-2-12 At 11:31 a.m.
Motion: To recommend to the Board of Trustees approval of the billing for services performed in February 2012 as presented.
Moved by: Mr. McHenry
Seconded by: Ms. Stein
Discussion: None
In Favor: Unanimous
Motion: Passes

8. Discussion and possible Recommendations regarding the setting of the employer-paid premium for FY 2013 for the Fire Fighter and Peace Officer Cancer Insurance Plan (Tab 19)

Mr. Jared Smout

Mr. Smout summarized the history of this program and the employer paid premium. The recent actuarial valuation did not include data for Peace Officers due to the fact that their addition to the Plan is too recent to be taken into account actuarially. Discussion was held regarding the number of first occurrences for prior years. There is a lifetime maximum benefit of $100,000. Staff is working with members to evaluate possible changes in the benefits package, including the possibility of adding additional benefits to the package. Staff is looking closely at the issue of the time limit on applications for the first occurrence benefit, and discussing the addition of an appeal process. Staff will look into retaining an actuary with experience in health insurance plans to review the program early in the next fiscal year. Next month Mr. Smout will report to the Committee on the average amount in benefits that we are paying.

MOTION: 4-3-12 At 11:52 a.m.
Motion: To recommend $50 as the employer premium amount for this next fiscal year per employee and direct Staff to have the actuarial review done by the end of this calendar year.
Moved by: Ms. Stein
Seconded by: Mr. McHenry
Discussion: None
In Favor: Unanimous
Motion: Passes

9. Discussion and possible Recommendation regarding fiduciary insurance for the PSPRS Board of Trustees (Tab 20)

Mr. Jared Smout

Mr. Smout reported that information was received from one insurance company; however, the Committee members would like to see information from an additional insurance broker. They asked that the insurance coverages provided by ADOA be compared to those of each of the insurance companies. It was suggested that perhaps we can self insure for the lag time in
payment by ADOA. This topic is to be continued next month.

10. Status report on the legal challenges to the various provisions of SB 1609 ................................................................. Mr. Jared Smout

Mr. Smout reported that a hearing/trial will be held on April 10, 2012 and that PLEA has filed a motion to intervene in the Parker, et al. vs. PSPRS lawsuit.


Mr. Jared Smout

Mr. Smout reported that most of the changes to the Charters are technical in nature in order to make operations more efficient. Other Policies in the governance manual will be reviewed following approval of the Charter revisions.

12. Status report on the Public Safety Personnel Retirement System staff compensation review ............................................................ Mr. Jared Smout

The three companies that have responded to our RFP have been informed that this project is on hold pending the outcome of legislative action on HB 2571.

13. Status report on the FY 2012 Internal Audit Plan (Tab 24).........................Ms. Bridget Feeley

Internal Audit and Compliance Officer

A written report was included in the information sent to the members of the Board of Trustees.

14. Discussion and possible Action with respect to the method of reporting the work/findings recommended by the Internal Audit and Compliance Officer..........................Ms. Bridget Feeley

This was tabled until the next meeting due to Ms. Feeley’s absence.

15. 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 response to the Call to the Public.

16. Schedule next meeting. (Currently scheduled for Wednesday, April 25, 2012)

17. Adjournment.

The meeting was adjourned at 12:15 p.m.