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

The meeting was called to order by Chairman Tobin at 10:02 a.m.

B. Review and possible Action to accept the minutes from the January 26, 2011 Operations, Governance Policy, and Audit Committee meeting

MOTION: 3-1-11 At 10:04 a.m.
Motion: To accept the minutes of the January 26, 2011 Operations, Governance Policy, and Audit Committee meeting.
Moved by: Mr. Ferguson
Seconded by: Mr. Maguire
Discussion: None
In Favor: Unanimous
Motion: Passes

C. Review and possible Action to accept the minutes from the February 23, 2011 Operations, Governance Policy, and Audit Committee meeting.

MOTION: 3-2-11 At 10:05 a.m.
Motion: To accept the minutes of the February 23, 2011 Operations, Governance Policy, and Audit Committee meeting.
Moved by: Mr. Ferguson
Seconded by: Mr. Maguire
Discussion: None
In Favor: Unanimous
Motion: Passes

D. Agenda Items:

1. Presentation of the Month-to-Date Budget Report for FY 2011 and possible Recommendations

Ms. Karen Lewis
Accounting Manager
Ms. Karen Lewis reported that month-to-date we are 1.41% under budget. However, there are overages in actuarial work and legal billing. As of the beginning of last month there were three open staff positions. The paralegal position was filled last month, an investment position will be filled this week, and a third position will soon be filled. Mr. Tobin stated there have been unintended and unexpected expenses with respect to the building air conditioning units and actuarial fees connected with the so-called pension reform initiative.

2. Written update on the progress of the Local Board Training Program and discussion and possible Recommendations………………………………………………………Mr. Robert Ortega
   Local Board Training Coordinator

   Mr. Tobin stated the written report is in the materials that were sent to the members of the Board.

3. Review, discussion and appropriate Action regarding the March 2011 bill for legal services performed in February 2011………………………………………………………….….Mr. Jim Hacking

   Mr. Hacking informed the committee that the legal bill for the month of February was $127,158 which may be adjusted downward by $2,000. Mr. Hacking will speak with Mr. Lieberman before the full Board of Trustees meeting this afternoon about that possible revision.

MOTION: 3-3-11  At 10:25 a.m.
Motion: To approve the February 2011 legal bill with the understanding there will be a discussion to clarify whether or not there will be a $2,000 downward adjustment.
Moved by: Mr. Maguire
Seconded by: Mr. Ferguson
Discussion: None
In Favor: Unanimous
Motion: Passes

4. Status report and possible Recommendations on legislation pertaining to PSPRS including SB 1609………………………………………………………………………..….Mr. Jim Hacking
   Administrator

   Mr. Hacking spoke about SB1609 which has passed out of the Senate and was heard and amended in the House Employment and Regulatory Reform Committee. At this point in time, the Governor’s Office is actively involved in the process and is meeting with constituent group representatives. Several steps remain in the process. The PSPRS lobbyists are contacting members of both Senate and House to indicate that the Board of Trustees is supportive of SB 1609, subject to certain reservations that were discussed at the Special Board meeting on March 23rd. Mr. Hacking reported that progress is being made regarding those reservations and that changes are being made that should fully satisfy the Board. Further discussion was held during the Committee meeting regarding the proposed changes in the bill.

5. Report, discussion and possible Recommendations regarding responses to the RFP for External Audit Service……………………………………………………………..….Mr. Jim Hacking

   The committee members were informed by Mr. Hacking that four responses to the RFP for External Audit Service were received. A recommendation was made by Staff that the current external audit firm, Heinfeld Meech, be retained for a year with two one year extensions to be exercise by the Board in its discretion. This staff recommendation is due to the changes that are occurring within the System, the price competitiveness of the Heinfeld Meech Firm and their familiarity with the System, have had the audit responsibility for the last three years. The
other respondents will be notified that we will retain their current bids on file and invite them to rebid in three years.

6. Report, discussion and possible Recommendations regarding the search for in-house legal counsel

Mr. Jim Hacking

A position description has been drafted for an in-house legal counsel position and a memo regarding a recommended salary range for the position has been produced. Actual salary would depend upon experience and areas of expertise. Mr. Hacking stated that funding for this position would be included in the budget proposal for the next fiscal year. Also, the Board needs to determine the role it will play in the search process to fill the position. Mr. Ferguson stated he did not care for this idea since an attorney would need a clerk. Mr. Hacking responded that we had just hired a new paralegal and may not have to hire a clerk. Mr. Ferguson added that the Board recently approved a list of legal firms that can be used as needed. Mr. Tobin stated we will bring the discussion to the full Board meeting this afternoon.

Additionally, Mr. Maguire noted that in-house legal counsel probably will save one third of the legal bill but even so, he observed that the proposed salary range is, in his opinion, extremely generous in comparison to the average salary for experienced lawyers in Maricopa County (about $125,000) according to a survey by the Arizona Bar Association. He also pointed out that Arizona State Retirement System (ASRS) and Department of Environmental Quality employ attorneys from the Office of the Attorney General.

7. Discussion and possible Recommendations regarding revisions to the Board of Trustees Operations Policy

Mr. Jim Hacking

Mr. Hacking informed the committee that the changes being recommended are the result of changes in the law made last year where special advisers were eliminated, the Fund Manager name was changed to “Board of Trustees,” and the number of Board members went from 5 to 7. Mr. Maguire stated he would like a sentence added to p.3 of the Board of Trustees Operations Policy saying that for all committee notices “A quorum of the Board of Trustees may be present at the committee meeting; however, only the members of the committee shall participate in the discussion of, and the action by, the committee”.

Motion: 3-4-11
Recommendation: To approve the Staff recommendation to retain Heinfeld Meech for one year with two one year options for extension.
Moved by: Mr. Ferguson
Seconded by: Mr. Maguire
Discussion: None
In Favor: Unanimous
Motion: Passes

Motion: 3-5-11
Recommendation: To recommend that we move forward with the search but remove from the compensation range the additional 10% premium above the salary range of $97,000 to $178,800 that the staff recommendation included for additional flexibility in the hiring process.
Moved by: Mr. Ferguson
Seconded by: Mr. Maguire
Discussion: None
In Favor: Unanimous
Motion: Passes
It was noted that if more than three members of the Board are in attendance at a Committee meeting, even if the additional member(s) in attendance are not involved in the deliberations of the Committee, the meeting must be noticed.

8. Report, discussion and possible Recommendations regarding log shipping and website development………………………………………..Mr. Tom Willard
Systems Development Manager

Mr. Tom Willard reported that "log shipping" to our back-up facility in Denver began on February 28, 2011. Therefore, any changes made to the data base are transmitted to Denver every 5 minutes. This transmission would capture all changes that were made during each 5 minute period. This will keep the two databases synchronized so that during a disaster we would be at risk to lose at most 5 minutes of new data. Each night a full backup copy of the data is sent to two storage sites.

9. Report, demonstration, discussion and possible Recommendations regarding new PSPRS online retirement estimator…………………………………………………..……..Mr. Tom Willard
A demonstration was given by Mr.Jon Chase, the PSPRS Data Base Administrator, of the online retirement estimator which is found on the Members Only part of the System’s website. Suggestions were made to either black out the social security numbers or use only the last 4 digits and to leave out the date of birth of the members of the System. Also it was suggested that it be made clear that the calculation is only an estimate. Mr. Tobin stated this will take a big burden off the local boards. Mr. Chase added that more developments are being worked on at this time.

10. Discussion and possible Recommendations regarding revisions to the PSPRS logo and website………………………………………………………………..Mr. Paul Hemmes
Training/Audio Visual Specialist

A discussion was led by Mr. Paul Hemmes regarding a number of prototypes that have been designed for the PSPRS website’s main page and a variety of logos that might be considered for use by the System in place of the existing logo. He asked the members of the Committee for their reaction and in-put. A number of suggestions were made by the Committee members including one calling for the use of a border around the logo and one calling for the continued use of the current logo but with more contrasting color. Mr. Hemmes said that he will return with more options as a result of this discussion.
11. **Call to the Public**: This is the time for the public to comment. Members of the Committee may not discuss items that are not specifically identified on the agenda. Therefore, pursuant to A.R.S. § 38-431.01(H), action taken as a result of public comment will be limited to directing staff to study the matter, responding to any criticism, or scheduling the matter for a later date for further consideration and possible recommendations to the Board of Trustees.

No members of the public wished to address the Committee.

12. **Schedule next meeting**

The next meeting will be held on Wednesday, April 27, 2011.

13. **Adjournment**

<table>
<thead>
<tr>
<th>MOTION: 3-7-11</th>
<th>At 11:40 a.m.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motion:</td>
<td>To adjourn the meeting.</td>
</tr>
<tr>
<td>Moved by:</td>
<td>Mr. Ferguson</td>
</tr>
<tr>
<td>Seconded by:</td>
<td>Mr. Maguire</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>

Brian Tobin, Chairman                  Greg Ferguson, Member                  Alan Maguire, Member
CERTIFICATION OF POSTING OF NOTICE

The undersigned hereby certifies that a copy of the attached notice was duly posted on the front door of the main offices of the Public Safety Personnel Retirement System, 3010 E. Camelback Road, Second Floor, Suite 200, Phoenix, Arizona, 85016-4416, on February 16, 2011 at 9:25 a.m. in accordance with the disclosure statement filed by the Fund Manager of the Public Safety Personnel Retirement System with the Secretary of State.

Dated this 16th day of day of February, 2011.

Gail Nova
Administration Manager