A. Call to Order, Roll Call, Opening remarks

Mr. Tobin called the meeting to order at 10:02 a.m. He stated Ms. Tracey Peterson is retiring and will be moving to another opportunity. The Committee appreciates all the knowledge and assistance to the System that she has provided over the last ten years. Ms. Peterson thanked the Committee.

A welcome was extended by Mr. Tobin to the new member of the Committee, Mr. Jeff McHenry.

B. Review and possible Action to accept the minutes from the April 27, 2011 Operations, Governance Policy, and Audit Committee meeting.

MOTION: 5-1-11

At 10:05 a.m.

Motion: To approve the minutes of the April 27, 2011 Operations, Governance Policy and Audit Committee.

Moved by: Mr. McHenry
Seconded by: Mr. Ferguson
Discussion: None
In Favor: Unanimous
Motion: Passes

C. Agenda Items:

1. Discussion and possible Recommendations regarding the Policy for Development and Implementation of the Legislative Agenda and Use of Lobbying Services........Mr. Brian Tobin

Mr. Tobin informed the Staff and Committee that now is the time to think about proposed legislation for the next session. Staff has a deadline of July 15 and the Board has a deadline of August 1, 2011. Discussion was held regarding the Iran/Sudan statutes and statutes applicable to the alternative contribution rates.
2. Presentation of the Month-to-Date Budget Report for FY 2011 and possible Recommendations

Ms. Lewis reported as of May 18 expenses are 2% under budget, but with projected costs we will probably be 4% over budget due to legal bills, Mellon Bank fees for the first two quarters, actuarial fees, IT large item purchases, and the emergency air conditioning problems of last summer.

The Committee recommended staff hold any discretionary spending until the coming fiscal year. Mr. Ferguson stated he did not see how the cost overrun due to the actuarial studies required this past legislative session could be held against the PSPRS staff which is the primary reason we are over budget.

3. Presentation of the proposed FY 2012 PSPRS budget and possible Recommendations

A description of the budget process was given by Mr. Hacking which began with the development of the strategic plan, and continued with the input from each unit manager and then the review by Mr. Hacking, Karen Lewis and the various unit managers. The FY 2012 proposed budget is lower than the actual spending levels for past fiscal years back through FY 2009. Staff is not asking for action today, but this presentation is for the understanding of the Board before the June, 2011 meeting.

Mr. Hacking continued by saying a request is being made for one new staff position for the Active Members Group due to SB 1609’s requirement that we collect the Alternative Contribution Rate beginning this July. We are moving other positions around. Two positions are being moved to a new call center in order to reduce disruption of the processing units due to the increased call volume that has occurred over the past few years. A position is being reallocated to the IT operations group and a position is being reallocated for the in-house legal counsel position.

Mr. Tobin commented most of the information we been asked for over the phone should be handled at the local board level, but with SB1609, we have handled the questions that have been called in. Maybe we should not take staff from other areas and have an increase in the budget for which the local boards will ultimately pay. Mr. Hacking stated there is an increase in call volume from our retirees. Mr. Tobin asked Mr. Hacking to review the highlights of the budget this afternoon during the full board meeting.

4. Presentation of proposed contracts listed below for FY 2012 and possible Recommendations

a. Ballard Spahr LLP
b. Kutak Rock LLP
c. Steptoe & Johnson LLP
d. Charles Whetstine, P.M.
e. Ice Miller LLP
f. Strasburger & Price, LLP
g. Cooley LLP
h. Foley & Lardner LLP
i. Foster Pepper PLLC
j. Goodwin Procter
k. Jackson Walker, L.L.P.
l. Morrison Foerster LLP
m. Pillsbury Winthrop Shaw Pittman LLP  
 n. Ropes & Gray LLP  
 o. LRS Consulting, LLC  
 p. Gabriel Roeder Smith  
 q. HighGround  
 r. Public Policy Partners

Mr. Hacking summarized that items a through n are contracts with law firms that have been approved by the Board of Trustees as a part of the RFP process for outside legal counsel and have been acted upon by the Board. Items o through r will be placed on the June agenda for possible action. A discussion was held regarding the contract for LRS Consulting, LLC requirements and perhaps adding responsibility for training call center staff. Another discussion was held regarding whether or not it is necessary to have two lobbyists.

5. 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

Mr. Ortega reported that last week a webinar was held regarding legislative changes where discussion was mainly centered on the Alternative Contribution Rate and the Deferred Retirement Option Plan.

6. Review, discussion and appropriate Action regarding the May 2011 bill for legal services performed in April 2011………………………..….……..……..…………………….Mr. Jim Hacking

MOTION:  5-2-11  At: 12:06 p.m.  
Motion: To approve the May 2011 legal bill for work performed in April 2011.  
Moved by: Mr. Ferguson  
Seconded by: Mr. Mc Henry  
Discussion: None  
In Favor: Unanimous  
Motion: Passes

7. Report, discussion and possible Recommendations regarding search for in-house legal counsel……………………………………………………………………….Mr. Jim Hacking

Mr. Hacking stated there was nothing to add to what has already been said. We cannot move forward with this until the budget is approved in June for in-house legal counsel and a part time person from the Office of the Attorney General.

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

Mr. Hemmes presented revised logos. The choices had been narrowed to four, and he said the official logo would be registered. The full board will vote on the official logo.
9. **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.

10. **Schedule next meeting**

   The next meeting is scheduled for June 22, 2011.

11. **Adjournment**

    | RECOMMENDATION | At 12:15 p.m. |
    |----------------|---------------|
    | **Motion:**    | To send the top two logo selections to the Board of Trustees. |
    | **Moved by:**  | Mr. Ferguson |
    | **Seconded by:** | Mr. Mc Henry |
    | **Discussion:** | None |
    | **In Favor:**  | Unanimous |
    | **Motion:**    | Passes |

    | MOTION: 5-4-11 | At 12:16 p.m. |
    |----------------|---------------|
    | **Motion:**    | To adjourn the meeting. |
    | **Moved by:**  | Mr. Mc Henry |
    | **Seconded by:** | Mr. Ferguson |
    | **Discussion:** | None |
    | **In Favor:**  | Unanimous |
    | **Motion:**    | Passes |

    **Brian Tobin, Chairman**    **Greg Ferguson, Member**    **Jeff McHenry, Member**