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

Mr. Gregory Ferguson
Committee Chairman

The meeting was called to order by Chairman Ferguson at 11:00 a.m.

2. Review, discussion and possible approval of Operations, Governance Policy and Audit Committee Minutes from October 16, 2013.

Mr. Gregory Ferguson

<table>
<thead>
<tr>
<th>MOTION: 1-11/20/13</th>
<th>At 11:01 a.m.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Motion:</strong></td>
<td>To approve the minutes of the Operations, Governance Policy and Audit Committee from October 16, 2012 as presented.</td>
</tr>
<tr>
<td><strong>Moved by:</strong></td>
<td>Mr. McHenry</td>
</tr>
<tr>
<td><strong>Seconded by:</strong></td>
<td>Ms. Stein</td>
</tr>
<tr>
<td><strong>Discussion:</strong></td>
<td>None</td>
</tr>
<tr>
<td><strong>In Favor:</strong></td>
<td>Unanimous</td>
</tr>
<tr>
<td><strong>Motion:</strong></td>
<td>Passes</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
The budget is projected to be over by $534,000 which does not reflect the amount of vacancy savings from three investment department positions for the rest of the fiscal year. We are trying to fill the in-house investment counsel before fiscal year end.

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

The PSPRS Membership Handbook has been published and we are working on the CORP Handbook.

5. Presentation of the "Requests for Local Board Rehearing" Report for the current month.
   
   Mr. Jim Hacking  
   Administrator

There are three outstanding requests.

6. Review, discussion and possible Action regarding the November 2013 Kutak Rock and other law firms' billings for legal services performed in October, 2013.
   
   Mr. Jim Hacking

<table>
<thead>
<tr>
<th>MOTION: 2-11/20/13</th>
<th>At 11:18 a.m.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motion:</td>
<td>To pay legal bills for the month in the amount of $161,488.69.</td>
</tr>
<tr>
<td>Moved by:</td>
<td>Mr. McHenry</td>
</tr>
<tr>
<td>Seconded by:</td>
<td>Ms. Stein</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>

   
   Ms. Bridget Feeley  
   Internal Audit and Compliance Officer

Ms. Feeley informed the committee she is working on charting the management fees and is starting to develop a job description for the second internal audit position.

8. Presentation of the PSPRS Death Reporting Process.

   Ms. Bonnie Brown  
   Retired Members Manager

Mr. Smout provided details regarding the reporting process. Ms. Voss added that once a year older members are contacted for a response or a returned letter so we do not overpay. We will receive a report once a month from a company to let us know of the death of members. PSPRS has the help of the Attorney General’s Office to collect overpayments. Discussion was held as to how to check the state deceased reports in order to ease our research of such.
9. Review, discussion and possible Action on potential PSPRS legislative proposals for the 2014 legislative session including items for a possible administrative amendments bill.

Mr. Jared A. Smout
Deputy Administrator

Discussion was held regarding the progress of a temporary or permanent Executive Order to allow PSPRS to conduct criminal background checks, to ask for credit reports and any other information as warranted prior to the hiring of an employee in order to protect the assets and information of the System. This would be applicable to any state agency with financial responsibility.


Mr. Jared A. Smout

The plan documents are statutes. We will seek board approval for the documents and ask to give the Administrator authorization to sign any documents.

<table>
<thead>
<tr>
<th>MOTION: 3-11/20/13</th>
<th>At 11:56 a.m.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motion:</td>
<td>To recommend approval of the plan documents we have before us and to authorize the Administrator to execute whatever actions are necessary to complete the set up of this statutorily required defined contribution plan by January 1, 2014.</td>
</tr>
<tr>
<td>Moved by:</td>
<td>Ms. Stein</td>
</tr>
<tr>
<td>Seconded by:</td>
<td>Mr. McHenry</td>
</tr>
<tr>
<td>Discussion:</td>
<td>Discussion was held regarding the allocation of expenses to administer the Plan.</td>
</tr>
<tr>
<td>In Favor:</td>
<td>Unanimous</td>
</tr>
<tr>
<td>Motion:</td>
<td>Passes</td>
</tr>
</tbody>
</table>


Mr. Jim Hacking

This is the third and final version. The Auditor General conducted a thorough review regarding detailed methods we use to value assets in various portfolios. Financial effects were discussed regarding the numbers.

12. Review, discussion and possible Action on changes in PSPRS hiring procedures.

Mr. Jim Hacking

Regarding hiring procedures, a detailed checklist will be used when reviewing any candidate for the investment group or any high level position in the agency. We will be using the standard state form and in addition our list of questions.

13. Status report on HR training and interviewing skills.

Mr. Jim Hacking
We are contracting with a consultant for training of twelve people in interviewing techniques.

14. Review, discussion and possible Action on the Investment Department re-organization and changes to staff salary ranges and compensation to reflect the increased duties resulting from the reorganization.

   Mr. Jim Hacking

There are three vacant positions in the investment department. Since work in this department has changed and we are using external managers, the investment staff believes we do not need to refill these positions and we will reallocate duties to the six remaining members for the near future. The payroll and fringe benefit savings are $363,300 which on an annualized basis is $428,656 per year. Suspension of the bonuses saves $164,500 this current fiscal year. Since each of the six people are now responsible for multiple asset classes instead of one asset class and due to the increased responsibility, an adjustment in salary ranges is recommended for five of the six staff members.

The recording was lost at this point in the meeting.

15. Status report on the process for hiring a qualified candidate to fill the position of In-House Investment Counsel and discussion of other possible actions to reduce the PSPRS' use of outside legal counsel.

   Mr. Jim Hacking

16. 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.

17. Schedule next meeting. (Currently scheduled for Wednesday, December 18, 2013)

18. Adjournment.

Mr. Gregory Ferguson, Chairman