PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM
BOARD OF TRUSTEES OPERATIONS, GOVERNANCE POLICY and AUDIT COMMITTEE
MEETING MINUTES
September 21, 2011

Members
Mr. Greg Ferguson, Chairman, Trustee
Mr. Jeff McHenry, Acting Chair, Member, Trustee
Ms. Randie Stein, Member, Trustee

Present:
Mr. Jim Hacking, Administrator
Mr. Jared Smout, Deputy Administrator
Ms. Bridget Feeley, Internal Audit and Compliance Officer
Mr. Robert Ortega, Local Board Training Coordinator
Ms. Leslie Clark, Senior Accounting Database Administrator
Mr. John Hendricks, Senior Investment/Financial Accountant
Mr. Sam Meier, IT Network Specialist
Mr. Gerry Page, IT Network Specialist
Mr. Tom Willard, Systems Development Manager
Mr. Paul C. Hemmes, Training/Audio Visual Specialist

Others Present:

1. Call to Order, Roll Call, Opening remarks………………………………………………………..Committee Chairman
The meeting was called to order by Mr. Ferguson at 10:00 a.m.

2. Review, discussion and possible approval of the Operations, Governance Policy, and Audit Committee Minutes from July 27, 2011…………………………………….Mr. Gregory Ferguson

MOTION: 9-4-11
At 10:02 a.m.
Motion: To approve the minutes from July 27, 2011.
Moved by: Mr. McHenry
Seconded by: Ms. Stein
Discussion: The Committee is to review the June 22, 2011 Committee minutes at the October meeting.
In Favor: Unanimous
Motion: Passes

3. Presentation of the Month-to-Date Budget Report for FY 2011 and possible Recommendations. (Tab 14)…………………………………………………………………………………Mr. John Hendricks

Mr. Hendricks informed the Committee member’s that the new budget reports have two sections. The first section, the fiscal year-to-date report, includes projections of expenses that have not yet been paid plus expenses that were not included in the original budget. The second section is a summary snapshot of where we are now within the fiscal year (fiscal year-
to-date) in terms of paid expenses. Both sections should provide the members with a comprehensive overview of how things stand in terms of actual expenditures vs. the budget.

4. Status report on the filling of vacant staff positions ........................................Mr. Jim Hacking

A summary of the status of the vacant positions was given by Mr. Hacking. The two call center positions have been filled; the open position in the Active Members Servicer Group has been filled as has the open position on the IT Operations Group. Following recruitment for the Local Board Outreach position, this position has been filled from within PSPRS. During this search, a decision was made to develop a consulting position for someone who could design new “tools” for communication. The open position (created as a result of Don Mineer’s moving to the Local Board Outreach position) in the Benefits Department been posted internally and externally and the position of Deputy Administrator has been filled by Mr. Jared Smout who had previously worked for PSPRS for 14 years and had left to earn another Master’s degree.

Mr. Hacking reviewed with the Committee members the revised organization chart.

5. Discussion of, and possible Recommendations with respect to, the elements for a possible administrative bill for the 2012 legislative session and preview of the other possible legislative initiatives………………………………………………………………………………………Mr. Jim Hacking

Mr. Hacking reported that Mr. Dana David has completed the first drafts of the three proposed 2012 bills for the coming legislative session. There is an administrative bill, a bill to enable the use of swaps in the investment of Plan assets (by exempting PSPRS from the requirements of a state statute), and a bill to allow PSPRS to avoid having to include a variety of cumbersome disclosures in contracts the System enters into with portfolio managers. In a number of cases, these required disclosures have prevented investment relationships from being consummated. It is believed this same bill was vetoed last year due to lack of understanding of its purpose and why it is needed. The final drafts for all three bills will be ready prior to the October meeting.

6. Written update on the progress of the Local Board Training Program and discussion and possible Recommendations regarding same.…….Mr. Robert Ortega

Mr. Ortega will be working with several boards next month regarding SB 1609 requirements. Work continues with the Active Members Group regarding the alternative contribution rate collection (ACR). A $1.6 million infusion has occurred due to the ACR. Approximately 40% of all local boards have responded and each of the boards that have not responded will be called. Mr. Ferguson suggested a back up letter with a required yes or no response is needed and Mr. McHenry added that a confirming email be sent in order to document each phone call.

7. Review, discussion and possible Recommendations regarding the September 2011 bill for legal services performed in August 2011…(Tab 18)..............................................Mr. Jim Hacking

Mr. Hacking reported that there were no problems or discrepancies found in the billings.
8. Report, discussion and possible **Recommendations** regarding the search for in-house legal counsel …………………………………………………………………………………………………..Mr. Jim Hacking

Staff interviews of the two candidates will be completed next week and a meeting of the Board’s Ad Hoc Committee will be scheduled for the second round of interviews.

9. Discussion of upcoming and recently completed projects of the PSPRS Systems Development Department, as well as an explanation of Standardization of languages and toolsets (Tab 20)...…………………………………………………………………………Mr. Tom Willard
………………………………………………………………………………………………..Systems Development Manager

Mr. Tom Willard gave a report regarding the Systems Development Department’s projects. Such projects include the database standardization project, a rewrite of the Members’ Only Website, the Employer Contribution website, the High-Three-Year Estimator, and the Local Board Training Site. Enhanced security will be developed for the PSPRS internal EPIC program and the Contribution II internet site. Future projects include work on the internet portion of the Local Board Training site to allow the processing of new retirements and new hires online with workflow, and enhanced web security.

Mr. Hacking added that Wells Fargo will begin processing some of our retiree payments with the September payroll run. Their portion of the processing will be expanded as months go by. Mr. Ferguson asked if the 1099s for retirees could be available for printing electronically. Mr. McHenry, following a discussion on computer hacking, asked that a stress test be conducted in order to look at potential outside penetration.

10. Report, discussion and possible **Recommendation** regarding compliance and internal audit………………………………………………………………………………………………..Ms. Bridget Feeley
………………………………………………………………………………………………..Internal Audit and Compliance Officer

Ms. Feeley stated there was nothing to report. She is currently working on a risk assessment by interviewing all Board members and certain staff members.

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 be heard.

12. Schedule next meeting. *(Currently scheduled for Wednesday, October 26, 2011)*


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<tr>
<th>MOTION: 9-6-11</th>
<th>At 11:02 a.m.</th>
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<tbody>
<tr>
<td>Motion:</td>
<td>To adjourn the meeting.</td>
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<tr>
<td>Moved by:</td>
<td>Ms. Stein</td>
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<td>Seconded by:</td>
<td>Mr. McHenry</td>
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<tr>
<td>Discussion:</td>
<td>None</td>
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<tr>
<td>In Favor:</td>
<td>Unanimous</td>
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<tr>
<td>Motion:</td>
<td>Passes</td>
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______________________            ___________________          ___________________
Greg Ferguson, Chairman              Jeff McHenry, Member          Randie Stein, Member