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

March 28, 2018

MINUTES

Members: Mr. Ed McNeill, Chairman, Trustee – Excused
Present: Mr. Mike Scheidt, Vice Chairman, Trustee
          Mr. Bryan Raines, Member, Trustee
Others Present: Mr. William Davis, Trustee
                Mr. Jared Smout, Administrator
                Mr. Dave DeJonge, Deputy Administrator
                Ms. Ivy Voss, Assistant Attorney General
                Ms. Patricia Shaner, Human Resources Manager
                Ms. Chrystal Angotti, Senior Executive Assistant
                Mr. Don Mineer, Local Board Training Coordinator
                Mr. John Hendricks, Manager Finance and Accounting
                Mr. Sam Meier, Operations IT Manager - Excused
                Mr. John Briney, Enterprise Systems Architect
                Mr. Jon Chase, IT Development Manager
                Ms. Michelle Pechan, Paralegal
                Mr. Timothy Jackson, Compliance Officer
                Ms. Vivian Padilla, Media and Publication Specialist

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

   Mr. Mike Scheidt
   Committee Vice Chairman

   The meeting was called to order by Mr. Mike Scheidt, Vice Chairman at 11:00 A.M.

2. Review, discussion and possible approval of the Operations Governance Policy and Audit Committee
   Minutes from February 28, 2018.

   Mr. Mike Scheidt

   MOTION:1-3/28/18
   At 11:01 A.M.
   Motion: To approve the Operations Governance Policy and Audit Committee
           Minutes from February 28, 2018.
   Moved by: Mr. Raines
   Seconded by: Mr. Scheidt
   Discussion: None
   In Favor: Unanimous
   Motion: Passes
3. Introduction of Phil Coleman, Employer Relationship Manager.

Mr. Jared A. Smout
Administrator

Mr. Coleman was introduced to the members of the committee.

4. Review and discussion of staff operation reports.

Mr. Dave DeJonge
Deputy Administrator

a. Operations Update Report

Mr. John Briney will be providing Gantt Charts for our two largest software development projects in a separate report. On the operations side, there are still about 40 employers (across all three plans) that have not submitted contribution files for fiscal year 2018. We are in contact with all of them and helping them prepare their files, and most will have files ready within the next two weeks.

The Call Center received 2,117 calls, which averages about 150 calls per day.

In coordination with the agency’s Records Officer, we finalized and received approval of the PSPRS custom retention schedule for Member Services documents. This has allowed our division to begin eliminating paper copy documents in the division’s continuing effort to digitize member files. Over the last month, over 20 boxes of paper copy documents have been eliminated. This spans 4-5 years of paper copies.

The team worked with the IT development team to test new processes that are slated to be included within the new database. This month, staff focused on the refund process and the normal retirement process.

196 new retirements and pension payroll adjustments were processed.

300 insurance adjustment were processed.

148 Enter DROP files were processed and entered into the DB. Staff is still working on the backlog created as a result of the delay in employer contribution file uploads getting entered into our system.

171 refunds were processed.

The Active Members Department has processed 52 PSPRS files for members requiring intersystem transfers under old statutory provisions (prior to May 6, 2017). Of these files, 30 have been fully processed so service and funds have been transferred to members' record to reflect the transfer.

62 Service Purchase quotes were processed and submitted to members as they consider redeeming eligible time. This does not include files that have been initially processed related to inter-system transfers requiring additional information from ASRS, COPERS, or TRS.

As of March 20, 2018, 511 Tier 3 members have passed the 90-day mark to elect the plan in which they want to participate. 31 (6% of the total) chose the defined contribution plan, 120 (24% of the total) chose the defined benefit plan, and 360 (70% of the total) were defaulted into the defined benefit plan.
An additional 355 Tier 3 members have been hired and are still within the 90-day election period. Six of those have already elected to join the DC Plan and 23 have already elected to join the DB Plan.

b. Year to Date Budget Report

PSPRS is under budget by $339,741.

c. Local Board & Employer Outreach Report

Signing up new local board secretaries on the new Local Board Portal and helping them use the new functionality. The retirement estimator on the new portal includes new functionality. It not only provides the high three years’ salary amount necessary for local boards to calculate benefits, but it also calculates the estimated retirement amount and allows the secretary to view member contributions.

March 8, 2018 we provided regional training in Yuma, Arizona. 11 attendees participated in a great discussion about the duties and responsibilities of the local board members and the local board secretary. We reviewed the new local board portal and the actuarial reports.

Training schedule for the next few months was discussed (*see attachment)

Working with certain local boards who have a disability application to ensure each employer group is processing the disability correctly.

Reviewing the minutes of the local boards and contacting the boards who need additional help in establishing the local board.

d. Local Board Rehearing Report

2 issues have been resolved; 2 issues remain.

e. Law Firms’ Billings for Legal Services

Legal fees for the month of February were $70,110.19

f. Communication Efforts Report

The educational campaign to inform employers, members and retirees of coming reforms to the Corrections Officer Retirement Plan (CORP) started this month with email blasts informing of the coming changes and campaigns to generate CORP-related email contacts.

Due to the low attrition rate for CORP, we decided to “blast” all CORP audiences, including retirees, in hopes of reaching the entire community. The results appear positive. PSPRS added 200 email contacts to its CORP lists, including employers, local boards, members and retirees. Almost half of the contacts were employers, and, with only 35 CORP employers statewide, this can be considered a respectable number.

The first animated CORP reform video was posted to YouTube on March 19, and distributed it to CORP audiences via Constant Contact. A second CORP reform video focusing on the defined contribution benefits for Tier 3 corrections members was also completed and posted March 27, and PSPRS is close to completing a script for a third video covering the benefits of members of the Administrative Office of the Courts.
The PSPRS quarterly newsletter distributed in early March also included items about the pending CORP closure for corrections/detention officers hired after July 1, 2018.

System communications highlights for March include:

i. The Arizona Republic on March 23 published a column by Brian Tobin that stressed the need for the legislature to provide an adequate funding for the Elected Officials Retirement Plan.

ii. “ICYMI” emails on the column were opened by 14,855 unique users and the link to the column was clicked 3,750 times.

iii. CORP reform video No. 1 amassed more than 900 views in first 10 days; 4,600 email opens.

iv. CORP reform video No. 2 was posted to YouTube March 27.

v. The CORP reform education webpage, with member benefits matrix, DC vs. DB brochure went live March 27.

vi. Increased email efficiency: PSPRS added more than 2,000 email contacts in 30 days ending March 21, also eliminated 1,200 bounce back contacts identified through newsletter. Overall bounce back rate was reduced to 2 percent, compared to approximately 10 percent a year prior.

vii. Quarterly newsletter feature reporting on 50-year anniversary of PSPRS; including legislative history, profiles of Governor Jack “One-Eyed” Williams and PSPRS oldest living member.

viii. More than 12,000 unique opens of quarterly newsletter; (29,000 total audience)

ix. PSPRS named 2017 All Star by Constant Contact for communications achievements, including contact growth, email open rates, use of email platform features. Award recognizes top decile of email platform users.

g. HR Report

In April, begin the RFP process for a strategy consultant. The strategy consultant would provide PSPRS with advice and direction in developing an integrated strategic plan to ensure clarity and consensus of all stake-holders for the future success of PSPRS.

Identification of stake-holders to include but not limited to:

i. PSPRS Executive and Leadership Team
ii. PSPRS Board of Trustees
iii. Advisory Committee members
iv. Representatives from Local Boards and Employer Groups

Timeline for the project: anticipate the scope of this project would require a six to nine month timeline for a completed strategic plan.

Impacts of the project: developing an integrated strategic plan will allow PSPRS to develop strong processes, plans and procedures for the future success of the agency. These impacts would include but should not be limited to:

i. Strategic initiatives to move us forward over the next one, three and five years.
ii. Development of organizational metrics and future "stretch goals"
iii. Robust technology plan
iv. Strong workforce optimization plan
v. True and transparent risk analysis based on the strategic initiatives
Learning/Development:

i. The Art of Accountability class is completed on March 5th
ii. Powerful Questions & Active Listening scheduled for April 27

Proposed development classes for the remainder of the fiscal year are as follows:

i. Executive Presence
ii. Diversity and Inclusion

Lunch and Learn series: Strength Finders 2.0

i. Series continues to move forward

New Employee Orientation & Onboarding checklist is developed and implemented.

New Hire/Recruitment and Position Update:

i. New Hire: Phillip Coleman – Employer Relationship Manager started on March 12th.

Recruitment Update:

i. Interviews conducted March 14th, March 20th and 21st for the Senior Programmer/Developer position.

5. Review and discussion of system development progress.

Mr. John Briney
Enterprise Systems Architect

John Briney presented the system development Gantt chart to the members. (*see attachment)


Mr. Dave DeJonge

The new procedure adds some requirements to what we do today, including the following:

i. We will assign a “business owner” to each contracted vendor. The business owner makes sure services are rendered in accordance with the contract and that the appropriate service levels are being maintained by the vendor.
ii. At least once a year the business owner, often with feedback from other, will help evaluate vendor performance using a review form. Those reviews are to be completed by January 31st and turned in to the Compliance Officer.
iii. Contracts may be written with terms up to 5 years before they must be rebid. Contracts may be rebid more frequently than 5 years. If we believe that it would be in our best interest to extend a named vendor contract beyond 5 years without being rebid, the Board must approve such an extension.
iv. The staff person or persons charged with tracking our contracts will notify the Administrator at least 6 months prior to any contract expiration, giving us time to determine whether or not we still need the services provided by the vendor, and time to re-bid the contract.
v. The Compliance Officer will be responsible for making sure the procedures are followed timely and accurately.

We believe these changes will provide staff and the Board assurance that the money we spend on vendors is being spent wisely and that we are receiving quality service from those vendors. This will be discussed at the Board of Trustees meeting to be held this afternoon.

7. Review, discussion and possible Recommendations with respect to the FY2019 PSPRS Administrative Budget.

Mr. Jared A. Smout

The accounting department is presently staffed with an Accounting Manager, two senior accountants, one junior accountant, and one temp. Our Accounting Manager has more than 45 years of experience with retirement plans. He could retire any day, and will take a lot of institutional knowledge with him. When we looked at succession planning and the positions in which we are most vulnerable, the Accounting Manager position rose to the top. We believe now is the time to hire and begin training his replacement. The Accounting Manager role has expanded to include much more than just accounting, so we would like to change the title to CFO. Although the classification and pay scale would remain the same, changing the title of the position to CFO would better reflect the duties of the position and may help attract qualified applicants.

Our hope is that the Accounting Manager will remain at PSPRS for at least one more year in order to train the CFO in all of our accounting processes, many of which are annual processes. Many of those processes are changing because our general ledger is now incorporated in EPIC 2.0, the new software we have been developing, so both positions could be kept busy training, learning, and documenting the new processes and procedures. We would also like to use our Accounting Manager, who has outstanding Excel skills, to manage some large data-related projects while he is still working at PSPRS.

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<th>At 11:33 A.M.</th>
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<tr>
<td>Motion:</td>
<td>To approve that a new CFO position be created that will eventually replace the Accounting Manager position. Funding for both positions will be included in the FY19 budget in the hopes our Accounting Manager will remain with us for the year and during that year the current position is revisited for review.</td>
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<tr>
<td>Moved by:</td>
<td>Mr. Raines</td>
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<td>Seconded by:</td>
<td>Mr. Scheidt</td>
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<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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8. Review, discussion and possible Recommendations on pending and passed legislative actions and potential legislative proposals.

Mr. Jared A. Smout

This will be discussed at the Board of Trustees meeting to be held this afternoon. (*see attachment)

9. Review, discussion and possible Recommendations on the CORP Tier 3 actuarial assumptions to be used for the July 1, 2018 rates.

Mr. Jared A. Smout
New CORP members as of July 1, 2018 will be put into a new tier that we are calling Tier 3. Most of those new members will automatically be enrolled in the Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP).

New Probation Officers and Surveillance Officers in the Corrections Officer Administrative Offices of the Court (AOC), however, will be given a 90-day window to choose whether they want to become members of the defined benefit plan or the defined contribution plan. In accordance with statute, the employer contribution rate for members who join the DC plan will equal 5% to Nationwide, plus a contribution to the DC Disability Program, plus a “legacy” contribution to help pay down the existing unfunded liability for Tier 1 and 2 members. The employer contribution rate for members who join the DB plan will equal 33.3% of the normal cost plus 50% of the actuarially determined amount required to amortize the unfunded accrued liability for each employer attributable to Tier 3 members. The “legacy” fiscal year 2018-19 contribution rates for each CORP employer were calculated by our actuary (GRS) and published in the 6/30/17 individual actuarial valuations. GRS recently prepared draft contribution rates for the DC Disability Program and for Tier 3 DB Plan members.

When Tier 3 rates were set for Public Safety personnel last year, the Board set a goal of being conservative, knowing that it is better to decrease future rates than to increase future rates, especially since rates are split between employers and employees. The Board adopted a 7.0% discount rate and a 2% salary cap growth rate. That same logic was used when GRS prepared preliminary contribution rates for CORP Tier 3 members who choose to join the DB Plan. GRS calculated Tier 3 CORP rates using the same 7.0% assumed earnings rate and 2% salary cap growth rate.

GRS developed an estimated CORP Tier 3 DB Plan Normal Cost of 12.67% for fiscal year 2018-19. That rate will be shared between employers and employees. Employees will pay 8.45% and employers will pay 4.22%. Employers will also pay an additional legacy cost that differs by employer, ranging from 0% to 54%.

GRS also developed a separate Normal Cost for death and disability benefits equal to 1.40% for CORP’s DC Plan members. That amount will be shared 50% EE and ER, and is based on past experience of the CORP population in total.

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<th>MOTION: 3-3/28/18</th>
<th>At 11:39 A.M.</th>
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<tr>
<td>Motion:</td>
<td>To approve adopting a 7.0% discount rate and a 2% salary cap growth rate when calculating CORP Tier 3 contribution rates.</td>
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<tr>
<td>Moved by:</td>
<td>Mr. Raines</td>
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<tr>
<td>Seconded by:</td>
<td>Mr. Scheidt</td>
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<td>Discussion:</td>
<td>None</td>
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<td>In Favor:</td>
<td>Unanimous</td>
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<td>Motion:</td>
<td>Passes</td>
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10. 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 public comments.
11. Schedule future meeting date(s). (Calendared for Wednesday, May 2, 2018)
   The next meeting will be held on Wednesday, May 2, 2018.

   The meeting was adjourned at 11:43 A.M.

Mr. Mike Scheidt, Vice Chairman of the
Operations, Governance Policy and Audit Committee