PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM
BOARD OF TRUSTEES SPECIAL MEETING

March 15, 2012

MINUTES

Mr. Brian Tobin, Trustee, Chairman
Mr. Gregory Ferguson, Vice Chairman, Trustee
Mr. Jeff McHenry, Trustee
Ms. Randie Stein, Trustee, Joined telephonically at 11:44 a.m.
Mr. Richard Petrenka, Trustee
Mr. Lauren Kingry, Trustee
Mr. William Davis, Trustee
Mr. Jim Hacking, Administrator
Mr. Fred Stork, Assistant Attorney General
Mr. Marc Lieberman, Partner, Kutak Rock
Mr. Doug Cole, HighGround
Mr. John Kaites, Public Policy Partners
Ms. Dianne McAllister, Public Policy Partners

1. Call to Order, Roll Call, Opening remarks………………………………….Mr. Brian Tobin
The meeting was called to order by Chairman Tobin. Mr. Bill Davis was formally
welcomed. Chairman Tobin informed the Board that today Mr. Ferguson had his
confirmation hearing before the Senate Finance Committee. As expected, the hearing
went well.

2. Discussion of the Administration’s personnel reform initiative (HB
2571).…………………………………………………………………………….Mr. James Hacking
Mr. Hacking stated that the House Employment and Regulatory Reform Committee
approved an amended version of HB 2571—the Governor’s Personnel Reform initiative.
Mr. Hacking and Mr. Smout met with the System’s legislative affairs staff and have
developed an itemized list of problems this initiative would pose for PSPRS. After the
aforementioned meeting, Mr. John Kaites of Public Policy Partners met with
representatives from the Governor’s office regarding problems this bill would create for
us. Mr. Hacking stated that he has drafted a possible amendment to HB 2571. With the
help of Mr. Kaites and Mr. Brian McNeil, he also developed a list of talking points for this
proposed bill. Last week, Mr. Cole and Ms. McAllister attended a meeting at the
Governor’s office where discussion was held regarding the problems this initiative in its
current form would present for the System and its employees. Following that meeting,
the System’s legislative affairs staff members were contacted and asked to respond to a
proposed amendment that made a slight improvement in the Bill. However, the
Governor’s staff was told that we needed more time in order to meet with the Board of
Trustees to get direction as to how we should proceed and that the earliest we would be
ready for further discussions would be next week. The revised bill is now headed to the
Senate where it will be heard in the Senate Appropriations Committee on Tuesday of
next week.

Mr. Cole of HighGround stated that we have until Friday to propose something different. Discussion was held regarding the interpretation of the PSPRS amendment and what would be acceptable to the Governor’s Office. The members of the Board talked about their duties and responsibilities as set forth in state statutes and/or the state constitution. There was also much discussion of potential conflicts and even litigation if ADOA gains control over all aspects of employee compensation. Mr. Lieberman said Article 29 or the Arizona Constitution specifically applies to independent trust funds and to the Board’s obligation to administer the assets for the beneficiaries and survivors of the Trust.

It was stated we clearly want to have an exemption, but there needs to be a middle ground in case an exemption is not possible. One option was mentioned regarding a partial exemption where the Board maintains control over compensation for the Investment staff and certain other positions, like the Administrator, while ADOA administers compensation for the non-investment staff. Other points included who has the ability to write contracts and is it specific authority or an assumed right? Also discussed was a request by the Board for clarification that if an exemption is granted, would it be a full exemption or a partial exemption.

3. The Board of Trustees may vote to go into Executive Session (which will not be open to the public) to discuss matters pursuant to A.R.S. §§ 38-431.03(A) (1) and (3), including to obtain legal advice from the Board’s attorney on any matter listed on the agenda, including:

   a. Discussion of the Administration’s Personnel Reform Initiative (HB 2751).

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<tr>
<th>MOTION: 3-94-12</th>
<th>At 10:04 a.m.</th>
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<tbody>
<tr>
<td>Motion:</td>
<td>To recess Open Session and enter Executive Session to review personnel issues and how they relate to HB 2571.</td>
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<tr>
<td>Moved by:</td>
<td>Mr. Petrenka</td>
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<tr>
<td>Seconded by:</td>
<td>Mr. Kingry</td>
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<td>Discussion:</td>
<td>Discussion regarding adding “legal advice” to the motion.</td>
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<tr>
<td>Amended Motion:</td>
<td>To recess Open Session and enter Executive Session to review personnel issues, how they relate to HB 2571 and obtain legal advice.</td>
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<td>In Favor:</td>
<td>Unanimous</td>
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<tr>
<td>Motion:</td>
<td>Passes</td>
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Discussion was held regarding the options open to the Board of Trustees. Chairman Tobin listed four options:

   a. Endorse the bill in its present form as passed by the House and transmitted to the Senate;
   b. Seek a full exemption from the bill;
   c. Attempt to modify the bill along the lines suggested in the “talking points” document that the legislative affairs staff and Mr. Hacking prepared; or
   d. Attempt to amend the bill as set forth in the draft amendment Mr. Hacking had earlier developed.
4. 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 came forward to speak.

5. Schedule next meeting.

The next meeting is scheduled for Wednesday, April 4, 2012.
6. Adjournment.

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Brian Tobin, Chairman

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Gregory Ferguson, Trustee,  
Vice Chairman

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Jeff Allen Mc Henry, Trustee

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Randie A. Stein, Trustee

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Richard J. Petrenka, Trustee

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Lauren Kingry, Trustee