

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

May 25, 2016

MINUTES

Members Present: Mr. Greg Ferguson, Chairman, Trustee
Mr. Jeff McHenry, Member, Trustee
Ms. Randie Stein, Member, Trustee

Others Present: Mr. Jared Smout, Administrator
Ms. Ivy Voss, Assistant Attorney General
Mr. Robert Ortega, Local Board Training Coordinator/HR Manage
Ms. Leslie Clark, Senior Financial Accountant/Great Plains DBA
Mr. John Hendricks, Senior Investment/Financial Accountant
Ms. Bridget Feeley, Internal Audit and Compliance Officer
Mr. Jon Chase, Senior Systems Programmer
Mr. David Pliskin, Compliance Officer
Ms. Michelle Pechan, Paralegal
Ms. Alison Lidstone, Active Member Specialist
Ms. Lisa Sweeting, Knowledge/Information Manager
Mr. Alex Neff, IT Department
Mr. Christian Palmer, Avant Strategies

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

*Mr. Gregory Ferguson
Committee Chairman*

The meeting was called to order by Chairman Ferguson at 10:43 a.m.

2. Review, discussion and possible approval of Operations, Governance Policy and Audit Committee Minutes from March 23, 2016.

Mr. Gregory Ferguson

MOTION:1-5/25/16	At 10:44 a.m.
Motion:	Move to approve the Minutes from the March 23, 2016 meeting of the Operations, Governance Policy and Audit Committee.
Moved by:	Mr. McHenry
Seconded by:	Ms. Stein
Discussion:	None
In Favor:	Unanimous
Motion:	Passes

3. Presentation of the Month-to-Date Budget Report for FY 2016 and possible **Recommendations.**

*Mr. John Hendricks
Manager Finance and Accounting*

Mr. Hendricks reported PSPRS is 4.21% under budget.

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

Discussion was held regarding two fire districts completing the process of establishing a joint power authority beginning July 1, 2016. They need a joinder agreement, will share administrations and have an actuarially accurate transfer of assets, yet will retain their original names.

5. Presentation of the "Requests for Local Board Rehearing" Report for the current month.

Mr. Jared A. Smout
Administrator

Three of the six requests for rehearing have been resolved.

6. Review, discussion and possible **Action** regarding law firms' billings for legal services performed in March and April, 2016.

Mr. Jared A. Smout

Members of the committee discussed the need to review and approve/not approve the legal billings each month. Ms. Stein said it was good to have a monthly statement that the investment bills have been reviewed and are appropriate for the matter(s) and review should be conducted of administrative matters over some threshold. Mr. McHenry responded that review by the committee takes the burden off of the staff.

MOTION:2-5/25/16	At 10:44 a.m.
Motion:	Move to approve the legal bill for March in the amount of \$89,939.77 and the legal bill for April in the amount of \$39,226.66.
Moved by:	Mr. McHenry
Seconded by:	Ms. Stein
Discussion:	None
In Favor:	Unanimous
Motion:	Passes

7. Report and **Recommendations** on the FY 2016 Compliance and Internal Audit Plan.

Ms. Bridget Feeley
Internal Audit and Compliance Officer

Work continues on updating policies and procedures, review of due diligence matters, business continuity, and review of the cancer insurance plan. Discussion was held regarding risk assessment for 2017.

8. Discussion and possible **Recommendations** regarding changes to the PSPRS organizational structure.

Mr. Jared A. Smout

In order to relieve some of the pressure on staff, changes in the organizational structure are being proposed. Hiring target dates and details of new and anticipated positions and positions for 2016, 2017 and 2018 were presented.

9. Presentation, discussion and possible **Recommendations** regarding the renewal of fiscal 2016-17 contracts for various services.

Mr. Jared A. Smout

Actuarial contracts, the contract for NEPC and the Cortex proposal for a consolidation study were reviewed.

MOTION:3-5/25/16	At 12:19 p.m.
Motion:	Recommend to the Board of Trustees to accept the organizational structure changes, service contract agreements to be signed and to finalize the agreement for Cortex. Regarding the organization chart, it is noted that approval of the 2017 and 2018 chart is conceptual only and is to be revisited.
Moved by:	Ms. Stein
Seconded by:	Mr. McHenry
Discussion:	None
In Favor:	Unanimous
Motion:	Passes

10. Review, discussion and possible **Recommendations** with respect to the FY 2017 PSPRS Administrative Budget.

Mr. Jared A. Smout

Requested budget changes for the next fiscal year, if approved, will amount to about an 11.25% increase over the current budget. The bulk of the increase is due to new positions with a midpoint target salary range. Also proposed for the budget are an actuarial audit, IT development, and training program for new trustees including travel. Since there will be new hires, best practices regarding types and methods of background checks were reviewed.

Also discussed were types of actuarial audits including methods, assumptions, timing and expenses. In the budget, as requested by the Auditor General, is an audit of employer and employee contributions to the System. Ms. Ivy Voss stated statutory enforcement behind this rule or standard is important and possibly adding this during the next legislative session.

Other expenses being requested include a full time temporary member of United Healthcare to assist with questions regarding retirees' questions, two new air conditioning units to replace aging units and a space planning consultant regarding efficiency and security features for the additional office space once the tenant relocates.

11. Review, discussion and possible **Recommendations** on pending and passed legislative proposals for the 2016 legislative session including an administrative amendment bill.

Mr. Jared A. Smout

Presentation of this agenda item will be given at the Board of Trustees meeting in the afternoon.

12. Update, discussion and possible **Recommendations** on pension reform initiatives and implementation timeline.

Mr. Jared A. Smout

Mr. Ortega's written report has been presented to the committee and the board.

13. 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.

There was no response to the Call to the Public.

14. Schedule future meeting date(s). (Calendared for Wednesday, June 15, 2016)

The next meeting will be held on Wednesday, June 15, 2016.

15. Adjournment.

The meeting was adjourned at 12:23 p.m.

Mr. Greg Ferguson, Chairman