

**PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM  
BOARD OF TRUSTEES MEETING**

**February 26, 2019**

**MINUTES**

Members Present: Mr. William T. Buividas, Trustee, Chairman  
Mr. Mike Scheidt, Trustee, Vice-Chairman  
Mr. Harry A. Papp, Trustee  
Mr. Dean Scheinert, Trustee  
Mr. Donald A. Smith, Trustee – Excused  
Mr. Scott McCarty, Trustee

Others Present: Mr. Jared Smout, Administrator  
Mr. Dave DeJonge, Deputy Administrator  
Mr. Bret Parke, Assistant Administrator / General Counsel  
Mr. Mark Steed, Chief Investment Officer  
Mr. Timothy Jackson, Compliance Officer  
Mr. Owen Zhao, Portfolio Analyst  
Ms. Liz Rozzell, Chief Financial Officer  
Mr. John Briney, Enterprise Systems Architect  
Mr. Christian Palmer, Communications Director  
Ms. Ivy Voss, Attorney  
Mr. Shan Chen, Lead Portfolio Manager  
Mr. William Thatcher, Portfolio Manager  
Mr. James Ko, Portfolio Manager  
Mr. Phil Coleman, Employer Relationship Manager  
Mr. Don Mineer, Local Board  
Ms. Chrystal Angotti, Senior Executive Assistant  
Ms. Cheryl Cohen, Executive Assistant  
Ms. Rose Crutcher, Paralegal  
Ms. Jennifer Carlino, Attorney  
Ms. Vaida Maleckaite, Investments Director  
Ms. Laura Long, Analyst  
Ms. Dianne McAllister, Public Policy Partners  
Mr. Doug Cole, HighGround  
Mr. Chris Levell, NEPC  
Mr. Sean Mattson, Fraternal Order of Police

1. Call to Order; Pledge of Allegiance; Roll Call; Opening remarks.

*Mr. William T. Buividas  
Chairman*

The meeting was called to order by Chairman Buividas at 9:08 a.m. The Pledge of Allegiance was recited and the roll was called.

2. Call to the Public.

This is the time for the public to comment. Members of the Board of Trustees may not discuss items that are not specifically identified on the agenda, except to address criticism from the public. Therefore, pursuant to A.R.S. § 38-431.01(H), the Board of Trustees' reaction to any public comment is limited to addressing criticism or recommending that the Board of Trustees or Staff respond or study such comment or schedule the subject matter for further consideration at a later date after appropriate notice.

3. Appropriate **Action** for approval of the items on the Consent Agenda (documentation concerning the matters on the consent agenda may be reviewed at the PSPRS office). Any matter on the Consent Agenda will be removed from the Consent Agenda and discussed as a regular agenda item upon the request of any member of the Board of Trustees.

*Mr. William T. Buividas*

<b>MOTION:1-02/26/2019</b>	At 9:10 A.M
<b>Motion:</b>	To approve the Consent Agenda as presented.
<b>Moved by:</b>	Mr. Papp
<b>Seconded by:</b>	Mr. McCarty
<b>Discussion by:</b>	None.
<b>Voted In Favor:</b>	Mr. Buividas, Mr. Papp, Mr. Scheidt, Mr. McCarty, Mr. Scheinert
<b>Voted Against:</b>	None. Mr. Smith – Excused
<b>Motion:</b>	Passes Unanimously.

4. Introduction of Cheryl Cohen, Investment Department Executive Assistant.

*Mr. Mark Steed  
Chief Investment Officer*

Cheryl Cohen was introduced to the members of the meeting.

**Report by Mr. Don Smith, Chairman of the Investment Committee, regarding agenda items 5 through 13, pertaining to the Investment Committee, and possible Board Action regarding same.**

5. Written report by Compliance Officer regarding quarterly investment manager compliance as of December 31, 2018.

*Mr. Timothy Jackson  
Compliance Officer*

A written report was provided. No discussion was held.

6. Presentation and written report by Investment Department Staff and discussion regarding (i) the Month-End and Fiscal Year-to-Date performance for the PSPRS Trust as of December 31, 2018; and (ii) written report regarding the asset allocation and performance of the Firefighters and Peace Officers Cancer Insurance Program.

*Ms. Vaida Maleckaite  
Director of Investment Services*

A written report was provided. No discussion was held.

7. Presentation and written report by Investment Department Staff regarding Portfolio Risk as of December 31, 2018.

*Mr. Owen Zhao  
Portfolio Analyst - Risk*

A written report was provided. No discussion was held.

8. Discussion regarding Global Financial Market Developments.

*Mr. Mark Steed  
Mr. Christopher Levell, Partner, Client Strategy  
NEPC, LLC*

A presentation was provided regarding the Financial Market Overview as of February 26, 2019.

9. Presentation discussion by NEPC representatives on the 2nd Fiscal Quarter (4th Calendar Quarter) investment performance and the 2018-2019 Fiscal Year investment performance for the Arizona PSPRS Trust.

*Mr. Mark Steed  
Mr. Christopher Levell*

Discussion was held regarding the Trust's portfolio and returns achieved for the prior period.

10. Presentation, discussion and possible **Action** regarding PSPRS Investment Policy Statement.

*Mr. Mark Steed  
Mr. Christopher Levell*

The Investment Policy Statement was presented with possible edits. Further discussion will be held at the future Investment Committee Meeting.

A 30 minute break was held by the Board of Trustees. The meeting resumed at 11:27 A.M.

- 11. Presentation and discussion regarding proposed changes to Asset Allocation by Staff and representatives of NEPC.

Mr. Mark Steed  
Mr. Christopher Levell

A presentation was given regarding Asset Allocation. No discussion was held.

- 12. Report by Investment Department Staff and discussion regarding the Trust's Securities Lending Program as of the second half of the calendar year 2018 (as of December 31, 2018).

Ms. Vaida Maleckaite

A written report was provided. No discussion was held.

- 13. Written report on Executed Transactions during Prior Period.

Mr. Mark Steed

A written report was provided. No discussion was held.

**Report by Mr. Mike Scheidt, Vice Chairman of the Operations, Governance Policy and Audit Committee, regarding agenda items 14 through 20, pertaining to the Operations, Governance Policy and Audit Committee, and possible Board Action regarding same.**

- 14. Review and discussion of staff operation reports.

Mr. Dave DeJonge  
Deputy Administrator

- a. Operations Update Report
- b. Year to Date Budget Report
- c. Local Board & Employer Outreach Report
- d. Local Board Rehearing Report
- e. Communications Efforts
- g. Law Firms' Billings for Legal Services

Written reports regarding items 14a through 14g were provided.

- 15. Review and discussion on IT Development and Operations

Mr. John Briney  
Chief Technology Officer

An update on IT Development and Operations was provided. No discussion was held.

- 16. Review, discussion and possible **Action** on pending and passed legislative actions and potential legislative proposals.

Mr. Jared A. Smout

- a. Amendment to HB2422

Discussion regarding the amendment to HB2422 memo was held.

<b>MOTION:2-02/26/2019</b>	At 9:35 A.M
<b>Motion:</b>	To move forward with the strike everything bill to clarify return to work language.
<b>Moved by:</b>	Mr. Papp
<b>Seconded by:</b>	Mr. McCarty
<b>Discussion by:</b>	None.
<b>Voted In Favor:</b>	Mr. Buividas, Mr. Papp, Mr. Scheidt, Mr. McCarty, Mr. Scheinert
<b>Voted Against:</b>	None. Mr. Smith – Excused
<b>Motion:</b>	Passes Unanimously.

- b. Interest determination pursuant to SB 1146 (modifications to SB 1609).

Discussion regarding interest determination pursuant to SB146 was held.

<b>MOTION:3-02/26/2019</b>	At 9:50
<b>Motion:</b>	To set the interest rate of prime plus 1.
<b>Moved by:</b>	Mr. Papp
<b>Seconded by:</b>	Mr. McCarty
<b>Discussion by:</b>	None.
<b>Voted In Favor:</b>	Mr. Buividas, Mr. Papp, Mr. Scheidt, Mr. McCarty, Mr. Scheinert
<b>Voted Against:</b>	None. Mr. Smith – Excused
<b>Motion:</b>	Passes Unanimously.

c. Process to address urgent legislative matters between PSPRS Board of Trustees Meeting.

Discussion regarding the process to address urgent legislative matters that come up in between PSPRS Board of Trustees Meeting was held.

<b>MOTION:4-02/26/2019</b>	At 9:55 A.M
<b>Motion:</b>	Chairman Buividas and Trustee McCarty will take a position to make decisions on any changes to the bill that will need to take place, in the consultation of Administration.
<b>Moved by:</b>	Mr. Papp
<b>Seconded by:</b>	Mr. McCarty
<b>Discussion by:</b>	None.
<b>Voted In Favor:</b>	Mr. Buividas, Mr. Papp, Mr. Scheidt, Mr. McCarty, Mr. Scheinert
<b>Voted Against:</b>	None. Mr. Smith – Excused
<b>Motion:</b>	Passes Unanimously.

17. Discussion and appropriate **Action** regarding Board of Trustee member requests to participate in training, education and due diligence opportunities.

*Mr. William T. Buividas*

<b>MOTION:5-02/26/2019</b>	At 9:59 A.M
<b>Motion:</b>	Chairman Buividas to attend a trip in March and Trustee Dean Scheinert will attend a trip in April.
<b>Moved by:</b>	Mr. Papp
<b>Seconded by:</b>	Mr. McCarty
<b>Discussion by:</b>	None.
<b>Voted In Favor:</b>	Mr. Buividas, Mr. Papp, Mr. Scheidt, Mr. McCarty, Mr. Scheinert
<b>Voted Against:</b>	None. Mr. Smith – Excused
<b>Motion:</b>	Passes Unanimously.

18. In accordance with A.R.S. § 38-431.05(B), the Board of Trustees proposes to take **Action** to Ratify instructions given to the HR Director in executive session on November 28, 2018 regarding compensation of the system's administrator, in compliance with previously established compensation guidelines. The Public may contact PSPRS at (602) 255-5575 for a written description of the prior **Action** to be ratified.

*Mr. William T. Buividas*

<b>MOTION:7-02/26/2019</b>	At 12:31 P.M.
<b>Motion:</b>	To set PSPRS Administrator Smout's salary at \$252,000 per year effective 1/1/18 this represents an approximate 6% yearly salary increase for Administrator Smout whose last increase was approved in October of 2015. We conclude that a 6% annual increase was and is appropriate for an experienced administrator of one of the most complex pension systems in the country. PSPRS runs three separate plans, each plan has multiple tiers, and PSPRS administers 236 local boards within those plans. From 2015 to 2018 Administrator Smout provided support to the legislature for the passage of SB 1428 which radically changed the public safety system for new employees. He implemented the Fields, Hall, and Parker court decisions which were

	exceedingly complex and involved paying thousands of members and retirees' back-pay and interest. An entirely new Board of Trustees was appointed during this time and had to be brought up to speed on the complexities of PSPRS by Administrator Smout. An entire statewide 401(a) plan was implemented in under six months, which included numerous RFP's and integration with several outside vendors. Finally, the passage of props 124 and 125 drastically changed the way that future benefit increases are calculated and this has been implemented during this time-frame. We believe that Administrator Smout's performance and dedication in both executing day-to-day operations and resolving administratively and legally complex issues warranted recognition and an a modest increase in compensation. It may also be worth noting that Mr. Smout has previously elected to manage PSPRS without the assurance of an employment contract, which is almost standard for top tier public pension administrators. With respect to back-pay his performance review was delayed 12 to 18 months at not fault of administrator Smout's.
<b>Moved by:</b>	Mr. Scheidt
<b>Seconded by:</b>	Mr. McCarty
<b>Discussion by:</b>	None.
<b>Voted In Favor:</b>	Mr. Buividas, Mr. Papp, Mr. Scheidt, Mr. McCarty, Mr. Scheinert
<b>Voted Against:</b>	None. Mr. Smith – Excused
<b>Motion:</b>	Passes Unanimously.

19. Discussion and consultation with legal counsel and Staff and possible **Action** regarding proposed legislation, real estate matters, investment matters, ongoing, contemplated or threatened legal action involving the Trust and Plans, including vendor disputes, public record requests, personnel matters and actual or potential litigation and claims based on contract, tort or statute, including matters involving judges Thompson and Hall. The Board may vote to discuss these matters in Executive Session pursuant to A.R.S. §§ 38-431.03(A) (1), (2), (3), (4) and (7) as set forth in item 20.

20. **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), (2), (3), (4) and (7), as applicable, including to receive legal advice from the Board's attorneys on any matter listed on the agenda, including:**

a. Update and discussion on personnel matters, as authorized A.R.S § 38-431.03 (A) (1). Discussion and consultation with legal counsel and Staff regarding matters arising from public record requests or subpoenas, and ongoing or threatened legal action or claims involving the Plans or Trust not otherwise referenced above in Item 13, including but not limited to those involving the status of lawsuits challenging provisions of SB1609, as authorized by A.R.S. §§ 38-431.03 (A) (2), (3), (7).

b. Update and discussion on personnel matters, as authorized by A.R.S. §§ 38-431.03 (A) (1)

<b>MOTION:6-02/26/2019</b>	At 12:20 P.M.
<b>Motion:</b>	To recess the open session of the Board of Trustees Meeting and enter into Executive Session.
<b>Moved by:</b>	Mr. Scheidt
<b>Seconded by:</b>	Mr. McCarty
<b>Discussion by:</b>	None.
<b>Voted In Favor:</b>	Mr. Buividas, Mr. Papp, Mr. Scheidt, Mr. McCarty, Mr. Scheinert
<b>Voted Against:</b>	None. Mr. Smith – Excused
<b>Motion:</b>	Passes Unanimously.

Executive Session was ended and the Public Meeting was called back to order at 12:30 P.M.

21. Possible **Action** on future meeting dates (*Next meeting scheduled for Wednesday, March 27, 2019*).

Discussion was held regarding moving the April 24, 2019 Board of Trustees Meeting to April 23, 2019. Further discussion was requested and no final action was taken.

22. Adjournment.

The meeting was adjourned at 12:34 P.M.

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William T. Buividas, Trustee, Chairman

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Mike Scheidt, Vice Chairman

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Harry A. Papp, Trustee,

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Dean M. Scheinert, Trustee

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Donald A. Smith, Jr., Trustee

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Scott McCarty, Trustee

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Vacant Position, Trustee

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Vacant Position, Trustee

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Vacant Position, Trustee