

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

April 22, 2020

MINUTES

Present: Mr. Scott McCarty, Chairman – telephonic
Mr. Harry Papp, Vice Chairman – telephonic
Mr. Jim Ameduri, Trustee – telephonic, absent from 11:00 AM to 11:07 AM
Mr. William Buividas, Trustee
Mr. Christopher Hemmen, Trustee
Mr. Brian Moore, Trustee
Mr. Mike Scheidt, Trustee
Mr. Dean Scheinert, Trustee – partial telephonic, arrived at 9:38 AM
Mr. Don Smith, Trustee – telephonic

Others Present: Mr. Michael Townsend, Administrator
Mr. Michael Smarik, Deputy Administrator – telephonic
Bret Parke, Esq., Assistant Administrator/General Counsel – telephonic
Kevin O'Malley, Esq., Gallagher & Kennedy – telephonic
Mr. Allan Martin, Partner, NEPC, LLC – telephonic
Mr. Mark Steed, Chief Investment Officer – telephonic
Ms. Cheryl Cohen, Investments Executive Assistant
Ms. Claudia Martinez, Executive Assistant
Ms. Vivian Padilla, Media & Publications Specialist
Terence Thompson, Esq., Gallagher & Kennedy – telephonic
Mr. Brad Heinrichs, Foster & Foster Actuaries and Consultants – telephonic

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

*Mr. Scott McCarty
Chairman*

The meeting was called to order by Chairman McCarty at 9:36 AM. The Pledge of Allegiance was recited and 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 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.

There was no response to the Call to the Public, due to COVID19 physical presence of the public was not permitted.

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.

- a. Acceptance of Elected Officials' Retirement Plan of survivor benefit of Joan C. Gordon.**
- b. Acceptance of Elected Officials' Retirement Plan of early retirement benefit of Scott Overton.**
- c. Acceptance of Elected Officials' Retirement Plan of normal retirement benefit of Lynne Skelton.**
- d. Acceptance of Elected Officials' Retirement Plan of termination of normal retirement benefit of Terrence Wheeler.**
- e. Acceptance of Transfer Between State Retirement Systems of Ryan Azimi.**
- f. Acceptance of Transfer Between State Retirement Systems of Clay Romo.**
- g. Acceptance of Transfer Between State Retirement Systems of Gerard Dinnan.**
- h. Acceptance of Transfer Between State Retirement Systems of Benjamin Preslar.**

i. Approval of the Minutes of the March 25, 2020 Meeting of the PSPRS Board of Trustees.

Mr. Scott McCarty

Moved by: Mr. Harry Papp

Second by: Mr. Don Smith

Time: 11:02 AM

Motion: Approval of Consent Agenda as presented.

Discussion: None

Vote: 8 – 0 Passed (Mr. Jim Ameduri ABSENT at the time)

4. Update, discussion and possible Action regarding Foster & Foster actuarial reporting including the System's Funding Policy and Actuarial Assumptions.

*Mr. Brad Heinrichs
Foster & Foster*

Board was provided a presentation by Mr. Heinrichs. Presentation included a recap of previous directions given by the Board, analyzation of layered amortization schedules and workbook output, showing results in total and by employer. Mr. Heinrichs also provided various different scenarios by employer as a result of layered amortizations.

Report by Mr. Harry A. Papp, Chairman of the Investment Committee, regarding agenda item 5, which was discussed at the Investment Committee meeting held April 16, 2020, at 10:00 a.m., and possible Action on the Committee's recommendations to the Board regarding same.

Mr. Papp gave a brief overview of the Investment Committee meeting held on April 16, 2020 as well as how the economy is currently doing. Committee discussed investing a greater percentage in US domestic assets rather than equal parts in US and International. Committee agreed to work on a new asset allocation mix to bring back to the Board. Mr. Papp advised that although the current asset allocations have helped in lessening the current losses, in the long run it will prevent a higher return.

5. Review and discussion and possible Action with respect to each of the following written Staff reports for the prior period:

*Mr. Mark Steed
Chief Investment Officer*

- a. Written report: Month-End and Fiscal Year-to-Date performance for the PSPRS Trust as of February 29, 2020**
- b. Written report: Asset Allocation and performance of the Firefighters and Peace Officers Cancer Insurance Program.**
- c. Written report: Portfolio Risk as of February 29, 2020.**
- d. Written report: Executed Transactions during prior period.**
- e. Written report: Detailed performance report.**
- f. Written report: Global Financial Market Developments.**

Reports for items a. through f. were provided. Mr. Allan Martin and Mr. Steed engaged in a short discussion regarding the reports and the current volatility in the market.

Presentation by Mr. Don Smith, Chairman of the Operations and Governance Policy Committee, regarding agenda item 6, which was discussed at the Operations and Governance Policy Committee meeting held April 8, 2020, at 10:00 a.m., and possible Action on the Committee's recommendations to the Board regarding same.

Mr. Smith gave a brief overview of the Operations and Governance Policy Committee meeting held on April 8, 2020. Committee discussed strategies to work on. Strategies included employee engagement and tools, customer satisfaction of employees and local boards, Epic data functionality, and IT security environment. Committee also reviewed the FY 2021 budget and direction was given to Staff with hopes of bringing it to the full Board next month. Committee also discussed the process of going with an off the shelf pension administration system estimating the cost at 24 to 26 million dollars. Mr. Buividas requested a presentation to be brought back to the full Board. Mr. Townsend replied by advising one would be presented at the May meeting with the FY2021 budget. Mr. Smith also advised discussion regarding which committee should be in charge of governance was held, which Board agreed to agendize and discuss in a future meeting. Board engaged in discussion regarding the FY2021 budget given the potential cost for the pension administration system.

6. Review and discussion regarding Staff operation reports.

*Mr. Michael Townsend
Administrator*

- a. **Administrator's Update.**
- b. **Written report: Year to Date Budget.**
- c. **Written report: Law Firms' Billings for Legal Services.**
- d. **Written report: Local Board Rehearing.**
- e. **Written report: Communication Efforts.**
- f. **Written report: Human Resource update.**

Reports were provided, no further discussion was held.

Presentation by Mr. Jim Ameduri, Chairman of the Audit Committee, regarding agenda item 7, which was discussed at the Audit Committee meeting held April 13, 2020, at 10:00 a.m., and possible *Action* on the Committee's recommendations to the Board regarding same.

7. Review, discussion and possible Action regarding System's external auditor's RFP process.

Mr. Jim Ameduri

Moved by: Mr. Jim Ameduri

Second by: Mr. Harry Papp

Time: 11:57 AM

Motion: Administrator to proceed with negotiation with the external auditor candidates recommended by the Administrator and Staff, including finalization of the external auditor contract and for the Administrator to disclose a pertinent process materials to all proposers.

Discussion: None

Vote: 9 – 0 Passed

Presentation by Mr. William Buividas, Chairman of the Defined Contribution Committee, regarding agenda item 8, which was discussed at the Defined Contribution Committee meetings held March 17, 2020, March 26, 2020, April 9, 2020 and April 21, 2020, at 10:00 a.m., and possible *Action* on the Committee's recommendations to the Board regarding same.

8. Review, discussion and possible Action regarding the DC Plan Education Provider RFP and Annuity Provider RFP and possible contract amendments and/or extensions, including review, discussion and possible Action regarding the First Amendment to the Administrative Services Agreement for the Governmental 401(a) Plan of Arizona PSPRS.

Mr. William Buividas

Mr. Buividas advised the DC Committee had evaluated whether to do an RFP for the record keeper or extend the current agreement. Committee agreed to extend the current agreement due to COVID 19 and the low rates Nationwide was offering.

Moved by: Mr. William Buividas

Second by: Mr. Brian Moore

Time: 11:58 AM

Motion: Board approve addendum to the Nationwide contract effective from July 1, 2020 to June 30, 2022.

Discussion: None.

Vote: 9 – 0 Passed

Mr. Buividas continued to present the draft RFP for the Annuity Provider with the changes the Committee agreed upon at the April 21, 2020 DC Committee meeting and asked for the Board's review. Board held discussion on why the annuity option was included and whether or not to change the legislation to exclude the annuity option.

Moved by: Mr. William Buividas

Second by: Mr. Brian Moore

Time: 12:11 PM

Motion: Approve the RFP for Annuity Provider as presented, based on the DC Committee's recommendation.

Discussion: None.

Vote: 9 – 0 Passed

Mr. Buividas then presented the draft RFP for the Education Provider with the changes the Committee agreed upon at the April 21, 2020 DC Committee meeting and asked for the Board's review. Mr. Ameduri questioned if these services are required per state statute. Mr. Buividas and Mr. Moore confirmed that providing fiduciary RIA is required by state statute. Mr. Ameduri raised concerns in meeting fiduciary duties and discussion of such was held. Mr. McCarty questioned why the RFP includes a non-fixed bid fee structure. Board agreed to remove the non-fixed bid fee structure from the RFP.

Moved by: Mr. Jim Ameduri

Second by: Mr. Scott McCarty

Time: 12:35 PM

Motion: Enter Executive Session.

Discussion: None.

Vote: 7 – 2 Failed (Mr. Jim Ameduri and Mr. Scott McCarty voted in favor)

Moved by: Mr. William Buividas

Second by: Mr. Christopher Hemmen

Time: 12:46 PM

Motion: Approve the RFP for Education Provider as presented, based on the DC Committee's recommendation.

Discussion: None.

Vote: 9 – 0 Passed

Mr. McCarty requested the RFP's to be staggered in the future to where they are not all having to be done at the same time.

Board recessed for a break at 12:49 PM

Board returned to public session at 1:02 PM

9. Update, discussion and possible Action regarding City of Glendale Fire and Police Plans request to increase amortization period.

*Kevin O'Malley, Esq.
Gallagher & Kennedy*

Mr. O'Malley gave a brief background of the request and discussions that have taken place since then.

Motion was placed on hold due to request to enter Executive Session after discussion. Motion was later withdrawn.

Moved by: Mr. William Buividas

Second by: Mr. Brian Moore

Time: 1:04 PM

Motion: Deny City of Glendale's request to increase amortization period.

Discussion: Board members questioned the process if Glendale decides to sue and if the Board should take action beforehand. Mr. O'Malley advised the court would determine the proper interpretation of the law. Mr. O'Malley advised City of Glendale would still have the obligation to pay the employer contribution. Mr. McCarty warned a letter was received from AZ League of Cities and Towns advising they do not think the Board has the authority to make such decision and agrees with that view. Mr. Ameduri questioned the Board's fiduciary duties and how to ensure such duties are being met. Mr. Ameduri also questioned what type of effect this could have on other employers. Mr. Moore expressed his disagreement with the request, and reminded the Board of the public concerns that have been previously voiced. Mr. Hemmen also shared his views on the request and how such request could harm the System and lower the funding level. Mr. Buividas suggested reviewing criteria that need to be met for future requests. Mr. Smith shared his concerns with both approving and denying the request.

Vote: No vote was taken, motion was later withdrawn by Mr. Buividas to which Mr. Moore agreed.

Motion was placed on hold due to motion to enter Executive Session after discussion. Motion was voted at 2:13 PM.

Moved by: Mr. Don Smith

Second by: Mr. Dean Scheinert

Time: 1:35 PM

Motion: Direct legal counsel to file a declaratory judgment action regarding legislative intent

Discussion: Mr. McCarty advised that any subsequent request will be held until the declaratory judgment is made.

Vote: 9 – 0

Moved by: Mr. Jim Ameduri

Second by: Mr. Scott McCarty

Time: 1:41 PM

Motion: Enter Executive Session to discuss item number 9.

Discussion: None.

Vote: 5 – 4 Passed (Mr. Ameduri, Mr. Hemmen, Mr. McCarty, Mr. Moore and Mr. Scheinert voted in favor)

Board returned to public session at 2:12 PM

Moved by: Mr. Scott McCarty

Second by: None.

Time: 2:16 PM

Motion: Approve City of Glendale's request to increase amortization period.

Discussion: None.

Vote: Motion died for lack of second

- 10. Review, discussion and possible Action regarding a Notice of Claim received from a group of PSPRS members.**
Mr. Scott McCarty

Item was tabled for next Board meeting.

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

Mr. Scott McCarty

Item was tabled for next Board meeting.

- 12. Discussion and consultation with legal counsel and Staff and possible Action regarding proposed legislation, 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. 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 13.**

- 13. 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) (2), (3) and (4), as applicable, including to receive legal advice from the Board's attorneys on any matter listed on the agenda, including:**

Moved by: Mr. Harry Papp

Second by: Mr. Don Smith

Time: 9:38 AM

Motion: Enter Executive session.

Discussion: None

Vote: 9 – 0 Passed

The Board returned to public session at 11:01 AM.

- a. **Discussion and legal advice with the attorney regarding the responses to RFP for external auditor as authorized by A.R.S. §§ 38-431.03(A) (3) and (4).**
- b. **Discussion and consultation for legal advice with attorney regarding RFPs and possible contract extension including agenda Item No. 8 as authorized by A.R.S. §§ 38.431.03(A) (3) and (4).**
- c. **Discussion and consultation for legal advice with the attorney pertaining to actuarial policies and principles, employer contributions, and amortization period of unfunded liabilities, including Agenda Item No. 9 as authorized by A.R.S. §§ 38-431.03(A) (3) and (4).**
- d. **Discussion and consultation for legal advice with the attorney pertaining to Request for Hearing, Notice of Claim, and Formal Demand under A.R.S. § 12-821.01 from legal counsel for a group of PSPRS members as authorized by A.R.S. §§ 38-431.03(A) (3) and (4).**
- e. **Discussion and consultation for legal advice with the attorney pertaining to Firefighters and Peace Officers Cancer Insurance Program as authorized by A.R.S. § 38-431.03(A) (3).**
- f. **Discussion and consultation for legal advice with the attorney regarding request for Amicus Brief related to an appeal of workers compensation PTSD claim as authorized by A.R.S. § 38-431.03(A) (3).**
- g. **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, as authorized by A.R.S. §§ 38-431.03(A) (2) and (3).**
- h. **Discussion and consultation with legal counsel regarding compliance with A.R.S. § 38-431.03 (F) and potential remedial steps.**

14. Adjournment.

Moved by: Mr. Harry Papp

Second by: Mr. Don Smith

Time: 3:03 PM

Motion: To adjourn meeting.

Discussion: None

Vote: 9 – 0 Passed

Scott McCarty, Chairman

**Harry Papp, Trustee,
Vice Chairman**

Jim Ameduri, Trustee

William Buividas, Trustee

Christopher Hemmen, Trustee

Brian Moore, Trustee

Mike Scheidt, Trustee

Dean Scheinert, Trustee

Don Smith, Trustee