

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

September 30, 2020

MINUTES

Present: Mr. Scott McCarty, Chairman – remote
Mr. Harry Papp, Vice Chairman – remote
Mr. Jim Ameduri, Trustee – remote
Mr. William Buividas, Trustee
Mr. Christopher Hemmen, Trustee
Mr. Don Smith, Trustee- remote
Mr. Mike Scheidt, Trustee
Mr. Dean Scheinert, Trustee – partially remote throughout the meeting
Mr. Brian Moore, Trustee, remote at 1:08 PM

Others Present: Mr. Michael Townsend, Administrator
Mr. Michael Smarik, Deputy Administrator
Bret Parke, Esq., Assistant Administrator/General Counsel - remote
Kevin O'Malley, Esq., Gallagher & Kennedy – remote
Mr. Allan Martin, Partner, NEPC, LLC – remote
Mr. Mark Steed, Chief Investment Officer - remote
Mr. Kenny Tims, Advisory Committee Member – remote, left at 11:45 AM
Mr. John Moorman, Chief Financial Officer – remote
Ms. Cheryl Cohen, Investments Executive Assistant – remote
Ms. Claudia Martinez, Executive Assistant – remote
Ms. Vivian Padilla, Media and Publications Specialist
Ms. Crystal Messner, Internal Audit Manager – remote
Mr. Paul Baugher, Foster & Foster– remote
Mr. Timothy Jackson, Compliance Officer – remote
Mr. Greg Clifton, City Manager, City of Flagstaff – remote
Mr. Rick Tadder, Management Services Director, City of Flagstaff – remote
Ms. Brandi Suda, City of Flagstaff – remote
Mr. Leonard Gilroy, Reason Foundation – remote
Ms. Nannette Eberhardt, COO, Galloway Asset Management, LLC – remote
Mr. Chris Hoerchler, Regional Vice President, Galloway Asset Management, LLC – remote
Mr. Michael Galloway, CEO, Galloway Asset Management, LLC – remote
Terence Thompson, Esq., Gallagher & Kennedy – remote

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 9:31 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 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, except Executive Session minutes, 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 Rosalie Aubuchon.**
 - b. **Acceptance of Elected Officials' Retirement Plan of early retirement benefit of Keith Barth.**
 - c. **Acceptance of Elected Officials' Retirement Plan of termination of normal retirement benefit of James R. Carruthers.**
 - d. **Acceptance of Elected Officials' Retirement Plan of survivor benefit of Jaqueline Carruthers.**
 - e. **Acceptance of Elected Officials' Retirement Plan of survivor benefit of Eleanor Haire.**
 - f. **Acceptance of Elected Officials' Retirement Plan of termination of normal retirement benefit of Levi Ray Haire.**
 - g. **Acceptance of Elected Officials' Retirement Plan of survivor benefit of Carol A. Reifkohl.**
 - h. **Acceptance of Elected Officials' Retirement Plan of survivor benefit of Constance M. Wactor.**
 - i. **Acceptance of Transfer Between State Retirement Systems of Timothy Palmer.**
 - j. **Acceptance of Transfer Between State Retirement Systems of Michael Cheatham.**
 - k. **Acceptance of Transfer Between State Retirement Systems of Fernando Perez.**
 - l. **Acceptance of Transfer Between State Retirement Systems of Julie Connolly.**
 - m. **Acceptance of Transfer Between State Retirement Systems of Richard Hollibaugh.**
 - n. **Acceptance of Transfer Between State Retirement Systems of Larry Chambers.**
 - o. **Acceptance of Transfer Between State Retirement Systems of Timothy Olson.**
 - p. **Approval of the renewal agreements with HighGround, Inc. and Public Policy Partners, LLC for the provision of professional services (Governmental Affairs, Lobbying and Public Relations Services).**
 - q. **Approval of the Minutes of the September 26 & 27, 2019 and August 26, 2020 Meeting of the PSPRS Board of Trustees.**
 - r. **Approval of the Executive Session Minutes of the January 23, February 26, April 22, May 27, and July 24, 2020 meetings of the PSPRS Board of Trustees.**
 - s. **Approval of the Executive Session Minutes (other than item e) of the August 26, 2020 meeting of the PSPRS Board of Trustees.**

Mr. Scott McCarty

Moved by: Mr. Don Smith
Second by: Mr. Chris Hemmen
Time: 9:33 AM
Motion: Approval of Consent Agenda as presented.
Discussion: None
Vote: 8 – 0 Passed

4. **Approval of item e of the Executive Session Minutes of the August 26, 2020 meeting of the PSPRS Board of Trustees.**

*Mr. Harry Papp
Vice Chairman*

Moved by: Mr. Chris Hemmen
Second by: Mr. Don Smith
Time: 9:37 AM
Motion: Approval of the item e of the Executive Session Minutes of the August 26, 2020 as presented.
Discussion: None
Vote: 5 – 0 Passed (Messrs. Buividas, McCarty, and Scheidt ABSTAINED)

5. **Presentation and discussion by the Reason Foundation.**

*Mr. Leonard Gilroy
Reason Foundation*

Analysis presentation of the System was provided by Mr. Gilroy. Presentation included (a) history of weakening solvency, (b) review of prior reforms, (c) discount rate and undervaluing debt, and risk assessment, and (d) challenges the system is currently facing; amortization methods, assumed rate of return. Mr. Gilroy also recommended a

framework for solutions and reform. Messrs. Buividas, Papp, and McCarty commented and asked questions on various sections of the presentation.

6. Presentation and discussion regarding debt financing of unfunded liabilities by City of Flagstaff personnel.

Mr. Greg Clifton, City Manager
Mr. Rick Tadder, Management Services Director
City of Flagstaff

Presentation regarding the City of Flagstaff rise and fall of pension debt was provide by Messrs. Clifton, Tadder and Suda. Presentation included a historical perspective, current status, considered options for 2020 to help lower the City's unfunded liabilities, council's direction and results. Messrs. Buividas, McCarty, and Scheinert commented on the City's direction.

7. Review, discussion and possible Action regarding employer Governmental Accounting Standards Board reports.

Mr. Michael Townsend
Administrator

Overview presentation of GASB reports was provided by Mr. John Moorman, Chief Financial Officer.

Moved by: Mr. Harry Papp
Second by: Mr. Don Smith
Time: 12:09 PM
Motion: Approval of GASB 68 and 75 as presented.
Discussion: None
Vote: 8 – 0 Passed

Report by Mr. Kenny Tims, Chairman of the Advisory Committee, regarding agenda items 8 through 9, and possible Board Action regarding the same.

8. Update discussion and possible Action to refer the System's Funding Policy to the Advisory Committee for revisions and alignment with state statutes.

Mr. Michael Townsend

Mr. Townsend provided the Board with an update regarding the funding policy advising multiple revisions are needed. Mr. Townsend recommended the Funding Policy be referred to the Advisory Committee for review prior to the Board taking action.

Moved by: Mr. Don Smith
Second by: Mr. Dean Scheinert
Time: 12:12 PM
Motion: Direct Staff to work with Advisory Committee on the suggested revisions to the System's Funding Policy including alignment with state statutes.
Discussion: None
Vote: 8 – 0 Passed

9. Update and discussion regarding the Advisory Committee's work plan for FY 20/21.

Mr. Michael Townsend

Mr. McCarty updated the Board on the meeting held with the Advisory Committee Chairman regarding the Advisory Committee's work plan, advising some items discussed for potential assignment were; (a) improved communication with Staff, employers and members, (b) retiree healthcare insurance options, (c) employer level funding amounts in the health care plan, (d) annual employer pension funding policy, and (e) Tier 3 consolidation. Mr. McCarty suggested the Advisory Committee draft a work plan for Board approval.

Moved by: Mr. Harry Papp
Second by: Mr. Chris Hemmen
Time: 12:21 PM
Motion: Direct the Advisory Committee to develop a work plan for FY 20/21 as discussed with Board approval.

Discussion: None

Vote: 8 – 0 Passed

Report by Mr. Harry A. Papp, Chairman of the Investment Committee, regarding agenda items 10 through 12, which were discussed at the Investment Committee meeting held September 23, 2020, and possible Action on the Committee's recommendations to the Board regarding same.

Mr. Papp provided a brief review of the Investment Committee's September 23, 2020 meeting.

10. 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 July 31, 2020 and the asset allocation and performance of the Firefighters and Peace Officers Cancer Insurance Program.**
- b. **Written report: Portfolio Risk as of July 31, 2020.**
- c. **Written report: Global Financial Market Developments.**
- d. **Written report: Executed Transactions during prior period.**

Mr. Papp reviewed reports a through d, no further discussion was held.

11. Review and discussion regarding the performance of external investment managers.

*Mr. Mark Steed
Mr. Allan Martin
NEPC, LLC*

No discussion was held.

12. Review and discussion regarding the Internal Personal Trading Policy and Code of Ethics.

*Mr. Mark Steed
Mr. Timothy Jackson
Compliance Officer*

Mr. Papp provided an update on the Internal Personal Investing policy advising it is being reviewed for possible updates and/or changes, no further discussion was held.

Report by Mr. Don Smith, Chairman of the Operations and Governance Policy Committee, regarding agenda items 13 through 14, which were discussed at the Operations and Governance Policy Committee meeting held September 29, 2020, and possible Action on the Committee's recommendations to the Board regarding same.

Mr. Smith gave an update on the Operations and Governance Policy Committee's September 29, 2020 meeting. Mr. Smith advised the two reports the Committee commented on were (a) the year to date budget, where the Committee was advised the savings were due to vacant positions, and (b) the IT update, where the Committee requested the external exercise to be done prior to 2023. Mr. Smith also updated the Board on the Committee's views regarding the Cancer Insurance. Lastly Mr. Smith advised an internal Conflict of Interest policy was created after it was highly recommended by the Auditor General after their audit. The Committee reviewed the policy and commented on creation of a similar Trustee policy.

13. Review and discussion: Staff operation reports.

Mr. Michael Townsend

- a. **Administrator 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: IT update.**

Mr. Smith reviewed reports a through f, no further discussion was held.

14. Review and discussion of the draft internal Board and Committee Meeting Video Retention and Use Policy document.

Mr. Timothy Jackson

Draft policy was provided by the Mr. Jackson. Mr. Jackson discussed the process in creating the policy, no further discussion was held.

Report by Mr. Jim Ameduri, Chairman of the Audit Committee, regarding agenda item 15, which was discussed at the Audit Committee meeting held September 1, 2020, and possible *Action* on the Committee's recommendations to the Board regarding same.

15. Update and discussion regarding the FY2020 audit.

Mr. Jim Ameduri

Mr. Ameduri provided an updated on the FY2020 audit progress advising as of right now it was on track.

Report by Mr. Dean Scheinert, Chairman of the Litigation Coordination Committee, regarding agenda item 16, which was discussed at the Litigation Coordination Committee meeting held September 3, 2020, and possible Board *Action* on the Committee's recommendations to the Board regarding same.

16. Review and discussion regarding Litigation Coordination Committee.

Mr. Dean Scheinert

Mr. Scheinert provided a brief update to the Board on the Litigation Coordination Committee's September 3, 2020 meeting advising the of the Committee's direction given to counsel and the selection of the Committee's Chairman and Vice Chairman.

Report by Mr. William Buividas, Chairman of the Defined Contribution Committee, regarding agenda items 17 and 18, and possible Board *Action* on the Committee's recommendations to the Board regarding the same.

17. Review and discussion regarding the Defined Contribution Committee.

Mr. William Buividas

Mr. Buividas advised there was no update since the Committee had not met since the last Board of Trustees meeting.

18. Update and discussion on the RIA / Education Provider contract.

Mr. Michael Galloway
Galloway Asset Management, LLC

Mr. Galloway provided a presentation to the Board. Presentation included an introduction of the team, PSPRS experience and services provided, and Galloway's objectives. Mr. Galloway also advised he is a fiduciary to the member and any advice given is to the best interest of the member. Messrs. Moore, Buividas, and Scheinert commented and asked questions on various aspects of the presentation.

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

Mr. Scott McCarty

No requests were presented.

20. 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 21.

Moved by: Mr. Harry Papp

Second by: Mr. Don Smith

Time: 12:49 PM

Motion: Enter Executive Session at 1:00 PM, upon returning from a 10 minute break.

Discussion: None

Vote: 8 – 0 Passed

The Board returned to public session at 2:55 PM.

21. 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. Discussion and consultation for legal advice with the attorney pertaining to actuarial policies and principles, employer contributions, and amortization period of unfunded liabilities and legal action with respect to the City of Glendale, as authorized by A.R.S. §§ 38-431.03(A) (3) and (4).**
- b. 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).**
- c. 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).**
- d. Discussion and consultation for legal advice with the attorney pertaining to the DC Plan Education Provider contract, including Agenda Item No. 18 as authorized by A.R.S. § 38-431.03(A) (3).**
- e. Discussion and consultation for legal advice with attorney pertaining to potential retention of counsel to represent current or former employees in pending third-party litigation, as authorized by A.R.S § 39-431.03(A) (3).**

22. Adjournment.

Moved by: Mr. Dean Scheinert

Second by: Mr. Chris Hemmen

Time: 3:28 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