

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

**June 23, 2021**

**MINUTES**

Present: Mr. Scott McCarty, Chairman  
Mr. Harry Papp, Vice Chairman – left at 2:35 PM  
Mr. Christopher Hemmen, Trustee - remote  
Mr. Alan Maguire, Trustee  
Mr. Brian Moore, Trustee  
Mr. Dean Scheinert, Trustee – partially remote, arrived at 9:42 AM  
Mr. Nate Weber, Trustee  
Mr. Daren Wunderle, Trustee – remote

Others Present: Mr. Michael Townsend, Administrator  
Mr. Michael Smarik, Deputy Administrator  
Bret Parke, Esq., Assistant Administrator/General Counsel  
Kevin O'Malley, Esq., Gallagher & Kennedy  
Mr. Don Stracke, NEPC, LLC – remote  
Mr. Mark Steed, Chief Investment Officer  
Ms. Cheryl Cohen, Investments Executive Assistant – remote  
Ms. Claudia Martinez, Executive Assistant  
Terence Thompson, Esq., Gallagher & Kennedy  
Mr. Michael Ajamie, Chief Technology Officer  
Mr. Morey Morris, Chief, Hellsgate Fire Department  
Ms. Angie Lecher, Business Manager, Hellsgate Fire Department  
Mr. Owen Zhao, Sr. Quantitative Investment & Risk Analyst – remote  
Mr. Doug Cole, HighGround, Inc. – remote  
Ms. Dianne McCallister, Public Policy Partners, LLC – remote  
Mr. Ernie Escobedo, Jr. IT Systems Engineer  
Mr. John Moorman, Chief Financial Officer  
Mr. Clark Partridge, Financial Consultant  
Mr. Paul Baugher, Foster and Foster – remote  
Mr. Brad Heinrichs, Foster and Foster  
Mr. Jason Ostroski, Engagement Principal, CLA – remote  
Ms. Cathleen Davis, Internal Auditor  
Mr. Paul Chapple, Agile Progress – 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 9:32 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.**

Emails were received from Messrs. Craig Sullivan, Tom Belshe, Joe Clure, Bryan Jeffries, and Sean Mattson. Each was permitted to speak virtually, due to COVID19 physical presence of the public was not permitted. All speakers

commented on Agenda Item No. 27, appraising the System Administrator's work, collaboration with stakeholders, stability and professionalism.

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 normal retirement benefit of Arthur Anderson.**
  - b. **Acceptance of Elected Officials' Retirement Plan of normal retirement benefit of Dean Christoffel.**
  - c. **Acceptance of Elected Officials' Retirement Plan of termination of early retirement benefit of Paul Colarich Jr.**
  - d. **Acceptance of Elected Officials' Retirement Plan of survivor benefit of Sheila Colarich.**
  - e. **Acceptance of Elected Officials' Retirement Plan of termination of survivor benefit of Alice Froeb.**
  - f. **Acceptance of Elected Officials' Retirement Plan of termination of survivor benefit of Harold Payne.**
  - g. **Acceptance of Elected Officials' Retirement Plan of termination of survivor benefit of Carol Ann Rose.**
  - h. **Acceptance of Elected Officials' Retirement Plan of termination of survivor benefit of Marie Tomchee.**
  - i. **Acceptance of Elected Officials' Retirement Plan of survivor benefit of Beth Walkup.**
  - j. **Acceptance of Transfer Between State Retirement Systems of Adam Uribe.**
  - k. **Acceptance of Transfer Between State Retirement Systems of Jacqueline Lickfeldt.**
  - l. **Acceptance of Transfer Between State Retirement Systems of Darriell Bone.**
  - m. **Acceptance of Transfer Between State Retirement Systems of Ken Farrell.**
  - n. **Approval of the Minutes of the May 26, 2021 Meeting of the PSPRS Board of Trustees.**
  - o. **Approval of the Executive Session Minutes of the May 26, 2021 Meeting of the PSPRS Board of Trustees.**

*Mr. Scott McCarty*

**Moved by:** Mr. Harry Papp

**Second by:** Mr. Alan Maguire

**Time:** 9:54 AM

**Motion:** Approval of Consent Agenda as presented.

**Discussion:** None.

**Vote:** 8 – 0 Passed

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

*Mr. Douglas Cole*

*HighGround, Inc.*

*Ms. Dianne McCallister*

*Public Policy Partners, LLC*

Mr. Cole provided an update regarding the legislative session advising the State Senate passed the budget package. Mr. Cole detailed two bills included in the budget package; SB1819 and SB1823.

5. **Review, discussion and possible Action regarding the reamortization criteria.**

*Mr. Michael Townsend*

*Administrator*

*Kevin O'Malley Esq.,*

*Terence Thompson Esq.,*

*Gallagher & Kennedy*

Draft policy was presented by Mr. Townsend. Item was also discussed in Executive session.

**Moved by:** Mr. Alan Maguire

**Second by:** Mr. Brian Moore

**Time:** 1:28 PM

**Motion:** Approval of the reamortization criteria as presented.

**Discussion:** None.

**Vote:** 8 – 0 Passed

6. **Update, discussion and possible Action regarding Hellsgate's reamortization request.**

*Mr. Michael Townsend*

*Kevin O'Malley, Esq.  
Terence Thompson, Esq.*

Mr. Morey Morris addressed the Board regarding Hellsgate's reamortization request. Mr. Morris detailed the steps taken and avenues sought by the department to collect more funds and the reasons for the request. Messrs. Moore, Maguire, Hemmen, Wunderle and McCarty inquired on the background that led to the request and remedial steps taken. Item was also discussed in Executive session.

**Moved by:** Mr. Alan Maguire

**Second by:** Mr. Nate Weber

**Time:** 1:48 PM

**Motion:** Approve the reamortization request of Hellsgate Fire District to 30 years amortization.

**Discussion:** None.

**Vote:** 8 – 0 Passed

**7. Review, discussion and possible Action regarding Hualapai Tribe Fire's joinder request.**

*Mr. Michael Townsend*

*Bret Parke, Esq.*

*Kevin O'Malley, Esq.*

Mr. Richard McShea addressed the Board regarding the joinder request. Item was then discussed in Executive session, no further discussion was held in public session.

**Moved by:** Mr. Scott McCarty

**Second by:** Mr. Alan Maguire

**Time:** 1:53 PM

**Motion:** Legal counsel and Staff to proceed as instructed in Executive Session and table item.

**Discussion:** None.

**Vote:** 8 – 0 Passed

**Report by Mr. Harry A. Papp, Chairman of the Investment Committee, regarding agenda items 8 through 12, which were discussed at the Investment Committee meeting held June 16, 2021, and possible Action on the Committee's recommendations to the Board regarding the same.**

Mr. Papp provided a brief report of the Investment Committee's June 16, 2021 meeting.

**8. 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 April 30, 2021 and the asset allocation and performance of the Firefighters and Peace Officers Cancer Insurance Program.**
- b. **Written report: Portfolio Risk as of April 30, 2021.**
- c. **Written report: Global Financial Market Developments.**
- d. **Written report: Executed Transactions during prior period.**

Mr. Papp reviewed reports a through d. Messrs. McCarty, Maguire and Steed engaged in brief discussion regarding the Trust performance.

**9. Update, discussion and possible Action regarding the Board of Trustees Annual Personal Disclosure Form.**

*Mr. Harry Papp*

Mr. Papp presented the updated form to the Board, no further discussion was held.

**Moved by:** Mr. Harry Papp

**Second by:** Mr. Alan Maguire

**Time:** 11:07 AM

**Motion:** Approval of the Board of Trustees Annual Personal Disclosure Form.

**Discussion:** None.

**Vote:** 8 – 0 Passed

**10. Update discussion and possible Action regarding Governance Manual - 5.14 Code of Ethics updates.**

*Mr. Harry Papp*

Mr. Papp presented the changes to the Governance Manual – 5.14 Code of Ethics, no further discussion was held.

**Moved by:** Mr. Harry Papp

**Second by:** Mr. Alan Maguire

**Time:** 11:08 AM

**Motion:** Approval of the changes made to the Governance Manual – 5.14 Code of Ethics as presented.

**Discussion:** None.

**Vote:** 8 – 0 Passed

**11. Update, discussion and possible Action regarding asset allocation and benchmarks for the PSPRS Trust.**

*Mr. Mark Steed*

*Mr. Allan Martin*

*NEPC*

Presentation regarding asset allocation mixes for consideration was provided by Mr. Don Strake and Mr. Steed.

Presentation included, assumptions, the Systems target mix, and recommendation of asset allocation and benchmarks.

**Moved by:** Mr. Harry Papp

**Second by:** Mr. Alan Maguire

**Time:** 11:15 AM

**Motion:** Approval of the asset allocation and benchmarks for the PSPRS Trust as suggested by Staff and NEPC.

**Discussion:** None.

**Vote:** 8 – 0 Passed

**12. Discussion and possible Action regarding the asset allocation and benchmarks for the Cancer Insurance Plan.**

*Mr. Mark Steed*

*Mr. Allan Martin*

*Mr. Don Stracke*

Presentation regarding the Cancer Insurance Plan's asset allocation was presented by Mr. Papp and Mr. Steed. Board directed the Investment Committee to work with Foster and Foster on changes and/or recommendations to the Cancer Insurance Plan's asset allocation.

**13. Presentation and discussion by NEPC representatives on the quarterly investment performance for the period ending 03/31/21 for the Arizona PSPRS Trust.**

*Mr. Allan Martin*

Presentation regarding the Trust's and the Cancer Insurance Policy program's quarterly performance was provided by Mr. Stracke, no further discussion was held.

**14. Discussion and possible demonstration regarding the Board of Trustees online portfolio dashboard.**

*Mr. Owen Zhao*

*Sr. Quantitative Investment & Risk Analyst*

Board of Trustees online portfolio dashboard description was provided by Mr. Papp and Mr. Steed.

**Report by Mr. Kenny Tims, Chairman of the Advisory Committee, regarding agenda items 15 and 16, pertaining to the Advisory Committee, and possible Board Action regarding the same.**

**15. Presentation, discussion and possible Action regarding the System's Funding Policy.**

*Mr. Kenny Tims*

*Mr. Michael Townsend*

*Mr. Brad Heinrichs*

*Mr. Paul Baugher*

*Foster & Foster*

Update was provided by Mr. Townsend. Mr. Townsend advised review of the suggested legislative items was completed and staff did not find any conflict with statutes by adopting the funding policy, however the Advisory Committee would work on the legislative items needing clarification.

**16. Review, discussion and possible Action regarding the Advisory Committee's work plan.**

*Mr. Michael Townsend*

Presentation regarding the Advisory Committee work plan was provided by Mr. Townsend.

**Moved by:** Mr. Scott McCarty

**Second by:** Mr. Alan Maguire

**Time:** 1:56 PM

**Motion:** Approval of the Advisory Committee work plan as presented.

**Discussion:** None.

**Vote:** 8 – 0 Passed

**17. Presentation, discussion and possible Action regarding direction of the FY2021 actuarial valuation.**

*Mr. Brad Heinrichs*

Presentation regarding actuarial assumptions was provided by Mr. Heinrichs. Presentation included summary of the 2020 assumptions as well as issues addressed and changes adopted, planned changes for 2021, investment returns, and impact of changes. Board members, staff and Mr. Heinrichs engaged in discussion regarding various aspects of the presentation and potential plans for future years. Board directed Mr. Heinrichs to continue with the plan in place for the actuarial valuation and to work with the Advisory Committee on the experience study and to explore the possibility of a funding floor.

**Report by Mr. Dean Scheinert, Chairman of the Operations, Governance Policy and Audit Committee, regarding agenda items 18 through 24, which were discussed at the Operations, Governance Policy and Audit Committee meeting held, June 15, 2021, and possible Action on the Committee's recommendations to the Board regarding the same.**

Mr. Scheinert provided a brief report of the Operations, Governance Policy and Audit Committee's June 15, 2021 meeting.

**18. 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: Local Board & Employer Outreach.**
- f. **Written report: Communication Efforts.**
- g. **Written report: Human Resource update.**
- h. **Written report: IT update.**

Reports a through f were provided, no further discussion was held.

**19. Review, discussion and possible Action regarding the GASB reports.**

*Mr. John Moorman Chief Financial Officer*

*Mr. Jason Ostroski*

*Ms. Brittany Smith*

*CLA*

Presentation regarding the GASB reports was provided by Mr. Moorman. Presentation included breakdown, purpose, employer use, and current stage of the GASB reports.

**Moved by:** Mr. Dean Scheinert

**Second by:** Mr. Alan Maguire

**Time:** 2:12 PM

**Motion:** Approval of the completed audited GASB reports to be posted to the PSRPS website pending final approval at the August Board of Trustees meeting.

**Discussion:** None.

Vote: 8 – 0 Passed

**20. Presentation, discussion and possible Action on recommendation to the Board of Trustees regarding the FY2020 Cancer Insurance Plan's Annual Financial Report.**

*Mr. John Moorman  
Mr. Jason Ostroski  
Ms. Brittany Smith*

Presentation was provided by Mr. Moorman. Presentation included the process of the report, internal control concerns, estimates, adjustments, management recommendations and financial results.

**Moved by:** Mr. Scott McCarty

**Second by:** Mr. Dean Scheinert

**Time:** 2:39 PM

**Motion:** Approval of the FY2020 PSCIPP Annual Financial Report as presented.

**Discussion:** None.

**Vote:** 8 – 0 Passed

**21. Review and discussion regarding the Auditor General office's review of the Board per diem and travel.**

*Mr. Michael Smarik  
Deputy Administrator  
Mr. John Moorman*

Mr. Smarik provided the Auditor General office's report on State Board Member Per Diem Compensation and Expense Reimbursements advising all previous findings were properly addressed.

**22. Review, discussion and possible Action on the Internal Audit plan.**

*Ms. Cathleen Davis  
Internal Auditor*

Ms. Davis provided an internal audit update and recommended continuation of the previous audit plan for the new fiscal year. Ms. Davis also provided details of the audit plan and time needed to complete. Mr. McCarty inquired on the process done after each audit is completed.

**Moved by:** Mr. Scott McCarty

**Second by:** Mr. Dean Scheinert

**Time:** 2:47 PM

**Motion:** Adopt the PSPRS FY 2021/22 Audit plan as presented.

**Discussion:** None.

**Vote:** 7 – 0 Passed (Mr. Papp ABSENT at the time)

**23. Update, discussion and possible Action on policy and Governance Manual revisions.**

*Mr. Michael Townsend  
Mr. Michael Smarik*

Policies a through d were provided by Mr. Townsend. Mr. Townsend advised a and b were for informational purposes however items c and d required Board approval.

- a. **Internal Conflict of Interest Policy - Employees document and related Statement of Disclosure form.**
- b. **PSPRS Fraud, Waste, and Abuse Prevention, Reporting, and Investigation Policy (Fraud Policy).**
- c. **Code of Conduct Policy.**
- d. **Vendor Selection Policy.**

**Moved by:** Mr. Scott McCarty

**Second by:** Mr. Dean Scheinert

**Time:** 2:50 PM

**Motion:** Approval of the Code of Conduct Policy as presented.

**Discussion:** None.

**Vote:** 7 – 0 Passed (Mr. Papp ABSENT at the time)

**Moved by:** Mr. Scott McCarty

**Second by:** Mr. Brian Moore

**Time:** 2:51 PM

**Motion:** Approval of the Vendor Selection Policy as presented.

**Discussion:** None.

**Vote:** 7 – 0 Passed (Mr. Papp ABSENT at the time)

**24. Update, discussion and possible Action regarding the Pension Administration System project.**

*Mr. Michael Smarik*

Item was briefly discussed in Executive Session. Mr. Smarik provided a brief update in public session.

**Moved by:** Mr. Dean Scheinert

**Second by:** Mr. Alan Maguire

**Time:** 2:53 PM

**Motion:** Approval of the Pension Administration System contract to the offeror recommended by staff.

**Discussion:** None.

**Vote:** 7 – 0 Passed (Mr. Papp ABSENT at the time)

**25. Update, discussion and possible Action regarding the PSPRS IRC Section 115 Trust contract.**

*Mr. Clark Partridge  
Financial Consultant*

Mr. Partridge provided a brief update. Mr. McCarty requested employer awareness to be a main focus of the contract.

**Moved by:** Mr. Scott McCarty

**Second by:** Mr. Brian Moore

**Time:** 2:59 PM

**Motion:** Approval of the contract award for the PSPRS IRC Section 115 Trust RFP as presented.

**Discussion:** None.

**Vote:** 7 – 0 Passed (Mr. Papp ABSENT at the time)

**Report by Mr. Daren Wunderle, Chairman of the Defined Contribution Committee, regarding agenda item 26, pertaining to the Defined Contribution Committee, and possible Board Action regarding the same.**

**26. Update, discussion and possible Action regarding the Defined Contribution Committee.**

*Mr. Daren Wunderle*

Mr. Wunderle advised Mr. Moore would be chairing both the Defined Contribution Committee and the Ad Hoc Committee due to outside duties and time restrictions.

**27. Update, discussion and possible Action regarding the System's Administrator performance evaluation and employment agreement.**

*Mr. Scott McCarty*

Item was discussed in Executive Session. Various Board members commented the on the System Administrator's performance.

**Moved by:** Mr. Harry Papp

**Second by:** Mr. Brian Moore

**Time:** 1:17 PM

**Motion:** Board, Staff and legal counsel to proceed as discussed in Executive session.

**Discussion:** None

**Vote:** 7 – 0 (Mr. Wunderle RECUSED)

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

*Mr. Scott McCarty*

No request were presented.

**29. 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 30.**

**Moved by:** Mr. Alan Martin  
**Second by:** Mr. Harry Papp  
**Time:** 11:30 AM  
**Motion:** Enter into Executive Session.  
**Discussion:** None  
**Vote:** 8 – 0

Board returned to public session at 1:17 PM.

- 30. 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, amortization period of unfunded liabilities, and legal action with respect to the City of Glendale and Hellsgate Fire District, including Agenda Items No. 5 and 6, 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 Hualapai Tribe Fire's joinder request, including Agenda Item No. 7, as authorized by A.R.S. §§ 38-431.03(A) (3), (4) and (6).
  - c. Discussion and consultation for legal advice with the attorney pertaining to the Board of Trustees Annual Personal Disclosure Form and Governance Manual - 5.14 Code of Ethics updates, including Agenda Item No. 9 and No. 10, as authorized by A.R.S. § 38431.03 (A) (3).
  - d. Discussion and consultation for legal advice with the attorney pertaining to policy and Governance Manual revisions regarding Internal Conflict of Interest Policy - Employees document and related Statement of Disclosure form, PSPRS Fraud, Waste, and Abuse Prevention, Reporting, and Investigation Policy (Fraud Policy), Code of Conduct Policy, Vendor Selection Policy, and Governance Manual - 5.14 Code of Ethics, including Agenda Item No. 23, as authorized by A.R.S. § 38-431.03(A) (3).
  - e. Discussion and consultation with legal counsel and Staff pertaining to the PAS RFP contract negotiation, including Agenda Item No. 24, as authorized by A.R.S. §§ 38-431.03(A) (3) and (4).
  - f. 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).
  - g. Discussion and consultation for legal advice with the attorney pertaining to personnel business disclosures, as authorized by A.R.S. §§ 38-431.03(A)(1) and (3).
  - h. Discussion and consultation for legal advice with the attorney pertaining to the performance evaluation and employment agreement of the System's Administrator, including Agenda Item No. 27, as authorized by A.R.S. §§ 38-431.03(A)(1), (3) and (4).
- 31. Schedule of future meeting and conference date(s).**

Calendar was presented, no further discussion was held.

**32. Adjournment.**

**Moved by:** Mr. Alan Maguire  
**Second by:** Mr. Dean Scheinert  
**Time:** 3:05 PM  
**Motion:** To adjourn meeting  
**Discussion:** None.  
**Vote:** 7 – 0 Passed (Mr. Papp ABSENT at the time)



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**Scott McCarty,  
Chairman**

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**Harry Papp, Trustee,  
Vice Chairman**

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**Christopher Hemmen, Trustee**

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**Alan Maguire, Trustee**

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**Brian Moore, Trustee**

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**Dean Scheinert, Trustee**

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**Nathan Weber, Trustee**

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**Daren Wunderle, Trustee**