

PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM

BOARD OF TRUSTEES MEETING

March 30, 2022

MINUTES

Present: Mr. Scott McCarty, Chairman
Mr. Harry Papp, Vice Chairman
Mr. Christopher Hemmen, Trustee – remote
Mr. Brian Moore, Trustee
Mr. Dean Scheinert, Trustee – arrived at 9:39 AM, left at 12:03 PM (joined e-session at 1:09 PM)
Ms. Randie Stein, Trustee
Mr. Nate Weber, Trustee - remote
Mr. Daren Wunderle, Trustee
Mr. Alan Maguire, Trustee

Others Present: Mr. Michael Townsend, Administrator
Mr. Michael Smarik, Deputy Administrator – remote
Bret Parke, Esq., Assistant Administrator/General Counsel
Kevin O'Malley, Esq., Gallagher & Kennedy
Mr. Mark Steed, Chief Investment Officer – remote
Ms. Claudia Martinez, Executive Assistant
Ms. Cheryl Cohen, Investment Executive Assistant – remote
Mr. Christian Palmer, Communications Director
Terence Thompson, Esq., Gallagher & Kennedy
Mr. Toms Sgouros, Work Group Chairman
Mr. Jack Jordan, Accounting Controller
Mr. Doug Cole, HighGround, Inc.
Mr. Michael Ajamie, Chief Technology Officer
Mr. Paul Baugher, Foster & Foster– remote
Mr. William Thatcher, Portfolio Manager– remote
Mr. Brad Heinrichs, Foster & Foster
Ms. Dianne McCallister, Public Policy Partners, LLC
Mr. Owen Zhao, Sr. Quantitative Investment & Risk Analyst – remote
Mr. James Ko, Deputy Chief Investment Officer – remote
Mr. Phil Coleman, Employer Relationship Manage
Ms. Rajee Mohan, Jr. IT Systems Engineer
Mr. John Moorman, Chief Financial Officer
Ms. Angela Egelhoff, Compliance Officer
Ms. Cathleen Davis, Internal Auditor

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 9:33 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 of 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 termination of normal retirement benefit of Olivia Cajero Bedford.**
 - b. **Acceptance of Elected Officials' Retirement Plan of termination of normal retirement benefit of David T. Bradley.**
 - c. **Acceptance of Elected Officials' Retirement Plan of termination of survivor benefit of Leslie Cannell.**
 - d. **Acceptance of Elected Officials' Retirement Plan of termination of survivor benefit of Jackie Drinkwater.**
 - e. **Acceptance of Elected Officials' Retirement Plan of early retirement benefit of Melissa Hicks.**
 - f. **Acceptance of Elected Officials' Retirement Plan of survivor benefit of Mary Martinez.**
 - g. **Acceptance of Elected Officials' Retirement Plan of termination of normal retirement benefit of Robert McLendon.**
 - h. **Acceptance of Elected Officials' Retirement Plan of survivor benefit of Robert Mroz.**
 - i. **Acceptance of Elected Officials' Retirement Plan of normal retirement benefit of Alyce Pennington.**
 - j. **Acceptance of Elected Officials' Retirement Plan of normal retirement benefit of Bob Thorpe.**
 - k. **Acceptance of Elected Officials' Retirement Plan of normal retirement benefit of Thomas Tyree.**
 - l. **Acceptance of Elected Officials' Retirement Plan of termination of early retirement benefit of Danny Wilcox.**
 - m. **Acceptance of Transfer Between State Retirement Systems of Terry Brophy.**
 - n. **Acceptance of Transfer Between State Retirement Systems of Rachel Theodore.**
 - o. **Acceptance of Transfer Between State Retirement Systems of Amanda Kempf Poole.**
 - p. **Acceptance of Transfer Between State Retirement Systems of Emma Huenneke.**
 - q. **Acceptance of Transfer Between State Retirement Systems of Orlando Chacon.**
 - r. **Approval of the Minutes of the February 22, 2022 Meeting of the PSPRS Board of Trustees.**
 - s. **Approval of the Executive Session Minutes of the February 22, 2022 Meeting of the PSPRS Board of Trustees.**

Mr. Scott McCarty

Moved by: Mr. Alan Maguire

Second by: Mr. Daren Wunderle

Time: 9:35 AM

Motion: Approval of Consent Agenda as presented.

Discussion: None.

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

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*

Ms. McCallister and Mr. Cole provided an updated on the 2022 PSPRS legislative proposals and other legislative proposals that can impact the system. Several Trustees commented and/or inquired on various aspects of the presentation.

5. **Presentation, discussion and possible Action regarding the Pension Accounting Work Group.**

*Mr. Tom Sgouros,
Work Group Chair*

Introduction was provided by Mr. McCarty. Presentation was provided by Mr. Sgouros. Presentation included pension accounting, pension liability, contractual accrual rate, and the UAL stabilization payment. Several Trustees, Mr. Heinrichs and Mr. Steed inquired and or commented on the contractual accrual rate.

6. **Review, discussion and possible Action regarding the experience study.**

*Mr. Brad Heinrichs,
Mr. Paul Baugher,
Foster & Foster*

Presentation regarding and experience study was provided by Mr. Heinrichs. Presentation included background on what an experience study is, actuarial standards of practice (ASOP), investment return assumption, analysis methodology, distribution of potential geometric returns, probability of achieving given assumptions, investment return assumption trends, considerations in assumption selection, and the next steps for the Board. Several Trustees, legal counsel, staff and Mr. Heinrichs engaged in discussion regarding various aspects of the presentation.

7. Review, discussion and possible Action regarding the 2022 Board retreat.

Mr. Scott McCarty

Item was tabled for the next Board meeting however Mr. Maguire requested for discussions regarding roll of the Board, employers, Administrator etc. to the Board retreat agenda.

8. Review, discussion and possible Action regarding the appointment of Trustees and others, as appropriate, to serve as Committee members and co-chairs, subject to Board ratification.

Mr. Scott McCarty

Item was tabled for the next Board meeting

Report by Mr. Harry A. Papp, Chairman of the Investment Committee, regarding agenda items 9 through 13, which were discussed at the Investment Committee meeting held March 25, 2022, 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 March 25, 2022 meeting.

9. 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 January 31, 2022.**
- b. **Written report: Firefighters and Peace Officers Cancer Insurance Program.**
- c. **Written report: Global Financial Market Developments.**
- d. **Written report: Portfolio Risk as of January 31, 2022.**
- e. **Written report: Executed Transactions during prior period.**

Mr. Papp and Mr. Steed reviewed reports a through e and detailed the current state of the Trust and market. Mr. Maguire commented on the Trusts performance. Ms. Stein commented on the quarterly investment manager compliance report and requested the out of range time be included in future reports.

10. Presentation and discussion regarding next fiscal year's budget.

Mr. Mark Steed

Mr. Steed outlined the changes in the next fiscal year's budget, no further discussion was held.

11. Staff update on the Investment Book of Record project.

Mr. Mark Steed

Update was provided by Mr. Steed, no further discussion was held.

12. Staff update on current and future RFPs.

Mr. Mark Steed

Brief update on the specialty consultant RFPs was provided by Mr. Steed, no further discussion was held.

13. Presentation and discussion regarding capital market assumptions and asset allocation for the PSPRS Trust.

*Mr. Ian Aaker,
Ms. Ariel Goldblatt,
StepStone Group
Mr. Mark Steed
Mr. Allan Martin,
NEPC*

Mr. Papp and Mr. Steed provided an update on the presentation delivered at the Committee meeting and detailed the discussions held during the meeting.

Report by Mr. Dean Scheinert, Chairman of the Operations, Governance Policy and Audit Committee, regarding agenda items 14 through 18, which were discussed at the Operations and Governance Policy Committee meeting held March 22, 2022, 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 March 22, 2022 meeting.

14. Review and discussion: Staff operation reports.

*Mr. Michael Townsend
Administrator*

- 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: Employer Outreach.**
- f. **Written report: Communication Efforts.**
- g. **Written report: Human Resource update.**

Reports a through g were provided, no further discussions was held.

15. Presentation, review and discussion regarding the bi-monthly Information Technology update.

*Mr. Michael Ajamie
Chief Technology Officer*

Presentation was provided by Mr. Ajamie. Presentation included business continuity and disaster recovery assessments, disaster recovery site, RingCentral unified communications and call center, remote workspace and update on information security.

16. Review and discussion regarding updates to the PSPRS Fraud, Waste and Abuse policy.

*Ms. Cathleen Davis,
Chief Internal Auditor*

Updated redlined policy which outlined each change in the policy was presented by Ms. Davis.

17. Review and discussion regarding the PSPRS FY2023 Administrative Budget.

*Mr. John Moorman,
Chief Financial Officer
Chief Financial Officer*

Mr. Townsend advised the preliminary budget was presented at the Committee meeting and advised the final budget would be presented to the Board at the next Board meeting.

Board recessed for lunch at 12:00 PM.

Board reconvened public session at 12:15 PM.

18. Review, discussion and possible Action regarding the Cancer Insurance actuarial analysis, including financial planning of reserves.

*Mr. Michael Townsend
Mr. James Do,
Mr. Brian Skoczelas,
Foster & Foster*

Update regarding the conversations held during the Operations, Governance Policy and Audit Committee meeting was provided by Mr. Scheinert. Update regarding the conversations held during the Advisory Committee meeting was provided by Mr. Townsend. Mr. Townsend advised the Advisory Committee was looking for policy direction from the Board. Messrs. Maguire, Moore and McCarty commented on the Cancer Insurance program and direction for each committee.

Report by Mr. Kenny Tims, Chairman of the Advisory Committee, regarding agenda items 19 through 21, which were discussed at the Advisory Committee meeting held March 14, 2022, and possible *Action* on the Committee's recommendations to the Board regarding the same.

19. Update discussion and possible Action regarding continued retiree Cancer Insurance coverage.

*Mr. Kenny Tims Mr.
Michael Townsend
Mr. James Do
Mr. Brian Skoczelas*

Item was discussed under Agenda Item No. 18.

20. Review and discussion regarding the updated modelers and modeler dashboards related to the adopted funding policy.

Mr. Kenny Tims

Mr. Townsend advised item was for update purposes only, no further discussion was held.

21. Review and discussion regarding FY2022 budget updates.

Mr. Kenny Tims

Mr. Townsend advised item was for update purposes only, no further discussion was held.

22. Review, discussion and possible Action by the Board regarding the Arizona Department of Corrections, Rehabilitation and Reentry Local Board's decision to award an ordinary disability to CORP member Ricardo Correa.

Mr. Scott McCarty

Item was discussed in executive session, no discussions or action taken in public session.

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

Mr. Scott McCarty

No new requests were presented.

24. 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 25.

25. 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:

Moved by: Mr. Alan Maguire

Second by: Mr. Chris Hemmen

Time: 12:50 PM

Motion: Enter into Executive Session after a 5 minute break.

Discussion: None.

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

Board returned to public session at 2:29 PM.

- a. Discussion and consultation for legal advice with the attorney pertaining to pending and passed legislative actions, and consideration of potential legislative proposals, including Agenda Item No. 4, as authorized by A.R.S. § 38-431.03(A) (3).
- b. Discussion and consultation for legal advice with the attorney pertaining to Rehearing Request and reply from Department of Corrections, Rehabilitation and Reentry Local Board, including Agenda Item No. 22, 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 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)

- d. Discussion and consultation for legal advice with the attorney pertaining to joinder agreements and to Hualapai Tribe Fire's joinder request, as authorized by A.R.S. §§ 38-431.03(A) (3), (4) and (6).
- e. Discussion and consultation for legal advice with the attorney pertaining to the Biltmore Lake developments, as authorized by A.R.S. § 38-431.03 (A) (3).
- f. Discussion and consultation for legal advice with the attorney pertaining to DROP (deferred retirement option plan) interest calculations, as authorized by A.R.S. § 38-431.03 (A) (3).
- g. Discussion and consultation for legal advice with the attorney pertaining to Tier 2 rates, as authorized by A.R.S. § 38-431.03(A) (3).

26. Adjournment.

Moved by: Mr. Alan Maguire

Second by: Mr. Harry Papp

Time: 2:32 PM

Motion: Adjourn meeting.

Discussion: None.

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

**Scott McCarty,
Chairman**

**Harry Papp, Trustee,
Vice Chairman**

Christopher Hemmen, Trustee

Alan Maguire, Trustee

Brian Moore, Trustee

Dean Scheinert, Trustee

Randie Stein, Trustee

Nathan Weber, Trustee

Daren Wunderle, Trustee