

**PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM**

**BOARD OF TRUSTEES MEETING**

**May 26, 2022**

**MINUTES**

Present: Mr. Scott McCarty, Chairman  
Mr. Christopher Hemmen, Trustee  
Mr. Brian Moore, Trustee – remote at 9:38 AM  
Mr. Dean Scheinert, Trustee –remote, left from 10:00 AM to 10:32 AM, off at 2:24 PM  
Ms. Randie Stein, Trustee, arrived at 10:00 AM  
Mr. Nate Weber, Trustee  
Mr. Daren Wunderle, Trustee  
Mr. Alan Maguire, Trustee

Absent: Mr. Harry Papp, Vice Chairman

Others Present: Mr. Michael Townsend, Administrator  
Mr. Michael Smarik, Deputy Administrator  
Bret Parke, Esq., Assistant Administrator/General Counsel  
Kevin O'Malley, Esq., Gallagher & Kennedy  
Ms. Claudia Martinez, Executive Assistant – remote  
Ms. Cheryl Cohen, Investment Executive Assistant – remote  
Terence Thompson, Esq., Gallagher & Kennedy  
Mr. Robert Ortega, Member Services Director – remote  
Mr. Doug Cole, HighGround, Inc. – remote  
Mr. Paul Baugher, Foster & Foster– remote  
Mr. Brad Heinrichs, Foster & Foster  
Ms. Dianne McCallister, Public Policy Partners, LLC – remote  
Mr. Owen Zhao, Sr. Quantitative Investment & Risk Analyst – remote  
Mr. Jefferson Weston, Portfolio Manager – remote  
Mr. James Ko, Deputy Chief Investment Officer – remote  
Mr. Allan Martin, NEPC – remote  
Ms. Rajee Mohan, Jr. IT Systems Engineer  
Mr. John Moorman, Chief Financial Officer

**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 and roll was called.

**Moved by:** Mr. Nate Weber

**Second by:** Mr. Alan Maguire

**Time:** 9:34 AM

**Motion:** Enter into Executive session.

**Discussion:** None.

**Vote:** 6 – 0 Passed (Mr. Brian Moore and Ms. Stein ABSENT at the time.)

Board returned to public session at 10:54 AM.

Pledge of allegiance was recited.

**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 survivor benefit of Paula Barnes.**
  - b. **Acceptance of Elected Officials' Retirement Plan of termination of normal retirement benefit of Shirley J. Evans.**
  - c. **Acceptance of Elected Officials' Retirement Plan of termination of normal retirement benefit of Linda O'Dell.**
  - d. **Acceptance of Elected Officials' Retirement Plan of termination of normal retirement benefit of Mary Lou Sainz.**
  - e. **Acceptance of Elected Officials' Retirement Plan of termination of normal retirement benefit of Joseph Shaughnessy Jr.**
  - f. **Acceptance of Elected Officials' Retirement Plan of termination of survivor benefit of Loretta Shumway.**
  - g. **Acceptance of Elected Officials' Retirement Plan of survivor benefit of Marlene Woods.**
  - h. **Approval of the City of Surprise Joinder Agreement for the supplemental 401(a) plan.**
  - i. **Approval of the Executive Session Minutes of the April 27, 2022 Meeting of the PSPRS Board of Trustees.**
  - j. **Approval of the Minutes of the April 27, 2022 Meeting of the PSPRS Board of Trustees.**

*Mr. Scott McCarty*

**Moved by:** Mr. Alan Maguire  
**Second by:** Mr. Daren Wunderle  
**Time:** 10:55 AM  
**Motion:** Approval of Consent Agenda as presented.  
**Discussion:** None.  
**Vote:** 9 – 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*

Ms. McCallister and Mr. Cole provided an updated on the 2022 PSPRS legislative proposals and other legislative proposals that can impact the system, including budget updates. No further discussions were held.

5. **Review, discussion and possible Action regarding the experience study, including potential changes to the assumed earnings rate for the PSPRS Trust.**

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

Presentation was provided by Mr. Heinrichs. Presentation included a summary of the 2021 assumptions, planned changes for 2022, investment return assumption, summary and impact results of all 3 plans and feedback. Mr. Townsend, several Trustees and the actuaries engaged in discussions regarding various aspects of the presentation.

**Moved by:** Mr. Alan Maguire  
**Second by:** Mr. Randie Stein  
**Time:** 1:05 PM  
**Motion:** Adopt the recommended assumptions for PSPRS which includes an investment return of 7.2% for Tiers 1 and 2 (leaving Tier 3 at 7.0%), 2.5% general inflation, 1.85% COLA, and the minor adjustments made to the salary increases, retirement rates, terminations rates, disability rates, mortality rates and DROP election rate as proposed by actuaries.  
**Discussion:** None.  
**Vote:** 8 – 0 Passed

**Moved by:** Mr. Alan Maguire  
**Second by:** Mr. Chris Hemmen  
**Time:** 1:14 PM  
**Motion:** Adopt the recommended assumptions for CORP which includes an investment return of 7.2%, 2.5% general inflation, 1.85% COLA and the minor adjustments made to the salary increases, retirement rates, terminations rates, disability rates, and mortality rates as proposed by actuaries.

**Discussion:** None.

**Vote:** 8 – 0 Passed

**Moved by:** Mr. Alan Maguire

**Second by:** Mr. Dean Scheinert

**Time:** 1:15 PM

**Motion:** Adopt the recommended assumptions for EORP which includes an investment return of 7.2%, 2.5% general inflation, 1.85% COLA, 3.25% salary increases and the minor adjustments made to the retirement rates, terminations rates, disability rates, and mortality rates as proposed by actuaries.

**Discussion:** None.

**Vote:** 8 – 0 Passed

**6. Review, discussion and possible Action regarding DROP interest rate.**

*Mr. Scott McCarty*

Presentation was provided by Mr. Townsend. Presentation included urgent matters addressed over the past two years, Administrator goals, including those met, processes taken upon the discovery of any needed corrections, and incorrect DROP interest calculations. Mr. Townsend requested Board direction regarding the DROP interest calculations policy. Several Trustees, staff and legal counsel engaged in discussions regarding various aspects of the presentation.

**Moved by:** Mr. Alan Maguire

**Second by:** Mr. Dean Scheinert

**Time:** 2:01 PM

**Motion:** Direct Staff to use the IRS approved correction method to address the interest overpayments and implement the correction to the DROP interest calculations beginning July 1, 2022 and execute the communication plan as presented.

**Discussion:** None.

**Vote:** 8 – 0 Passed

**7. Review, discussion and possible Action regarding Tier 2 rates and process implementation thereof.**

*Mr. Scott McCarty*

Mr. Townsend advised staff reviewed member contribution rates and in doing so found rate corrections needed for a group of Tier 2 and Tier 1 “GAP” members. Mr. Townsend reviewed the statutes that determine the rates. Mr. Townsend requested Board direction regarding the Tier 2 and Tier 1 “GAP” contribution rates policy. Many Trustees commented and/or inquired on various aspects of the presentation.

**Moved by:** Mr. Alan Maguire

**Second by:** Mr. Nate Weber

**Time:** 2:19 PM

**Motion:** Direct Staff to update the Tier 2 and Tier 1 GAP contributions for the appropriate years after FY2022, applying the statutorily prescribed rate in section 441201 ARS that is currently the prime lending rate plus 1% and for Staff to communicate to the impacted members and employers the amounts and the credit process that will be used.

**Discussion:** None.

**Vote:** 8 – 0 Passed

**8. Review, discussion and possible Action regarding potential processing of old Cancer Insurance Program claims.**

*Mr. Scott McCarty*

Background was provided by Mr. Parke. Mr. Parke outline the concerns and described the process and communications that staff recommends.

**Moved by:** Mr. Alan Maguire

**Second by:** Mr. Brian Moore

**Time:** 11:15 AM

**Motion:** Direct staff to ensure further communications to members to file any claim that could be approved under the Cancer Plan regardless of the date at which the diagnosis or the benefit should have been filed. Staff are directed to work with members on their claims on a case-by-case basis to determine whether the claim would have been eligible for a benefit and to document the basis for approval of the late claim, if applicable.

**Discussion:** None.

Vote: 8 – 0 Passed

Report by Mr. Harry A. Papp, Chairman of the Investment Committee, regarding agenda items 9 through 10, which were discussed at the Investment Committee meeting held May 19, 2022, and possible *Action* on the Committee's recommendations to the Board regarding the same.

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 March 31, 2022.
- b. Written report: Firefighters and Peace Officers Cancer Insurance Program.
- c. Written report: Portfolio Risk as of March 31, 2022.
- d. Written report: Global Financial Market Developments.
- e. Written report: Executed Transactions during prior period.
- f. Written report: *Quarterly* Investment manager compliance as of March 31, 2022.
- g. Written report: *Quarterly* PSPRS Trust's securities lending program.

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

10. Review, discussion and possible Action regarding the asset allocation and assumed rate for the PSPRS Trust.

*Mr. Mark Steed*

Mr. James Ko advised the Committee recommended the Board keep the current asset allocation Mr. Martin provided NEPC's recommendation. Mr. Martin also detailed the interim policy portfolio w/placeholders.

Moved by: Mr. Randie Stein

Second by: Mr. Alan Maguire

Time: 11:15 AM

Motion: Approve the asset allocation as recommended by the Committee

Discussion: None.

Vote: 8 – 0 Passed

11. Presentation and discussion by NEPC regarding quarterly portfolio performance for the PSPRS Trust as of March 31, 2022.

*Mr. Allan Martin, NEPC*

Quarterly report was provided by Mr. Martin. Report included the economic and market environment, total net of fees, asset growth summary, asset allocation vs. policy targets, risk and return, risk statistics vs. peer universe, and attribution analysis.

Report by Mr. Dean Scheinert, Chairman of the Operations, Governance Policy and Audit Committee, regarding agenda items 12 through 14, and possible Board *Action* regarding the same.

12. 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: Communication Efforts.
- f. Written report: Human Resource update.

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

13. Review and discussion regarding the draft PAFR (Popular Annual Financial Report).

*Mr. John Moorman, Chief Financial Officer*

Draft PAFR and process update was provided by Mr. Moorman. Mr. Maguire and Mr. McCarty commented and/or provided feedback regarding various aspects of the update and draft.

14. Review and discussion regarding the GASB report update.

*Mr. Michael Townsend*

Mr. Townsend advised the auditors are still working on the GASB reports and Committee will review at the next Committee meeting.

**Report by Mr. Kenny Tims, Chairman of the Advisory Committee, regarding agenda items 15 through 17, which were discussed at the Advisory Committee meeting held May 24, 2022, and possible Action on the Committee's recommendations to the Board regarding the same.**

Mr. Townsend provided a brief report of the Advisory Committee's May 24, 2022 meeting.

**15. Review and discussion regarding the FY2022 Legislative Agenda.**

*Mr. Michael Townsend*

Mr. Townsend detailed the update and conversations held during the Committee meeting, no further discussions were held.

**16. Review and discussion regarding taxable Cancer Insurance premiums and related 3-year phase-in of processing indemnity payments.**

*Mr. Michael Townsend*

*Mr. Michael Smarik, Deputy Administrator*

Mr. Townsend detailed the update and conversations held during the Committee meeting, no further discussions were held.

**17. Review and discussion regarding health insurance subsidy for Defined Contribution participants, including an opt-in period for existing Tier 3 members.**

*Mr. Michael Townsend*

*Mr. Robert Ortega, Members Services Director*

Mr. Townsend detailed the update and conversations held during the Committee meeting. Mr. McCarty commented on various aspects of the update.

*Board recessed for lunch at 11:55 AM.*

*Board reconvened public session at 12:07 PM.*

**Report by Mr. Brian Moore, Chairman of the Defined Contribution Committee, regarding agenda items 18 through 21, which were discussed at the Defined Contribution Committee meeting held May 12, 2022, and possible Action on the Committee's recommendations to the Board regarding the same.**

Mr. Moore provided a brief report of the Defined Contribution Committee's May 12, 2022 meeting.

**18. Update, review and discussion of the allocation of forfeiture monies to employers.**

*Mr. Michael Smarik*

Mr. Smarik provided brief update on the allocation of the forfeiture monies and process timeline. Mr. McCarty inquired on the reoccurrence.

**19. Update and discussion regarding the Record-keeper RFP process.**

*Mr. Brian Moore*

Update regarding the Record-keeper RFP process was provided by Mr. Moore.

**20. Update and discussion regarding the core account minimum balance.**

*Mr. Brian Moore*

Brief update on the discussions held at the Committee meeting regarding core account was provided by Mr. Moore.

**21. Update and discussion regarding the Public Safety Financial Galloway ownership changes.**

*Mr. Brian Moore*

Mr. Moore provided an update on the ownership changes and advised Mr. Galloway informed the Committee that the change would not affect the plan.

**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*

Mr. Parke provided background on the topic and the rehearing process, including steps taken. Item was discussed in Executive session. Messrs. Moore, Wunderle and Maguire inquired on the documents provided by the Local Board.

**Moved by:** Mr. Scott McCarty

**Second by:** Mr. Chris Hemmen

**Time:** 2:41 PM

**Motion:** The Board, pursuant to applicable statutes including A.R.S. § 38-893, determines the Local Board determination and documentation do not conform to Plan statutes and declines to implement the Local Board's proposed determination. The Board, therefore, directs staff to proceed as instructed in executive session.

**Discussion:** None.

**Vote:** 8 – 0 Passed

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

Mr. Maguire provided brief update on the steps and taken thus far.

**Moved by:** Mr. Alan Maguire

**Second by:** Mr. Scott McCarty

**Time:** 2:45 PM

**Motion:** Direct Messrs. Papp, Moore and Maguire to proceed with a consultation with the director of ADOA regarding the System Administrator's compensation.

**Discussion:** None.

**Vote:** 8 – 0 Passed

**24. 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.

**25. 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 26.**

**Moved by:** Mr. Alan Maguire

**Second by:** Mr. Nate Weber

**Time:** 2:46 PM

**Motion:** Enter into Executive session.

**Discussion:** None.

**Vote:** 8 – 0 Passed

**26. 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 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 DROP (deferred retirement option plan) interest calculations, including Agenda Item No. 6, as authorized by A.R.S. § 38-431.03 (A) (3).
- c. Discussion and consultation for legal advice with the attorney pertaining to Tier 2 rates, including Agenda Item No. 7, as authorized by A.R.S. § 38-431.03(A) (3).
- d. Discussion and consultation for legal advice with the attorney pertaining to potential processing of old Cancer Insurance Program claims, including Agenda Item No. 8, as authorized by A.R.S. § 38-431.03(A) (3).
- e. 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).
- f. 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. 23, as authorized by A.R.S. §§ 38-431.03(A)(1), (3) and (4).

- g. 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).
- h. 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).
- i. 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).
- j. Discussion and consultation for legal advice with the attorney pertaining to South Tucson non-paid contributions, as authorized by A.R.S. § 38-431.03(A) (3).
- k. Discussion and consultation with legal counsel regarding the purchase, sale or lease of real property as well as potential contractual negotiations related to real property, as authorized by A.R.S. §§ 38-431.03(A) (2), (3), (4) and (7).

## 27. Adjournment.

**Moved by:** Mr. Alan Maguire

**Second by:** Mr. Nate Weber

**Time:** 3:38 PM

**Motion:** Adjourn meeting.

**Discussion:** None.

**Vote:** 5 – 0 Passed (Mr. Scheinert, Ms. Stein, Mr. Hemmen 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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**Randie Stein, Trustee**

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**Nathan Weber, Trustee**

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**Daren Wunderle, Trustee**