

**PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM
BOARD OF TRUSTEES OPERATIONS AND GOVERNANCE POLICY COMMITTEE
MEETING**

October 13, 2020

AGENDA

COVID-19 UPDATE

Following the recommendations from the Centers for Disease Control and Prevention (CDC), to limit gatherings of people, as well as federal and state emergency declarations related to COVID-19, **physical attendance in the main public conference room of the administrative offices of the PSPRS at 3010 E. Camelback Road, Phoenix, AZ 85016 will be limited to members of the PSPRS Operations and Governance Policy Committee and necessary staff only.**

A **copy of the agenda** for the meeting will be posted on the PSPRS website at least twenty-four hours in advance of the meeting. **To view the final agenda and or public meeting materials** visit <http://www.psprs.com/about/board-of-trustees>, by scrolling to Board of Trustee Meetings, selecting “Operations Agendas” or “Operations Meeting Materials” in the box, and selecting the appropriate meeting date. The agenda is subject to revision up to 24 hours prior to the meeting.

LIVE PSPRS Public Meeting Web stream: <http://www.psprs.com/about/board-of-trustees>.

Interested members of the public and stakeholders may submit comments on any item on the October 13, 2020 PSPRS Operations and Governance and Policy Committee meeting.

Submit an online public comment on Agenda Items to: PSPRSBoardMeetings@psprs.com

Media Contact or Agenda Materials: Christian Palmer, Communications Director (cpalmer@psprs.com)

Meeting will begin at 10:00 a.m. and continue until 1:00 p.m. or until the matters set forth in this agenda are otherwise addressed. Members of the PSPRS Operations and Governance Policy Committee will attend either in person or by telephonic conference call. The PSPRS Operations and Governance Policy Committee may vote to hold an executive session, which will not be open to the public, to discuss certain matters. The PSPRS Operations and Governance Policy Committee reserves the right to consider agenda items out of their listed order. One or more members of the Board of Trustees of the Public Safety Personnel Retirement System who are not members of the PSPRS Operations and Governance Policy Committee might be present for purposes of auditing the PSPRS Operations and Governance Policy Committee meeting, but are not allowed to participate in the meeting or take part in the PSPRS Operations and Governance Policy Committee.

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

*Mr. Don Smith
Committee Chairman*

2. Call to the Public.

This is the time for the public to comment. Members of the Committee may not discuss items that are not specifically identified on the agenda. Therefore, pursuant to A.R.S. § 38-431.01 (H), action taken as a result of public comment will be limited to directing staff to study the matter, responding to any criticism, or scheduling the matter for a later date for further consideration and possible recommendations to the Board of Trustees.

3. Review and/or appropriate **Action** for approval of 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 Operations and Governance Policy Committee.
- a. Administrator update.
 - b. Year to Date Budget Report.
 - c. Law Firms' Billings for Legal Services.
 - d. Local Board Rehearing Report.
 - e. Human Resources update.
 - f. Internal PSPRS Conflict of Interest Policy.
 - g. Approval of Operations and Governance Policy Committee Minutes from September 29, 2020.
 - h. Approval of Operations and Governance Policy Committee Executive Session Minutes from September 29, 2020.

Mr. Don Smith

4. Update, discussion and possible **Action** regarding the Pension Administration system project.

*Mr. Michael Smarik
Deputy Administrator*

5. Update, discussion and possible **Action** on recommendation to the Board of Trustees regarding the Cancer Insurance program actuarial analysis, program changes and plan design.

*Bret Parke, Esq.
Mr. Michael Townsend*

6. Review, discussion and possible **Action** on recommendations to the Board of Trustees on pending legislative actions and potential legislative proposals.

*Mr. Doug Cole
HighGround Inc.
Ms. Dianne McCallister
Public Policy Partners, LLC*

7. **The PSPRS Operations and Governance Policy Committee 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) (3), including to receive legal advice from the Committee's attorneys on any matter listed on the agenda.**
 - a. Discussion and consultation for legal advice with the attorney pertaining to the Cancer Insurance Program actuarial analysis, program changes, and plan design, including Agenda Item No. 5 as authorized by A.R.S. § 38-431.03(A) (3).
 - b. Discussion and consultation for legal advice with the attorney pertaining to pending legislative actions and potential legislative proposals, including Agenda Item No. 6 as authorized by A.R.S. § 38-431.03(A) (3).
8. Schedule future meeting date(s).
9. Adjournment.

Persons with a disability may request a reasonable accommodation, such as a sign language interpreter, by contacting Claudia Martinez, Executive Assistant, at (602) 255-5575. Requests should be made as early as possible to arrange the accommodation.



MEMORANDUM

TO: SCOTT MCCARTY, CHAIRMAN AND BOARD TRUSTEES

FROM: MICHAEL TOWNSEND, ADMINISTRATOR

DATE: OCTOBER 8, 2020

RE: ADMINISTRATOR UPDATES

New updates:

- I. October 8, 2020, Mark Steed and PSPRS Investment Counsel Jennifer Carlino addressed the Harvard Law School with attorney Tom Hickey, a nationally recognized expert on fiduciary ethics and investment legal matters.
- II. PSPRS staff are providing information and education on PSPRS as local governments are considering options to pay down their unfunded pension liabilities after hearing of the example in Flagstaff. Past and planned presentations include Gila County, Pinal County, Yuma County, City of Douglas, Town of Pinetop-Lakeside and Maricopa County.
- III. Policy drafting is making progress and it is anticipated the Operations Committee will be reviewing draft policies at its upcoming committee meeting. The following policies have been drafted or are in the process of being drafted:
 - a. Board of Trustees Conflict of Interest Policy
 - b. PSPRS Fraud, Waste, and Abuse Prevention, Reporting and Investigation
 - c. Procurement/Vendor Selection Policy

Continuing projects:

- I. Staff are focused for the next couple of months on working with CliftonLarsonAllen and Foster & Foster to comply with the state-mandated due dates for completion of the CAFR and Actuarial Valuations as of June 30, 2020. Staff are automating these processes where possible, creating database queries, and documenting the necessary procedures to improve the reporting process in future years and meet all reporting requirements.
- II. Other projects include reviewing processes and desired outcomes to inform the development of the RFP for the Pension Administration System. This is also occurring to provide data uploads to Foster & Foster in the continuing analysis of the Cancer Insurance

Program to provide information as the Operations Committee considers revisions to the plan document.

- III. Revised modelers and related user guides have been completed by Foster & Foster for all three plans and emails have been sent to stakeholders. Employers have also received instructions on how to access the modelers to analyze and understand how the recent Board changes to the payroll growth and amortization methods impact contributions over the next few decades.
- IV. Staff are developing an RFP for a third-party administrator to implement the legislature's approved options for IRS section 115 trusts that serve as another tool to help employers manage and plan solutions to pay down unfunded liabilities.
- V. In compliance with our Governance Policies, the PSPRS Records Manager is working through a review of all PSPRS Administrative policies.



PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM

FISCAL YEAR 2021

BUDGET REPORT

ACTUAL AND PROJECTED EXPENSES

As of September 30, 2020



All Departments Budget to Actual

Public Safety Personnel Retirement System

Fiscal Year Projections

As of September 30, 2020

	2021 Budget	FYTD Actual	Projected Expenses	(Over) Under	(Over) Under Budget %
ALL DEPARTMENTS BUDGET SUMMARY					
Personnel Services	10,001,472	2,104,924	6,278,312	1,618,235	16.18%
Education & Training	579,053	5,021	512,030	62,002	10.71%
Board of Trustees & DCC	3,643,171	928,122	2,715,049	-	0.00%
Professional Services	394,750	244,632	149,629	489	0.12%
Legal Counsel	100,000	6,434	93,566	-	0.00%
Communications	94,400	9,685	76,620	8,096	8.58%
Contractual Services	1,224,640	167,103	1,057,537	-	0.00%
Operating Expenses	78,300	7,694	70,606	-	0.00%
Infrastructure	384,500	88,718	295,782	-	0.00%
Software	256,350	7,847	248,503	-	0.00%
Building	381,420	66,958	326,875	(12,413)	(3.25%)
All Departments Budget Total	17,138,056	3,637,138	11,824,509	1,676,409	9.78%
Special Projects	7,285,789	54,740	7,232,789	(1,740)	(0.02%)
All Budget Total	24,423,846	3,691,878	19,057,298	1,674,669	6.86%

Column Descriptions:

- 2021 Budget contains the budget approved by the Board of Trustees.
- 2021 Expenses contain actual expenses paid fiscal year-to-date as of report date
- Projected Expenses contain estimated remaining budgeted expenditures yet to be incurred and recurring non-budgeted expenditures;
- (Over) Under compares 2021 Expenses and Projected Expenses to the 2021 Budget.
- (Over) Under Budget % is the percentage of (Over) Under as compared to the 2021 Budget.

Budget Comments:

The Personnel Services line item Budget amount was calculated by taking all authorized positions at the current salary for all filled positions and an estimated salary for the vacant positions and assuming they would be filled for the entire fiscal year. Since we started the year with a number of vacancies and filled other positions at salaries lower than what was budgeted, we are projecting a surplus in the (Over)/Under column. This surplus will decline as we fill newly authorized and vacant positions during the year.



Agency Budget to Actual

Public Safety Personnel Retirement System

Fiscal Year Projections
As of September 30, 2020

	2021 Budget	FYTD Actual	Projected Expenses	(Over) Under	(Over) Under Budget %
AGENCY BUDGET					
<u>Communications</u>					
Postage	18,000	966	17,034	-	0.00%
Printing	5,000	-	5,000	-	0.00%
Delivery Service	1,000	(7)	1,007	-	0.00%
Total Communications	24,000	959	23,041	-	0.00%
<u>Operating Expenses</u>					
Operating Expenses	78,300	7,694	70,606	-	0.00%
Total Operating Expenses	78,300	7,694	70,606	-	0.00%
Total Agency Budget	102,300	8,653	93,647	-	0.00%

Notes:



Building Budget to Actual

Public Safety Personnel Retirement System

Fiscal Year Projections

As of September 30, 2020

	2021 Budget	FYTD Actual	Projected Expenses	(Over) Under	(Over) Under Budget %
<i>BUILDING BUDGET</i>					
<i>Building Expenses</i>					
Building Maintenance	215,420	60,362	181,085	(26,026)	(12.08%)
Building Management	40,000	6,597	19,790	13,613	34.03%
Building Insurance	20,000	-	20,000	-	0.00%
Total Building Expenses	275,420	66,958	220,875	(12,413)	(4.51%)
<i>Capital</i>					
Furniture & Equipment	10,000	-	10,000	-	0.00%
Building Improvements	96,000	-	96,000	-	0.00%
Total Building Improvements	106,000	-	106,000	-	0.00%
Total Building Budget	381,420	66,958	326,875	(12,413)	(3.25%)

Notes:



Board of Trustees Budget to Actual

Public Safety Personnel Retirement System

Fiscal Year Projections

As of September 30, 2020

	2021 Budget	FYTD Actual	Projected Expenses	(Over) Under	(Over) Under Budget %
BOARD OF TRUSTEES BUDGET					
<u>Board of Trustees Expenses</u>					
BOT Per Diem	25,000	486	24,514	-	0.00%
BOT Expenses Other	90,000	1,196	88,804	-	0.00%
Total Board of Trustees	115,000	1,682	113,318	-	0.00%
<u>Board of Trustees Consultants</u>					
Actuarial Services	247,104	171,438	75,667	-	0.00%
Auditing Services	91,495	18,150	73,346	-	0.00%
Auditing Services GASB	50,000	-	50,000	-	0.00%
Bank Services	540,000	199,908	340,092	-	0.00%
Legal Services Litigation	876,000	170,750	705,250	-	0.00%
Consulting Services	1,743,572	366,194	1,377,378	-	0.00%
Total Board of Trustees Consultants	3,548,171	926,440	2,621,731	-	0.00%
Total Board of Trustees Budget	3,663,171	928,122	2,735,049	-	0.00%
DC COMMITTEE BUDGET					
<u>DC Committee</u>					
DCC Expenses Other	25,000	-	25,000	-	0.00%
Consulting Services	80,000	-	80,000	-	0.00%
Total DC Committee	105,000	-	105,000	-	0.00%
Nationwide Reimbursement	(125,000)	-	(125,000)	-	0.00%
Total DC Committee after Reimbursement	(20,000)	-	(20,000)	-	0.00%

Notes:



Administration Budget to Actual

Public Safety Personnel Retirement System

Fiscal Year Projections
As of September 30, 2020

	2021 Budget	FYTD Actual	Projected Expenses	(Over) Under	(Over) Under Budget %
ADMINISTRATION DEPARTMENT BUDGET					
<u>Personnel Services</u>					
Salaries & Wages	2,149,051	581,291	1,575,922	(8,162)	(0.38%)
Payroll Expenses Other	874,689	205,875	565,646	103,168	11.79%
Total Personnel Services	3,023,740	787,166	2,141,568	95,006	3.14%
<u>Education & Training</u>					
Travel Expenses	17,000	-	17,000	-	0.00%
Dues & Subscriptions	28,135	1,250	26,885	-	0.00%
Education & Training	71,950	823	71,127	-	0.00%
Total Education & Training	117,085	2,073	115,012	-	0.00%
<u>Professional Services</u>					
Professional Services	114,000	22,763	91,237	-	0.00%
Total Professional Services	114,000	22,763	91,237	-	0.00%
<u>Legal Counsel</u>					
Legal Services	100,000	6,434	93,566	-	0.00%
Legal Services Litigation	-	-	-	-	-
Total Legal Counsel	100,000	6,434	93,566	-	0.00%
<u>Software</u>					
Software	1,600	-	1,600	-	0.00%
Total Software	1,600	-	1,600	-	0.00%
Total Administration Dept. Budget	3,356,425	818,437	2,442,983	95,006	2.83%

Notes:



Information Governance Department Budget to Actual

Public Safety Personnel Retirement System

Fiscal Year Projections

As of September 30, 2020

	2021 Budget	FYTD Actual	Projected Expenses	(Over) Under	(Over) Under Budget %
INFORMATION GOVERNANCE DEPARTMENT BUDGET					
<u>Personnel Services</u>					
Salaries & Wages	281,060	74,590	205,390	1,080	0.38%
Payroll Expenses Other	138,335	30,481	86,813	21,041	15.21%
Total Personnel Services	419,395	105,071	292,203	22,121	5.27%
<u>Education & Training</u>					
Travel Expenses	-	-	-	-	0.00%
Dues & Subscriptions	1,458	175	1,283	-	0.00%
Education & Training	9,000	1,050	7,950	-	0.00%
Total Education & Training	10,458	1,225	9,233	-	0.00%
<u>Professional Services</u>					
Professional Services	6,840	6,242	-	598	8.74%
Total Professional Services	6,840	6,242	-	598	8.74%
<u>Software</u>					
Software	1,500	-	1,500	-	0.00%
Total Software	1,500	-	1,500	-	0.00%
Total Info. Governance Dept. Budget	438,193	112,537	302,936	22,719	5.18%

Notes:



Finance Department Budget to Actual

Public Safety Personnel Retirement System

Fiscal Year Projections

As of September 30, 2020

	2021 Budget	FYTD Actual	Projected Expenses	(Over) Under	(Over) Under Budget %
FINANCE DEPARTMENT BUDGET					
<u>Personnel Services</u>					
Salaries & Wages	671,550	91,749	400,812	178,989	26.65%
Payroll Expenses Other	328,321	37,063	155,042	136,216	41.49%
Total Personnel Services	999,871	128,812	555,854	315,205	31.52%
<u>Education & Training</u>					
Travel Expenses	-	-	-	-	0.00%
Dues & Subscriptions	2,900	275	2,625	-	0.00%
Education & Training	8,450	-	8,450	-	0.00%
Total Education & Training	11,350	275	11,075	-	0.00%
<u>Professional Services</u>					
Professional Services	1,250	208	1,042	-	0.00%
Bank Services	8,000	3,629	4,371	-	0.00%
Consulting Services	-	-	-	-	0.00%
Total Professional Services	9,250	3,837	5,413	-	0.00%
<u>Communications</u>					
1099 Distribution	25,000	-	25,000	-	0.00%
Total Communications	25,000	-	25,000	-	0.00%
<u>Contractual Services</u>					
Contract Services	124,800	40,953	83,847	-	0.00%
Total Contractual Services	124,800	40,953	83,847	-	0.00%
Total Finance Dept. Budget	1,170,271	173,877	681,190	315,205	26.93%

Notes:



Investment Department Budget to Actual

Public Safety Personnel Retirement System

Fiscal Year Projections

As of September 30, 2020

	2021 Budget	FYTD Actual	Projected Expenses	(Over) Under	(Over) Under Budget %
INVESTMENT DEPARTMENT BUDGET					
<u>Personnel Services</u>					
Salaries & Wages	1,335,948	222,910	779,962	333,075	24.93%
Payroll Expenses Other	484,153	90,815	255,780	137,557	28.41%
Total Personnel Services	1,820,101	313,725	1,035,743	470,632	25.86%
<u>Education & Training</u>					
Travel Expenses	80,000	-	80,000	-	0.00%
Dues & Subscriptions	3,500	1,199	2,301	-	0.00%
Education & Training	250,000	249	187,749	62,002	24.80%
Total Education & Training	333,500	1,448	270,050	62,002	18.59%
<u>Professional Services</u>					
Professional Services	-	-	-	-	0.00%
Investment Analytics	150,000	131,161	18,839	-	0.00%
Consulting Services	-	-	-	-	0.00%
Total Professional Services	150,000	131,161	18,839	-	0.00%
<u>Software</u>					
Software	47,250	-	47,250	-	0.00%
Total Software	47,250	-	47,250	-	0.00%
Total Investment Dept. Budget	2,350,851	446,334	1,371,882	532,634	22.66%
<u>Mellon Direct Expense</u>					
Due Dilligence		70,572			
Legal Counsel		125,943			
Appraisals		-			
Total Mellon Direct Expense		196,515			

Notes:



IT Systems Development Department Budget to Actual

Public Safety Personnel Retirement System

Fiscal Year Projections

As of September 30, 2020

	2021 Budget	FYTD Actual	Projected Expenses	(Over) Under	(Over) Under Budget %
IT SYSTEMS DEVELOPMENT DEPARTMENT BUDGET					
<u>Personnel Services</u>					
Salaries & Wages	558,899	126,163	347,407	85,329	15.27%
Payroll Expenses Other	236,534	45,776	135,266	55,492	23.46%
Total Personnel Services	795,433	171,939	482,673	140,821	17.70%
<u>Education & Training</u>					
Travel Expenses	2,000	-	2,000	-	0.00%
Dues & Subscriptions	-	-	-	-	0.00%
Education & Training	47,000	-	47,000	-	0.00%
Total Education & Training	49,000	-	49,000	-	0.00%
<u>Contractual Services</u>					
Contract Services	1,000,000	126,150	873,850	-	0.00%
Total Contractual Services	1,000,000	126,150	873,850	-	0.00%
Total IT Development Department Budget	1,844,433	298,089	1,405,523	140,821	7.63%

Notes:



IT Network Services Department Budget to Actual

Public Safety Personnel Retirement System

Fiscal Year Projections

As of September 30, 2020

	2021 Budget	FYTD Actual	Projected Expenses	(Over) Under	(Over) Under Budget %
IT NETWORK SERVICES DEPARTMENT BUDGET					
<u>Personnel Services</u>					
Salaries & Wages	547,346	96,426	265,522	185,398	33.87%
Payroll Expenses Other	260,375	40,909	117,894	101,572	39.01%
Total Personnel Services	807,721	137,335	383,416	286,970	35.53%
<u>Education & Training</u>					
Travel Expenses	10,000	-	10,000	-	0.00%
Dues & Subscriptions	-	-	-	-	0.00%
Education & Training	46,000	-	46,000	-	0.00%
Total Education & Training	56,000	-	56,000	-	0.00%
<u>Professional Services</u>					
Consulting Services	105,000	70,861	34,139	-	0.00%
Total Professional Services	105,000	70,861	34,139	-	0.00%
<u>Communications</u>					
Carrier Services	43,000	8,726	26,178	8,096	18.83%
Internet Reimbursement	2,400	-	2,400	-	0.00%
Total Communications	45,400	8,726	28,578	8,096	17.83%
<u>Infrastructure</u>					
IT Hardware	177,000	13,723	163,277	-	0.00%
IT Services	63,500	16,978	46,522	-	0.00%
Disaster Recovery Services	94,000	8,017	85,983	-	0.00%
Cyber Insurance	50,000	50,000	-	-	0.00%
Total Infrastructure	384,500	88,718	295,782	-	0.00%
<u>Software</u>					
Software	90,000	152	89,848	-	0.00%
License Renewals	116,000	7,695	108,305	-	0.00%
Total Software	206,000	7,847	198,153	-	0.00%
Total IT Network Department Budget	1,604,621	313,486	996,069	295,066	18.39%

Notes:



Member Services Department Budget to Actual

Public Safety Personnel Retirement System

Fiscal Year Projections

As of September 30, 2020

	2021 Budget	FYTD Actual	Projected Expenses	(Over) Under	(Over) Under Budget %
MEMBER SERVICES DIVISION BUDGET					
<u>Personnel Services</u>					
Salaries & Wages	1,443,717	328,228	986,449	129,039	8.94%
Payroll Expenses Other	691,495	132,648	400,406	158,441	22.91%
Total Personnel Services	2,135,212	460,876	1,386,855	287,480	13.46%
<u>Education & Training</u>					
Travel Expenses	1,000	-	1,000	-	0.00%
Dues & Subscriptions	660	-	660	-	0.00%
Education & Training	-	-	-	-	0.00%
Total Education & Training	1,660	-	1,660	-	0.00%
<u>Professional Services</u>					
Professional Services	9,660	9,769	-	(109)	(1.13%)
Total Professional Services	9,660	9,769	-	(109)	(1.13%)
<u>Contractual Services</u>					
Contract Services	99,840	-	99,840	-	0.00%
Total Contractual Services	99,840	-	99,840	-	0.00%
Total Member Services Department Budget	2,246,372	470,645	1,488,355	287,371	12.79%

Notes:



Special Projects Budget to Actual

Public Safety Personnel Retirement System

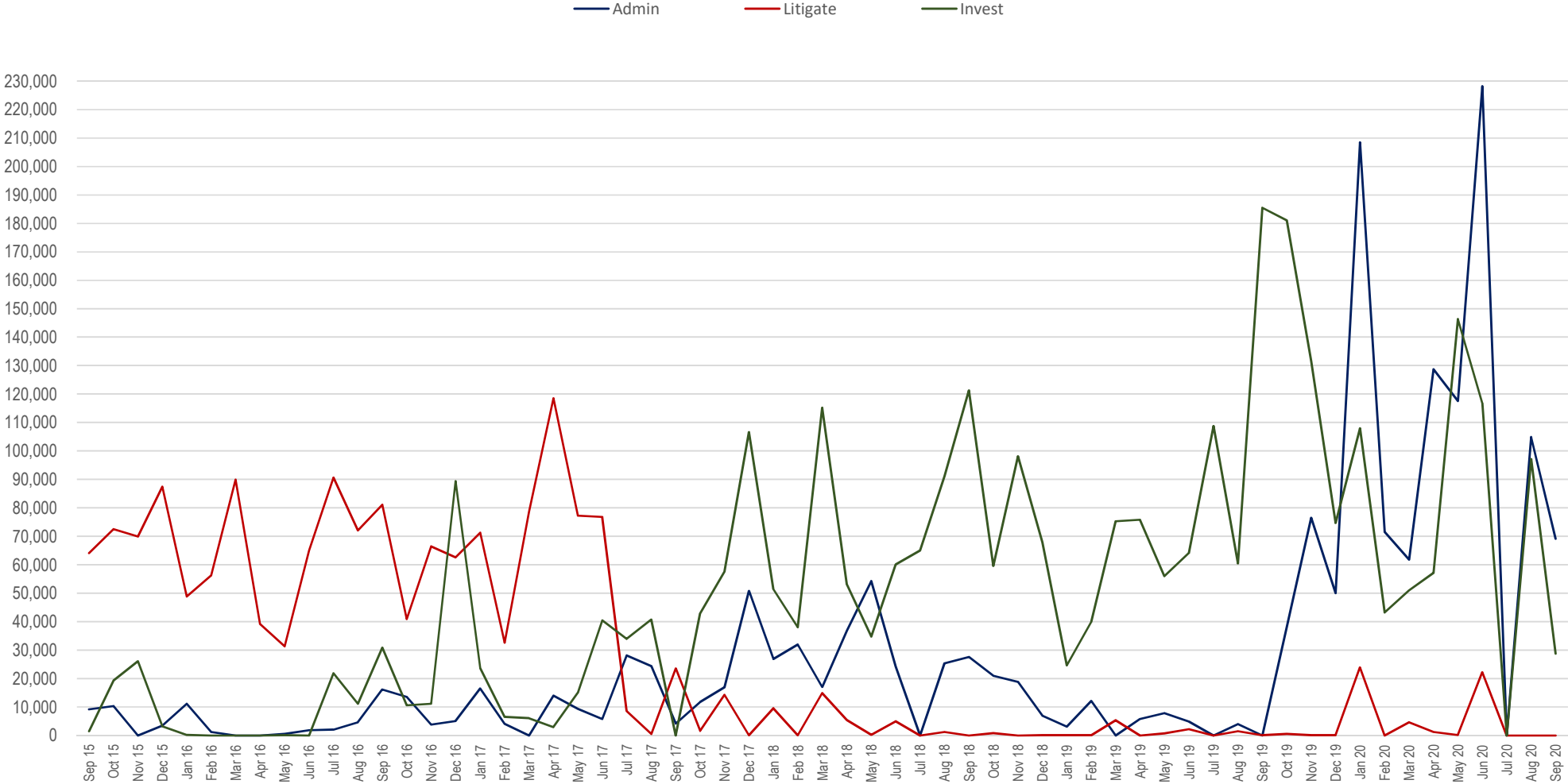
Fiscal Year Projections

As of September 30, 2020

	2021 Budget	FYTD Actual	Projected Expenses	(Over) Under	(Over) Under Budget %
<i>SPECIAL PROJECTS BUDGET</i>					
<i>Great Plains</i>					
Consulting Services	29,500	7,810	23,430	(1,740)	(5.90%)
Total Great Plains	29,500	7,810	23,430	(1,740)	(5.90%)
<i>Local Board Consolidation</i>					
Salaries & Wages	205,921	-	205,921	-	0.00%
Other Payroll Expense	82,368	-	82,368	-	0.00%
Total Local Board Consolidation	288,289	-	288,289	-	0.00%
<i>Pension Administration System</i>					
Consulting Services	4,128,000	46,930	4,081,070	-	0.00%
Contract Services	400,000	-	400,000	-	0.00%
Infrastructure	2,410,000	-	2,410,000	-	0.00%
Total Pension Administration System	6,938,000	46,930	6,891,070	-	0.00%
<i>115 Trusts</i>					
Consulting Services	30,000	-	30,000	-	0.00%
Total 115 Trusts	30,000	-	30,000	-	0.00%
Total Special Projects Budget	7,285,789	54,740	7,232,789	(1,740)	(0.02%)

Notes:

LEGAL FEES REPORT (Rolling 60 months)



PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM

TOTALS BY VENDOR

FY2021 LEGAL INVOICES PAID IN September 2020

VENDOR TYPE	AMOUNT PAID September 2020	FYTD FY2021
KUTAK ROCK		
Administration	1,323.70	1,323.70
Litigation	0.00	0.00
Investment	6,459.90	6,459.90
KUTAK TOTAL	7,783.60	7,783.60
FOLEY & LARDNER		
Administration	0.00	0.00
Investment	22,310.00	119,483.00
FOLEY & LARDNER TOTAL	22,310.00	119,483.00
GALLAGHER & KENNEDY		
Administration	65,392.44	169,426.69
GALLAGHER & KENNEDY TOTAL	65,392.44	169,426.69
MITCHELL STEIN		
Administration	0.00	0.00
MITCHELL STEIN TOTAL	0.00	0.00
CHARLES W. WHETSTINE		
Administration	2,394.00	3,340.50
CHARLES W. WHETSTINE TOTAL	2,394.00	3,340.50
DLA PIPER		
Investment	0.00	0.00
DLA PIPER TOTAL	0.00	0.00
Administration	\$69,110.14	\$174,090.89
Litigation	0.00	0.00
Investment	28,769.90	125,942.90
GRAND TOTAL	97,880.04	300,033.79

Public Safety Personnel Retirement System Operations Committee Monthly HR Report October 2020



New Hire/Recruitment and Position Update

- Active Recruitments
 - Deputy Director Member Services – interviews in process
 - IT Systems/Network Engineer – interviews in process
 - Retirement Specialist - open

- New Hires/Promotions
 - Blanca Johnson promoted to Retirement Specialist Senior
 - Laura Long promoted to Senior Portfolio Analyst
 - Kevin Chen moved to Portfolio Analyst
 - Peter Zaja hired as an Investment Intern
 - Alysa Stukel -- contract Business Analyst
 - Beda Roman -- contract Accountant



MEMORANDUM

TO: DON SMITH, OPERATIONS COMMITTEE CHAIRMAN
FROM: TIM JACKSON, COMPLIANCE OFFICER
DATE: OCTOBER 8, 2020
RE: PSPRS CONFLICT OF INTEREST POLICY-EMPLOYEES

Agenda Title:

Review and discussion of the draft internal PSPRS Conflict of Interest Policy-Employees document.

Purpose:

The purpose of this memo is to provide background on staff effort to create an internal Conflict of Interest Policy for employees as directed in the September 29th Operations Committee meeting, with an emphasis on making the document easily understandable and usable.

The Conflict of Interest policy for employees (attached) is being addressed due to recommendations contained in the FY2019 external financial audit and interest from the PSPRS Board of Trustees. The policy articulates employee responsibilities associated with [A. R. S. Title 38, Chapter 3, Article 8 – Conflict of Interest of Officers and Employees](#) and the [State Personnel System](#). The Policy contains training, disclosure of conflicts, reporting, and attestation requirements which staff must follow in carrying out their official duties.

The goal of the discussion is to obtain feedback from the Committee regarding the conflict of interest policy for employees (final draft).

Suggested Motion:

This agenda item is informational only and intended for Committee review and comment.

Conflict of Interest Policy - Employees

October 8
2020

Please direct questions regarding this policy to the Compliance Officer.

Revision History

Revision Number	Effective Date	Revision Date	Author	Approver	Change History
1.0	MM/DD/YY	MM/DD/YY	Tim Jackson	Insert Name	<ul style="list-style-type: none">New Document

Conflict of Interest Policy - Employees

1.0 Introduction

PSPRS employees must act in all official duties according to State of Arizona conflict of interest statutes. This will support providing uniform, consistent, and equitable retirement programs for PSPRS members and retirees.

2.0 Purpose

The purpose of this policy is to state expectations regarding ethically performing official duties, disclosing real and potential conflicts of interest, avoiding the appearance of conflicts, and to provide direction on adhering to State of Arizona conflict of interest laws.

3.0 Scope

This policy applies to all PSPRS employees, including where applicable, internships, consultants, contractors, and all other third-party vendors providing services under the direction of PSPRS management (contact Human Resources concerning applicability questions).

4.0 Responsibilities

This policy is managed by the Compliance Officer at the direction of the Administrator.

5.0 Authority

- 5.1 [A.R.S. §38-501 \(Application of article\)](#)
- 5.2 [A.R.S. §38-502 \(Definitions\)](#)
- 5.3 [A.R.S. §38-503 \(Conflict of interest; exemptions; employment prohibition\)](#)
- 5.4 [A.R.S. §38-504 \(Prohibited acts\)](#)
- 5.5 [A.R.S. §38-505 \(Additional income prohibited for services\)](#)
- 5.6 [A.R.S. §38-601 \(Effect of payment of legal salary\)](#)
- 5.7 [A.R.S. §38-848.04 \(Board fiduciary obligations and duties; enforcement; definitions\)](#)
- 5.8 [State Employee Handbook \(A.A.C. R2-5A-501\)](#)
- 5.9 [PSPRS Standards of Conduct Policy](#)
- 5.10 [PSPRS Board of Trustees Governance Manual \(5.14 Code of Ethics\)](#)

6.0 Policy

PSPRS employees are responsible carrying out their official duties in a manner which adheres to high ethical standards and does not violate state laws or PSPRS policies.

All actions on behalf of PSPRS shall be carried out in accordance with the principles of a fiduciary, where the utmost duty and care is taken to benefit PSPRS members and retirees. This conflict of interest policy lays the foundation for staff to carry out job-related duties and behave ethically, supporting a business environment in which employees represent PSPRS in a professional and law-abiding manner, free from conflict of interest.

6.1 Personal Conduct

- 6.1.1 PSPRS employees are members of the State Personnel System, and are required to conduct themselves in accordance with federal and state laws and rules, statewide policies and employee handbook, and agency policies and directives.
- 6.1.2 Retaliation and or harassment are prohibited. Reporting legitimate conflict of interest concerns is not a harassment, intimidation, or retaliation.
- 6.1.3 Required conduct includes:
 - Reporting or disclosing real and potential conflicts of interest to a supervisor, the Compliance Officer, General Counsel, or PSPRS leadership.
 - PSPRS employees shall disclose their, as well as their relative's, interest or ownership, in PSPRS business propositions.
 - Employees shall recuse from participating in actions, as provided in law.
 - Complying with Significant Procurement Role provisions of law.
- 6.1.4 Prohibited actions include:
 - Use his or her official position for personal gain, or attempting to use, or use of confidential information for personal advantage.
 - Permit themselves from being put under any kind of personal obligation that could lead a person to expect official favors.
 - Perform an act in a private capacity that could be construed to be an official act.
 - Accept or solicit, directly or indirectly, anything of economic value as a gift, gratuity, favor, entertainment, or loan that is, or may appear to be, designed to influence the employee's official conduct. This provision shall not prohibit acceptance by an employee of gifts or materials specifically outlined in the PSPRS Governance Manual, Policy 5.14 Code of Ethics, section VI and VII
 - Directly or indirectly allow the use of state equipment or property of any kind, for other than official activities, unless authorized by written agency policy or as otherwise allowed by these rules.
 - Take disciplinary or punitive action against another employee that impedes or interferes with that employee's exercise of any right granted under the law or rules.

- No public officer or employee may receive or agree to receive directly or indirectly compensation other than as provided by law for any service rendered or to be rendered by him personally in any matters pending before the public agency.
- Additionally, no employee shall supply to PSPRS any equipment, material, supplies or services, except in very limited circumstances.

6.2 Relatives

- 6.2.1 PSPRS employees shall not participate in business contract decisions that involve their relatives, as provided in law.

6.3 Substantial and Remote Interests

- 6.3.1 "Substantial interest" means any non-speculative pecuniary or proprietary interest, either direct or indirect, other than a remote interest.
- 6.3.2 Remote interests are not reportable under statute. As it relates to conflicts of interest, remote interests means not a substantial interest.
- 6.3.3 If an employee is unsure about a situation, they should ask the Compliance Officer for guidance.

6.4 Disclosure

- 6.4.1 Disclosures shall include personal business transactions between public officers and employees, employees and employees, or any combination thereof, for compensation or anything of value, whether involving PSPRS business or not.
- 6.4.2 Proper disclosure requires the filing of a paper disclosure with the Compliance Office. The disclosure form is applicable to the employee and their relatives, pursuant to A.R.S. §38-502.
- 6.4.3 Prior to entering into any new business endeavor, employees shall send an email disclosure to the Compliance Officer in order to obtain a pre-approval opinion as to whether the potential business relationship is reportable or a potential concern in relation to Arizona conflict of interest law. Failure to obtain pre-approval will result in appropriate disciplinary action.
- 6.4.4 As determined by the Compliance Officer, PSPRS employees shall disclose all real or potential conflicts of interest on a PSPRS Statement of Disclosure Form.
- 6.4.5 NOTE: The PSPRS Statement of Disclosure Form is separate from the Arizona State Personnel System Disclosure Form that is required by the Arizona Department of Administration upon hiring as a state employee.

6.5 Responsibility to Report

- 6.5.1 PSPRS employees who suspect a potential or actual violation this Policy, the PSPRS Governance Manual policies or state law, shall report the potential conflict either:

- To the employee's supervisor, or the Compliance Officer, General Counsel, or the Administrator. If the conflict relates to one of those individuals above, employees may report to the Chairman of the Board or Trustees.
- Employees may report using the fraud, waste, and abuse reporting system detailed in the PSPRS Fraud, Waste, and Abuse Policy (CO-POLICY-003).

6.8.2 All reports will be investigated thoroughly using investigative guidelines.

6.6 Recusal

6.6.1 Employees with substantial interests in any decision of PSPRS shall make known and refrain from participating in such a decision, as directed by law and this Policy.

6.7 Confidential Information

6.7.1 By state law, confidential information, either in verbal or document form, shall not be used or disclosed for personal gain, including disclosing or using for personal profit any information acquired while employed at PSPRS during the course of official duties and for two years thereafter.

6.7.2 Sensitive or confidential matters shall not be discussed or worked on in public spaces, and shall be secured appropriately to protect its confidential nature. Confidential information shall only be shared on a need-to-know basis, adhering to the minimum necessary disclosure principle.

6.8 Secondary Employment

6.8.1 All secondary employment shall be disclosed, and approved by, PSPRS management annually. Secondary employment refers to any second job, contract, or work agreement made with any other party outside of PSPRS.

6.8.2 The Arizona State Personnel System Notification of Outside (Secondary) Employment form shall be used to make a request for secondary employment.

6.9 Training

6.9.1 PSPRS employees will receive conflict of interest training each fiscal year. The training will be organized by the Compliance Officer and may be either in-person or computer-based. The training will cover concepts found in A.R.S. Title 38, Article 8 – Conflict of Interest of Officers and Employees, in addition to general conflict of interest concepts.

6.10 Attestation

6.10.1 All PSPRS employees will sign this policy document upon hire, after a qualifying life event, and annually thereafter within 30 days of the beginning of a fiscal year (July) acknowledging their understanding and agreement to abide by this policy.

Public Safety Personnel Retirement System
Conflict of Interest Policy - Employees
CO-POLICY-002

Printed Name of Employee

Signature

Date

**PSPRS
OPERATIONS AND GOVERNANCE POLICY COMMITTEE MEETING**

September 29, 2020

MINUTES

Present: Mr. Don Smith, Committee Chairman, Trustee – remote
Mr. Chris Hemmen, Trustee – remote
Mr. Brian Moore, Trustee – remote

Absent: Mr. Jim Ameduri, Trustee

Others Present: Mr. Michael Townsend, Administrator
Mr. Michael Smarik, Deputy Administrator – remote
Mr. William Buividas, Trustee
Ms. Claudia Martinez, Executive Assistant - remote
Ms. Cheryl Cohen, Investment Executive Assistant – remote
Ms. Vivian Padilla, Media and Publications Specialists
Terence Thompson, Esq., Gallagher & Kennedy – remote
Mr. Christian Palmer, Communications Director – remote
Bret Parke, Esq., Assistant Administrator/General Counsel – remote
Mr. Michael Ajamie, Chief Technology Officer – remote
Mr. Matt Plachta, Foster & Foster – remote
Mr. Timothy Jackson, Compliance Officer – remote

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

*Mr. Don Smith
Committee Chairman*

The meeting was called to order at 1:01 PM and roll was called and Pledge of Allegiance was recited.

2. Call to the Public.

This is the time for the public to comment. Members of the Committee may not discuss items that are not specifically identified on the agenda. Therefore, pursuant to A.R.S. § 38-431.01 (H), action taken as a result of public comment will be limited to directing staff to study the matter, responding to any criticism, or scheduling the matter for a later date for further consideration and possible recommendations to the Board of Trustees recommendations to the Board of Trustees.

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

3. Review and/or appropriate Action for approval of 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 Operations and Governance Policy Committee.

- a. Administrator update.**
- b. Year to Date Budget Report.**

Mr. Smith commented on the savings and Mr. Smarik clarified projection was for all vacant positions for the entire year.

- c. Law Firms' Billings for Legal Services.**
- d. Local Board Rehearing Report.**
- e. Communications Efforts Report.**
- f. Information Technology security update.**

Committee requested external exercise to be done prior to 2023.

- g. Approval of Operations and Governance Policy Committee Minutes from August 14, 2020.**
- h. Approval of the Operations and Governance Policy Committee Executive Session Minutes from August 14, 2020.**

Mr. Don Smith

Moved by: Mr. Chris Hemmen

Second by: Mr. Don Smith

Time: 1:17 PM

Motion: Approval of consent agenda as presented.

Discussion: None.

Vote: 3 – 0 Passed

4. Update, discussion and possible Action regarding the Pension Administration system project.

*Mr. Michael Smarik
Deputy Administrator*

Mr. Smarik gave a brief update on the Pension Administration system project progress, no further discussion was held.

5. Review and discussion on the draft internal PSPRS Conflict of Interest Policy document, Code of Conduct document, and the current and future state of the governance manual.

*Bret Parke, Esq.
General Counsel/Assistant Administrator
Mr. Timothy Jackson
Compliance Officer*

Mr. Parke and Mr. Jackson provided a draft Conflict of Interest policy and a Code of Conduct document to the Committee. Committee directed Staff to simplify the language in the draft policy. Committee supported the Trustees be held to a similar standard and directed Staff to draft a policy specifically for Trustees.

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

*Mr. Tim Jackson
Mr. Christian Palmer
Communications Director*

Mr. Jackson provided a draft policy and discussed the process in creating the policy, no further discussion was held.

7. Update, discussion and possible Action on recommendation to the Board of Trustees regarding the Cancer Insurance program actuarial analysis, program changes and plan design.

*Bret Parke, Esq.
Mr. Michael Townsend
Administrator*

Item was discussed in Executive Session, no discussion was held in public session.

8. The PSPRS Operations and Governance Policy Committee 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) (3), including to receive legal advice from the Committee's attorneys on any matter listed on the agenda.

- a. Discussion and consultation for legal advice with the attorney pertaining to the Cancer Insurance Program actuarial analysis, program changes, and plan design, including Agenda Item No. 7, as authorized by A.R.S. § 38-431.03(A) (3).**

Moved by: Mr. Chris Hemmen

Second by: Mr. Brian Moore

Time: 1:29 PM

Motion: Enter into Executive Session to discuss item 7.

Discussion: None

Vote: 3 – 0 Passed

Committee returned to public session at 3:15 PM

9. Schedule future meeting date(s).

Next meeting will be held in October, however date was not scheduled.

10. Adjournment.

Moved by: Mr. Chris

Second by: Mr. Brian Moore

Time: 3:16 PM

Motion: To adjourn meeting.

Discussion: None

Vote: 3 – 0 Passed

Mr. Don Smith, Committee Chairman

DRAFT



MEMORANDUM

TO: DON SMITH, OPERATIONS COMMITTEE CHAIRMAN AND TRUSTEES

FROM: MICHAEL TOWNSEND, ADMINISTRATOR

DATE: OCTOBER 9, 2020

RE: LEGISLATIVE AGENDA FY2021

Agenda title:

Review, discussion and possible Action on recommendations to the Board of Trustees on pending legislative actions and potential legislative proposals.

Background:

The attached list is a combination of legislative ideas and legislative initiatives from the last legislative session that were not acted on.

The last legislative session ended sine die early due to COVID-19 with many bills not acted on.

This agenda item is for the Operations Committee to review and forward to the Board of Trustees with any comments, edits and recommendations for action to provide guidance to Dianne McAllister and Doug Cole in preparing legislation materials and advocating for PSPRS.

Suggested Motion:

Move to forward the pending legislative actions and potential legislative proposals as discussed to the Board of Trustees for discussion and consideration of approval, including recommendations to pursue formerly approved BOT legislative agenda of 2020.