

**ARIZONA PSPRS  
DEFINED CONTRIBUTION COMMITTEE  
MEETING**

**January 19, 2017**

**MINUTES**

Present: Mr. William T. Buividas ,Chairman, Trustee  
Mr. Jared A. Smout, Vice Chairman, Administrator  
Mr. Bryan J. Jeffries  
Mr. Ryan McKinnon  
Mr. Brian Moore – absent  
Mr. William Thatcher  
Mr. Daren Wunderle

Others Present: Mr. Christian Palmer, Communications Director  
Mr. Robert Ortega, Member Services Director  
Mr. Stan Hoover, PSPRS retiree  
Mr. Jim Mann, Executive Director FOP, Labor Council  
Mr. Jake, O'Shaughnessy, Sageview Capital  
Mr. Mark Kordonsky, Sageview Capital

1. Call to Order, Roll Call, Opening remarks.

*Mr. William T. Buividas  
Committee Chairman*

Chairman Buividas called the meeting to order at 12:00 p.m.

2. Review, discussion and possible approval of the Arizona PSPRS Defined Contribution Committee Minutes from December 29, 2016.

*Mr. William T. Buividas*

<b>MOTION:1-1/19/17</b>	At 12:00 p.m.
<b>Motion:</b>	To approve the minutes of the Arizona PSPRS Defined Contribution Committee from December 29, 2016 as presented.
<b>Moved by:</b>	Mr. Bryan Jeffries
<b>Seconded by:</b>	Mr. Daren Wunderle
<b>Discussion:</b>	None
<b>In Favor:</b>	Unanimous
<b>Motion:</b>	Passes:

3. Update, discussion and possible **Action** on staff communication and education outreach efforts for DC Plan members.

*Mr. William T. Buividas*

Chairman Buividas invited Mr. Robert Ortega to present to the Committee on this item. At this time, beginning January 31, 2017 PSPRS plans to have an overview process available of the Tier 2B for the local boards. Also planned is a more automated process in order to opt out through our Members Only portal which will be available around mid-March to April through June 30, 2017. Committee members discussed other options to connect with local board members via an opt-out letter to the home addresses which would necessitate updating of same, the best way to educate members and knowing who is on social security so that they can be aware of the opt-out program even though they are not affected by it.

The committee members suggested seeking legislation that would allow a person to move to another employer and to give them time to opt out and also how to inform a person who leaves another social security employer of their decisions. Important facts need to be emphasized regarding the savings rate with the match and the process of education is very important.

Final points of discussion included how to handle liability regarding this situation and the goals of the committee include creating educational materials, collecting social security information and perhaps creating a letter that if you are in social security this does not apply and why.

4. Discussion and possible **Action** on the role and responsibilities of the committee.

*Mr. William T. Buividas  
Mr. Bryan Jeffries*

There was no discussion.

5. Discussion and possible **Action** with representatives from Sageview Capital about elements of the Request for Proposal for a third-party administrator/record-keeper.

*Mr. William T. Buividas*

The representatives of Sageview led a discussion regarding steps in order for the Defined Contribution Plan to be up and running by July 1, 2017 therefore, the RFP process must contain the plan's provisions, objectives, constraints and what PSPRS is looking for regarding the qualifications for a vendor. Discussion was held whether or not to establish a subcommittee for this purpose and it was decided to meet as the entire committee.

Details of the RFP process were described. First it is necessary to create a message that is attractive to the marketplace and to determine the cash flow prognosis for years 1, 5 and 10. Tier 3 members have 90 days to choose DB or DC plan. For the DC plan there is to be a 9% employer and 9% employee contribution. For the DB plan, if the member is not on social security they are also in the DC plan with 3% employer and 3% employee contributions. The opt out dates for Tier 2 employees hired between January 1, 2012 and June 30, 2017 are from April 1, 2017 and June 30, 2017. Discussion was held regarding tracking of those on social security and those who are not.

Additionally, discussion held regarding the possible issues that might occur with DROP money being rolled over into the DC plan, possible legislation, and if so, possible augmentation of the form needed for DROP before the employee retires. The attractiveness of the DC only plan would be for people from another state to start with a new system since they will not be on staff for 25 years, the pricing and service level of the pension and the employer match is a benefit on top of their pension. Portability of the plan was reviewed and the plan has a 10 year vesting period.

Member education was a topic of discussion as was whether to price the plan on a per head basis or a pro rata basis in order to pay expenses and to determine cash flow expectations.

The standard RFP process includes discussion as to the timeline, RFP recipients, draft and discussion of the initial questionnaire, set a meeting to finalize the RFP and to develop an investment policy. A member of the committee requested a brick and mortar place around Phoenix in order to service the plan. It was stated that the providers have government experience. Use of active vs. passive management the type of tier structure were discussed. For the next meeting on February 2, 2017 the goal is to have current legislation ready for the RFP as well as the RFP questionnaire, the minimum qualifications and a draft of the investment policy.

6. Discussion and possible **Recommendations** on legislative changes that may or may not need to occur regarding the DC plan.

*Mr. William T. Buividas*

The goals are to continue researching the DROP roll over issue for possible inclusion in the DC plan and then for inclusion in the PSPRS Administrative Bill. Also of consideration is possible legislation to update language provided in the statute where it states the record keeper provided "advice" which is a problem. Discussion was held as to how to change the wording.

Sageview suggested the best practice would be for the record keeper to not give investment advice but they can provide education to make sure the fiduciary responsibility is in the interest of the person. Also, to change "shall" to "may" in the third line. Discussion was held regarding using a registered investment advisor (RIA) and a record keeper.

<b>MOTION:2-1/19/17</b>	At 3:03 p.m.
<b>Motion:</b>	To adopt the language Mr. Jeffries proposed for the Administration Bill and to adopt a friendly amendment to change "shall" to "may".
<b>Moved by:</b>	Mr. Bryan Jeffries
<b>Seconded by:</b>	Mr. Daren Wunderle
<b>Discussion:</b>	None
<b>In Favor:</b>	Unanimous
<b>Motion:</b>	Passes

7. 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.

There was no response to the Call to the Public.

8. Schedule future meeting date(s).

The next meeting will be held on February 2, 2017 beginning at noon.

9. Adjournment.

The meeting was adjourned at 3:09 p.m.

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Mr. William T. Buividas, Chairman