

**PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM  
BOARD OF TRUSTEES OPERATIONS, GOVERNANCE POLICY and AUDIT COMMITTEE  
MEETING**

**April 23, 2014**

**MINUTES**

*Members Present:* Mr. Greg Ferguson, Chairman, Trustee  
Mr. Jeff McHenry, Member, Trustee  
Ms. Randie Stein, Member, Trustee

*Others Present:* Mr. Jim Hacking, Administrator  
Mr. Jared Smout, Deputy Administrator  
Ms. Ivy Voss, Assistant Attorney General  
Mr. Robert Ortega, Local Board Training Coordinator/HR Manager  
Mr. Don Mineer, Local Board Training Specialist - Excused  
Ms. Leslie Clark, Senior Financial Accountant/Great Plains DBA  
Mr. John Hendricks, Senior Investment/Financial Accountant  
Ms. Bridget Feeley, Internal Audit and Compliance Officer  
Mr. Sam Meier, IT Operations Manager  
Mr. Alex Neff, Systems Engineer  
Mr. John Chase, Senior Systems Programmer  
Mr. Paul Hemmes, Systems Programmer  
Ms. Michelle Pechan, Paralegal

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

*Mr. Gregory Ferguson  
Committee Chairman*

Chairman Ferguson called the meeting to order at 11:00 a.m.

2. Review, discussion and possible approval of Operations, Governance Policy and Audit Committee Minutes from March 26, 2014.

*Mr. Gregory Ferguson*

<b>MOTION: 1-4/23/14</b>	At 11:02 a.m.
<b>Motion:</b>	To approve, as presented, the Minutes of the Operations, Governance Policy and Audit Committee from March 26, 2014.
<b>Moved by:</b>	Mr. McHenry
<b>Seconded by:</b>	Ms. Stein
<b>Discussion:</b>	None
<b>In Favor:</b>	Unanimous
<b>Motion:</b>	Passes

3. Presentation of the Month-to-Date Budget Report for FY 2014 and possible **Recommendations**.

*Mr. John Hendricks  
Manager Finance and Accounting*

Savings for FY 2014 for Professional Services are projected to be \$775,000. Litigation expenses are estimated to be \$480,000. We are forecast to be 6.9% over budget for the fiscal year.

4. Written update on the progress of the Local Board Training Program and discussion and possible **Recommendations** regarding same.

*Mr. Robert Ortega  
Local Board Training Coordinator and Human Resources Manager  
Mr. Don Mineer  
Local Board Training Specialist*

The Local Board Trainers are working to assist two employer groups regarding the joinder process.

5. Presentation of the "Requests for Local Board Rehearing" Report for the current month.

*Mr. Jim Hacking  
Administrator*

Mr. Hacking reported that there is one outstanding request for a local board rehearing which should be resolved on May 6, 2014.

6. Review, discussion and possible **Action** regarding the April, 2014 law firms' billings for legal services performed in March, 2014.

*Mr. Jim Hacking*

<b>MOTION: 2-4/23/14</b>	At 11:46 a.m.
<b>Motion:</b>	To approve the April, 2014 law firms' billings for legal services performed in March, 2014.
<b>Moved by:</b>	Ms. Stein
<b>Seconded by:</b>	Mr. McHenry
<b>Discussion:</b>	None
<b>In Favor:</b>	Unanimous
<b>Motion:</b>	Passes

7. Report and **Recommendations** on the FY 2014 Compliance and Internal Audit Plan.

*Ms. Bridget Feeley  
Internal Audit and Compliance Officer*

The position of Internal Audit and Compliance Officer reports to the Board of Trustees. The difference between compliance and internal audit functions was discussed as were the activities on the Compliance and Internal Audit Plan. Committee members will identify what needs to be changed or modified regarding the plan. Mr. Hacking will review the plan regarding the number of hours estimated to complete each task.

An employment offer has been accepted by an individual for the internal audit position. This month the Compliance and Internal Audit Officer worked on reviewing contributions, establishing the Internal Audit and Compliance Plan and on hiring a new person for the internal audit position.

8. Update on legislation relating to PSPRS administered Plans.

*Mr. Jared A. Smout  
Deputy Administrator*

- HB2058 that proposed to limit pensionable compensation per year to \$150,000 failed.
- HB2060 regarding procurement is dead for the session.
- HB2166 amendment making 401H account retroactive is awaiting signature.
- HB2203 that proposed to increase the number of PSPRS Board members is dead for the session.
- HB2122 regarding the Elected Officials Defined Contribution Plan was signed and is retroactive to January 1, 2014.
- HB 2014 IRS administrative bill is retroactive to January 1, 2014.

9. Status report on vacant staff positions and the screening process for identifying qualified candidates.

*Mr. Jim Hacking*

- An offer has been presented to fill the position in the Internal Audit and Compliance Division.
- An offer has been presented to fill the position for Records and Project Management.
- Screening is being conducted for candidates for the in-house investment counsel position.
- Screening is being conducted for candidates for the investment accountant position.
- We are waiting for the Attorney General's Office to approve converting our part time Assistant AG to full time.
- We are making an offer to an individual to fill the vacancy in the Insurance Department.

10. Update on the review of internal security that was conducted by the IT Operations staff.

*Mr. Jim Hacking  
Mr. Sam Meier  
IT Operations Manager  
Mr. Alex Neff  
Systems Engineer*

Actions to mitigate risk were described as was an upgrade to security regarding the cancer insurance program folder.

11. Presentation, discussion and possible **Action** regarding the contract between the PSPRS and the external auditors, Heinfeld, Meech & Co., P.C., for FYE 2014.  
*Mr. Jared A. Smout*

In light of GASB 67 and 68 committee members discussed whether it is prudent, for efficiency purposes, to extend the contract one additional year.

<b>MOTION: 3-4/23/14</b>	At 12:10 p.m.
<b>Motion:</b>	To recommend to the Board of Trustees a one year extension to the contract of the external auditors, Heinfeld, Meech and Co., P.C.
<b>Moved by:</b>	Ms. Stein
<b>Seconded by:</b>	Mr. McHenry
<b>Discussion:</b>	None
<b>In Favor:</b>	Unanimous
<b>Motion:</b>	Passes

12. 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.

13. Schedule next meeting. (*Currently scheduled for Wednesday, May 28, 2014*)

The next meeting will be held on Wednesday, May 28, 2014.

14. Adjournment.

The meeting was adjourned at 12:13 p.m.

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Mr. Gregory Ferguson  
Committee Chairman