

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

April 25, 2012

MINUTES

Members Present: Mr. Greg Ferguson, Chairman, Trustee
Mr. Jeff McHenry, Member, Trustee
Ms. Randie Stein, Member, Trustee – Excused at 11:41 am

Others Present: Mr. Jim Hacking, Administrator
Mr. Jared Smout, Deputy Administrator
Mr. Robert Ortega, Local Board Training Coordinator
Ms. Leslie Clark, Senior Accounting Database Administrator
Mr. John Hendricks, Senior Investment/Financial Accountant
Ms. Bridget Feeley, Internal Audit and Compliance Officer
Ms. Annette Jorgensen,
Mr. Tom Willard, Systems Development Manager
Ms. Patrice Robinson, Audio Visual Consultant
Ms. Tasha Smith, Kutak Rock

1. Call to Order, Roll Call, Opening remarks Mr. Gregory Ferguson
..... Committee Chairman

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

2. Review, discussion and possible approval of the Operations, Governance Policy and Audit Committee Minutes from April 4, 2012..... Mr. Gregory Ferguson

MOTION: 4-4-12 At 11:01 a.m.

Motion: To approve the April 4, 2012 Operations, Governance Policy and Audit Committee Minutes as presented.

Moved by: Ms. Stein

Seconded by: Mr. McHenry

Discussion: None

In Favor: Unanimous

Motion: Passes

3. Presentation of the Month-to-Date Budget Report for FY 2012 and possible **Recommendations (Tab 13)** Mr. John Hendricks
..... Manager Finance and Accounting

PSPRS is projected to be \$72,000 over budget due to litigation expenses, which is less than 1% of the total budget. If you remove those expenses, we are under budget. Litigation expenses were not projected in the formation of the budget said Mr. Hendricks.

4. Status report on the filling of vacant staff positions..... Mr. Jim Hacking
..... Administrator

All positions are filled stated Mr. Hacking and in-house legal counsel will be on staff in the middle of July.

- 5. Written update on the progress of the Local Board Training Program and discussion and possible **Recommendations** regarding same (**Tab 15**).....Mr. Robert Ortega
.....Local Board Training Coordinator and Human Resources Manager
.....Mr. Don Mineer
.....Local Board Training Specialist

Mr. Mineer stated this past month several on-site trainings had been held.

- 6. Status report regarding HB 2571 and other proposed 2012 legislation and possible **Recommendations (Tab 16)**.....Mr. Jim Hacking

There has been no progress on legislation due to the state budget process. ASRS and PSPRS have discussed a draft amendment for HB 2571 for which minor changes have yet to be completed.

- 7. Review, discussion and possible **Action** regarding the April 2012 Kutak Rock billing for legal services performed in March 2012 (**Tab 17**).....Mr. Jim Hacking

MOTION: 4-5-12	At 11:10 a.m.
Motion:	To recommend to the Board of Trustees approval of the April 2012 Kutak Rock billing for services performed in March 2012.
Moved by:	Ms. Stein
Seconded by:	Mr. McHenry
Discussion:	None
In Favor:	Unanimous
Motion:	Passes

- 8. Presentation, discussion and possible **Recommendations** regarding the Quarterly Operations Report and FY 2012/2013 PSPRS Strategic Plan (**Tab 18**).....Mr. Jared Smout
.....Deputy Administrator

It was reported by Mr. Smout that we are operating efficiently and people have had opportunities to share ideas. Included in the mailing materials for the Operations, Governance Policy and Audit Committee are reports by the staff managers. Mr. Smout asked the committee members what they would like included in future Operations Reports.

- 9. Discussion and possible **Recommendations** regarding the first occurrence and other benefits for the Fire Fighter and Peace Officer Cancer Insurance Plan (**Tab 19**).....Mr. Jared Smout

Mr. Smout discussed this insurance plan and informed the committee members the minimum claim was \$25 and the maximum claim was \$21,000 by year. No one has reached the maximum \$100,000 allowed in the plan. Six people have been denied in the last couple of years which we have documented. The Committee requested a recommendation on the first occurrence benefit. A recommendation was made to not have a time limit restriction for the first occurrence benefit. However, payment of expenses should have a time limit. A discussion was held regarding a time limit or no time limit on the first occurrence benefit. 40%

of the claims are from retirees.

MOTION: 4-6-12	At 11:41 a.m.
Motion:	To recommend to the Board of Trustees that the first occurrence time limit be changed from 18 to 24 months going forward. To recommend to the Board of Trustees approval of dedicating \$25,000 for actuarial work regarding benefits for the Fire Fighter and Peace Officer Cancer Insurance Plan.
Moved by:	Ms. Stein
Seconded by:	Mr. McHenry
Discussion:	None
In Favor:	Unanimous
Motion:	Passes

- 10. Discussion and possible **Recommendation** regarding fiduciary insurance for the PSPRS Board of Trustees (**Tab 20**).....Mr. Jared Smout

Ms. Tasha Smith of Kutak Rock said fiduciary insurance provided for reimbursement of attorney’s fees, you are able to choose your own counsel, punitive damages and certain things not provided by the State of Arizona may be provided by fiduciary insurance. The advantages include the ability to have more control over the progression of a claim, the opportunity for the System to have input on a settlement and the more control over the progression of any claims. Also provided is indemnity for attorney’s fees for all defense costs up to the point where no insurance plan would cover those costs. In order to obtain outside fiduciary insurance, PSPRS has to go through the Arizona Department of Administration for their permission.

Mr. Smout added that we are looking at a second broker for more information with the goal for the insurance to become effective on July 1, 2012 if approved by the Board.

- 11. Status report on the legal challenges to the various provisions of SB 1609.....Mr. Jim Hacking

Mr. Hacking reported briefly on one lawsuit and the other three are not moving at this time. Legal challenges will be discussed in Executive Session during the Board of Trustees meeting later today.

- 12. Report, discussion and possible **Recommendation** regarding changes to the Policies contained in the Public Safety Personnel Retirement System Governance Manual (**Tab 22**).....Mr. Jim Hacking

In Mr. Hacking’s review of the components of the Governance Manual most of the changes are purely editorial and others streamline processes. He discussed some substantive changes that reflect the seven member board, the Operations Committee’s responsibility to develop annual legislative programs, the committee chairman’s signature the only necessary one for committee minutes, performance review of the Administrator to change from September to October in order to allow more preparation time, and changing the travel policy in order to have the Administrator approve Trustee expenses in a more timely manner. Mr. Hacking added that some monitoring and reporting policies are no longer operational so

they have been eliminated. Clarification of who is responsible for specific reports, clarification the Human Resources Compensation Policy that all employees are at will employees has been made. Policies relating to legislative procedures have been revised to fit our time lines and the processes of the legislature. The policy for review of local board decisions will be revised in the future. The Governance Manual will be ready for review at the May meeting.

- 13. Status report on the Public Safety Personnel Retirement System staff compensation review ...
.....Mr. Jim Hacking

The three consulting firms that have responded to our Request for Proposal have been contacted that a review of their proposed services will be conducted in order to select one company and expenses for this will be put into the FY 2013 budget. Information regarding this agenda item will be presented at the May meeting.

- 14. Status report on the FY 2012 Internal Audit Plan.....Ms. Bridget Feeley
.....Internal Audit and Compliance Officer

Ms. Feeley stated the report will be completed for the May and June meetings.

- 15. Discussion and possible **Action** with respect to the method of reporting the work/findings recommended by the Internal Audit and Compliance Officer.....Ms. Bridget Feeley

Discussion was held regarding work/findings. Direction was given to meet with Mr. Hacking to decide the best process and return for the May meeting. If something in the report is truly confidential, then it is best to address it in Executive Session.

- 16. 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.

- 17. Schedule next meeting. (*Currently scheduled for Wednesday, May 30, 2012*)

- 18. Adjournment.

The meeting was adjourned at 12:20 pm.

Gregory Ferguson, Chairman