

**PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM**

**BOARD OF TRUSTEES OPERATIONS, GOVERNANCE POLICY and AUDIT COMMITTEE MEETING**

April 27, 2011

**MINUTES**

*Members Present:* Mr. Brian Tobin, Chairman, Trustee  
Mr. Gregory Ferguson, Member, Trustee  
Mr. Jeff McHenry, Member, Trustee

*Others Present:* Mr. Jim Hacking, Administrator  
Ms. Tracey Peterson, Chief Operating Officer  
Ms. Karen Lewis, Accounting Manager  
Ms. Bridget Feeley, Internal Audit and Compliance Officer  
Mr. Robert Ortega, Local Board Training Coordinator  
Ms. Gail Nova, Administration Manager  
Mr. Paul C. Hemmes, Training/Audio Visual Specialist

A. Call to Order, Roll Call, Opening remarks

Chairman Tobin called the meeting to order at 10:30 a.m. All members of the Committee were present.

B. Review and possible **Action** to accept the minutes from the March 30, 2011 Operations, Governance Policy, and Audit Committee meeting

<b>MOTION: 4-1-11</b>	At 10:31 a.m.
<b>Motion:</b>	To approve the minutes of the March 30, 2011 Operations, Governance Policy and Audit Committee.
<b>Moved by:</b>	Mr. Ferguson
<b>Seconded by:</b>	Mr. McHenry
<b>Discussion:</b>	Mr. McHenry abstained from the vote since he was not a committee member for the March 30, 2011 meeting.
<b>In Favor:</b>	Unanimous
<b>Motion:</b>	Passes

C. Agenda Items:

1. Status report and possible **Recommendations** on legislation pertaining to PSPRS including SB1609, SB1316, and SB1317.....Mr. Jim Hacking  
Administrator

In his summary, Mr. Hacking stated that SB1609, SB1316, and SB1317 are on the Governor's desk and that she has 10 days from adjournment to act on them. He noted that there is a problem with SB1316 because it appears that the Governor's Office does not think that policymakers in the Legislature understood exactly what the bill's provisions would do with respect to the current Iran/Sudan reporting requirements that apply to all contract.

2. Presentation of the Month-to-Date Budget Report for FY 2011 and possible **Recommendations**.....Ms. Karen Lewis  
Accounting Manager

Ms. Lewis stated that we are over budget in legal and actuarial services. Mr. Hacking informed the Subcommittee members that legal billings are dropping and the actuarial work for FY 2011 is almost complete. Building expenses are high due to the unforeseen air conditioner unit failures this past summer. Mr. Tobin asked the staff to make an effort to keep the FY 2011 expenses as low as possible for this fiscal year. Areas in which to cut spending are non-essential training and travel, capital expenses and not filling open positions. Ms. Lewis will present the preliminary FY 2012 budget at the May 25, 2011 Board of Trustees Meeting.

3. Presentation, discussion and possible **Recommendations** regarding FY 2011/12 PSPRS Strategic Plan.....Ms. Gail Nova  
Administration Manager

On-going strategic initiatives and new ones were presented by Ms. Nova. On-going projects include training for local boards, business continuity, and policy revisions. New initiatives include a restructure of the Actives, Benefits, and Insurance Departments to include a call center, establishing barcodes to automatically track files, implementing work flow and acquiring a versioning system for our shared drive. Establishing the strategic initiatives will assist in creating the FY 2012 budget.

2. Presentation of the Quarterly Operations Report and possible **Recommendations**.....  
.....Ms. Tracey Peterson  
Chief Operating Officer

As reported by Ms. Tracey Peterson, for the quarter ending March 31, 2011, the number of people exiting the Deferred Retirement Option Plan (DROP) year-to-date was 534 versus 261 at this time last year. The large increase appears to be due to the anticipation of changes to the program that will be made by SB 1609. The number of refunds was consistent with the experience last year; however, the dollar amount this year is \$8.8 million as compared to \$6.5 million this time last year. Due to smaller payrolls and furlough days, the contribution amount somewhat decreased.

3. Status report on the I.R.S. submission for the determination letters for the Supplemental Defined Contribution Plan and the Term Limited Plan, discussion and **Recommendations**.....  
.....Ms. Tracey Peterson

The discussion began with Ms. Peterson informing the members of the Subcommittee that the Board of Trustees is responsible for two supplemental defined contribution plans; a State of Arizona Term Limited Plan and a Supplemental Defined Contribution Plan. The Arizona Term Limited Plan has been closed but the Supplemental Defined Contribution Plan remains open. In December the Board gave permission for Staff to contact tax counsel to amend the plan documents for the two plans in order to get updated I.R.S. determination letters. We need Board of Trustee approval for signatures on the updated determination letters before moving forward. The letters include I.R.S. changes since 2001. She pointed out that ten employers plus the staff members participate in the Supplemental Defined Contribution Plan. Getting new determination letters will be the first step in the process of consolidating all of the Arizona Supplemental Defined Contribution Plans.

<b>MOTION: 4-2-11</b>	At 11:15 a.m.
<b>Recommendation:</b>	To accept the changes as presented by Staff.
<b>Moved by:</b>	Mr. Ferguson
<b>Seconded by:</b>	Mr. McHenry
<b>Discussion:</b>	None
<b>In Favor:</b>	Unanimous
<b>Motion:</b>	Passes

- 4. Discussion and possible **Recommendations** regarding setting of the employer paid premium for FY 2012 for the Fire Fighter and Peace Officer Cancer Insurance Plan.....Ms. Tracey Peterson

Ms. Peterson stated that as directed by statute, the Board of Trustees must set a premium for the Fire Fighter and Peace Officer Cancer Insurance Plan. In the past the amount was \$180 per person. However, since the governing statutes allow the Board to set the annual premium at any amount “up to \$180,” and since the Plan has a current balance of \$17.6 million and paid out only \$338,000 in benefits this past year, the Staff is recommending a premium holiday for FY 2012. If the premium holiday is approved and therefore the Plan will receive no revenue and in view of the fact that the cost to administer the Plan is tied to a percentage of revenue received, we should not allocate any administrative costs to the Plan in FY 2012. Normally, the amount allocated to the Plan for administrative costs is approximately \$20,000 to \$25,000 per year. This amount would remain in the underlying Public Safety Plan.

<b>MOTION: 4-3-11</b>	At 11:26 a.m.
<b>Motion:</b>	To accept the Staff recommendation for a premium holiday for fiscal year 2012 for the Fire Fighter and Peace Officer Cancer Insurance Plan.
<b>Moved by:</b>	Mr. Ferguson
<b>Seconded by:</b>	Mr. McHenry
<b>Discussion:</b>	None
<b>In Favor:</b>	Unanimous
<b>Motion:</b>	Passes

- 5. Written update on the progress of the Local Board Training Program and discussion and possible **Recommendations**.....Mr. Robert Ortega  
Local Board Training Coordinator

Mr. Ortega is meeting with Huachuca Police Department in order to establish their local board within the statutory time frame of sixty days. He is also doing preliminary work with Palominas Police Department prior to the presentation of their joinder agreement to the Board of Trustees. He also reported that he is answering many phone calls regarding SB 1609, including questions about the alternative contribution rate (ACR) for which the legislation provides. He noted that the ACR is that portion of the total required contribution that is allocated for the amortization of the unfunded liability of the Plans and that it is an amount that is recalculated annually by the System’s actuary.

- 6. Review, discussion and appropriate **Action** regarding the April 2011 bill for legal services performed in March 2011.....Mr. Jim Hacking

The legal bill of \$109,387.98 includes a \$33,582.10 item that the law firm paid to the I.R.S. on behalf of our Plans’ sponsors. However, the System will be refunded an exact same amount

by the I.R.S. , since the System had paid that amount to the I.R.S. at the beginning of the EPCRS process. A receivable will be set up for this purpose.

<b>MOTION: 4-4-11</b>	At 11:40 a.m.
<b>Motion:</b>	To approve payment of the April 2011 legal bill for services performed in March 2011.
<b>Moved by:</b>	Mr. Ferguson
<b>Seconded by:</b>	Mr. McHenry
<b>Discussion:</b>	None
<b>In Favor:</b>	Unanimous
<b>Motion:</b>	Passes

7. Report, discussion and possible **Recommendations** regarding search for in-house legal counsel.....Mr. Jim Hacking

Mr. Hacking informed the committee members that he has scheduled a meeting on April 28 with the Office of the Attorney General to review all available options regarding the search for in-house legal counsel and to determine the status of our request for the AG's approval of our utilizing the law firms approved by the Board for special legal services on an as needed basis. In addition, he indicated that the meeting would provide an opportunity to learn about the "risk management program."

8. Discussion and possible **Recommendations** regarding revisions to the PSPRS logo and website.....Mr. Paul Hemmes

Training/Audio Visual

Specialist

The Subcommittee was updated on proposed revisions to the PSPRS website and logo. The goal is to establish a logo that will be legible, be printable, and will work in both color and black and white. The Committee narrowed the choices from seven to three which will be revised using the suggestions that were made and returned to the Committee at the next meeting.

9. **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 were no comments from members of the public.

10. Schedule next meeting

The next meeting will be held on Wednesday, May 25, 2011.

11. Adjournment

The meeting was adjourned at 11:50 a.m.

<b>MOTION: 4--11</b>	At 11:50 a.m.
<b>Motion:</b>	To adjourn the meeting.
<b>Moved by:</b>	Mr. Ferguson
<b>Seconded by:</b>	Mr. McHenry
<b>Discussion:</b>	None
<b>In Favor:</b>	Unanimous
<b>Motion:</b>	Passes

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**Brian Tobin, Chairman**

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**Greg Ferguson, Member**

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**Jeff McHenry, Member**