

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

January 25, 2012

MINUTES

<i>Members</i>	Mr. Greg Ferguson, Chairman, Trustee
<i>Present:</i>	Mr. Jeff McHenry, Acting Chair, Member, Trustee Ms. Randie Stein, Member, Trustee
<i>Others Present:</i>	Mr. Jim Hacking, Administrator Mr. Jared Smout, Deputy Administrator Ms. Bridget Feeley, Internal Audit and Compliance Officer Mr. Robert Ortega, Local Board Training Coordinator Ms. Leslie Clark, Senior Accounting Database Administrator Mr. John Hendricks, Senior Investment/Financial Accountant Mr. Alex Neff, IT Network Specialist Mr. Gerry Page, IT Network Specialist Mr. Tom Willard, Systems Development Manager Ms. Patrice Robinson, Audio Visual Consultant

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

The meeting was called to order at 11:00 a.m. by Chairman Ferguson.

2. Review, discussion and possible approval of the Operations, Governance Policy and Audit Committee Minutes from November 30, 2011Mr. Gregory Ferguson

MOTION: 1-1-12	At 11:01 a.m.
Motion:	To approve the Operations, Governance Policy and Audit Committee Minutes from November 30, 2011.
Moved by:	Mr. McHenry
Seconded by:	Ms. Stein
Discussion:	None
In Favor:	Unanimous
Motion:	Passes

3. Presentation of the Month-to-Date Budget Report for FY 2011 and possible **Recommendations** (Tab 15)Mr. John Hendricks
.....Manager Finance and Accounting

Mr. Hendricks stated that for the month-to-date in FY 2012, the only outlier is legal fees. In part, that is because we have not yet hired an in-house investment counsel. Ms. Stein asked how the legal expenses are projected and the response was that they were estimated based upon the amount spent for the corresponding month in FY 2010 - 2011.

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

Mr. Hacking reported that the only open position is that of in-house investment counsel. All the rest have been filled.

- 5. Status report regarding proposed 2012 legislation and possible **Recommendations**
..... Mr. Jim Hacking

Mr. Hacking shared with the Committee that the administrative bill, SB 1116, was acted upon last Thursday in the Senate Finance Committee which asked for an amendment for issues raised at their meeting. A revised draft of an amendment will be offered today at a meeting of the Senate's Committee of the Whole regarding breaks in service and other issues. SB 1115, the Iran\Sudan bill, passed out of Committee unanimously and will be presented today before the Committee of the Whole. HB 2087 that makes explicit the Board of Trustees' power to enter into employment agreements with the Administrator and Assistant Administrators was heard in the House Employment and Regulatory Reform Committee yesterday and passed unanimously. There will be an amendment to this bill.

Additionally, there are other proposals that would affect our Plans, but they have yet to be presented. A discussion was held regarding these proposals and the members of the Committee requested a list of these bills. The Committee members were referred to the PSPRS website www.psprs.com.

- 6. Written update on the progress of the Local Board Training Program and discussion and possible **Recommendations** regarding same (Tab 18) Mr. Robert Ortega
..... Local Board Training Coordinator and Human Resources Manager
..... Mr. Don Mineer
..... Local Board Training Specialist

It was reported by Mr. Ortega that Mr. Mineer is doing a good job regarding outreach and 61% of the local boards have been touched in some capacity. The local board portals were launched in November.

- 7. Review, discussion and possible **Action** regarding the December 2011 and January 2012 Kutak Rock bills for legal services performed in November and December 2011, respectively (Tab 19) Mr. Jim Hacking

The December billing for work done in November by Kutak Rock was \$74,500 and the January billing for work done in December by Kutak Rock was \$72,285. It was pointed out by Mr. Hacking that we track all legal expenses by type and law firm.

MOTION: 1-2-12	At 11:32 a.m.
Motion:	To accept the Kutak Rock bills for payment for services performed in November and December, 2011.
Moved by:	Mr. McHenry
Seconded by:	Ms. Stein
Discussion:	None
In Favor:	Unanimous
Motion:	Passes

8. Discussion and possible **Action** on setting interest rates applicable to contribution refunds, transfers of service credits, forfeitures due to felonies, and other circumstances in which interest may be charged by the Plans (Tab 21).....Mr. Jared Smout
.....Deputy Administrator

Mr. Smout led the discussion regarding this agenda item which covered interest rates for contribution refunds, transfers of service credits and forfeitures due to felonies and other circumstances in which interest may be charged by the Plans. These were taken up separately.

MOTION: 1-3-12	At 11:36 a.m.
Motion:	To Recommend that the interest rate applied to the refund of member contributions for Tier 1 and Tier 2 members of PSPRS, CORP and EORP be set at 3%.
Moved by:	Mr. McHenry
Seconded by:	Ms. Stein
Discussion:	None
In Favor:	Unanimous
Motion:	Passes

MOTION: 1-4-12	At 11:38 a.m.
Motion:	To Recommend that those convicted or plead no contest to class 3, 4, or 5 felonies have their money refunded at a rate set by the Board of Trustees.
Moved by:	Ms. Stein
Seconded by:	Ms. McHenry
Discussion:	None
In Favor:	Unanimous
Motion:	Passes

MOTION: 1-5-12	At 11:40 a.m.
Motion:	To Recommend that the interest rate applied to the transfer of service credits in accordance with ARS § 38-924(B)(1) be set at the same rate which is applied to refunds of member contributions, namely 3%.
Moved by:	Mr. McHenry
Seconded by:	Ms. Stein
Discussion:	None
In Favor:	Unanimous
Motion:	Passes

9. Discussion and possible **Action** on optional forms of retirement benefits available to Elected Officials Retirement Plan (EORP) members (Tab 21)Mr. Jared Smout

Discussion was held regarding the change in survivor benefits in SB 1609 beginning January 1, 2012. For new hires on or after that date the survivor benefit percentage is set at 50%. The actuary recommends that the members hired on or after January 1, 2012 be allowed to select an option at retirement which pays the survivor 75% of the deceased members' pension in exchange for an actuarially reduced pension benefit.

MOTION: 1-6-12	At 11:43 a.m.
Motion:	To Recommend that EORP members hired after January 1, 2012 be allowed to select an option at retirement which pays the survivor 75% of the deceased members' pension in exchange for an actuarial reduced monthly retirement pension benefit.
Moved by:	Ms. Stein
Seconded by:	Mr. McHenry
Discussion:	None
In Favor:	Unanimous
Motion:	Passes

10. Report, discussion and possible **Recommendation** regarding compliance and internal audit examination and procedures (Tab 20).....Ms. Bridget Feeley
.....Internal Audit and Compliance Officer

Ms. Feeley stated that there were no compliance issues to report and the written information provided the Committee members indicates the progress that has been made in the internal audit examination.

11. 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.

12. Schedule next meeting. (*Currently scheduled for Wednesday, February 29, 2012*)
13. Adjournment.

MOTION: 1-7-12	At 11:47 a.m.
Motion:	To adjourn the meeting.
Moved by:	Ms. Stein
Seconded by:	Mr. McHenry
Discussion:	None
In Favor:	Unanimous
Motion:	Passes

Mr. Greg Ferguson, Chairman

Mr. Jeff McHenry, Member

Ms. Randie Stein, Member