

PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM

BOARD OF TRUSTEES OPERATIONS, GOVERNANCE POLICY and AUDIT COMMITTEE

MEETING

March 20, 2013

MINUTES

Present: Mr. Gregory Ferguson, Chairman
Mr. Jeff McHenry, Trustee
Ms. Randie Stein, Trustee

Others Present: Mr. Jim Hacking, Administrator
Mr. Jared Smout, Deputy Administrator
Ms. Ivy Voss, Assistant Attorney General
Ms. Bridget Feeley, Internal Audit and Compliance Officer
Mr. Don Mineer, Local Board Training Specialist
Ms. Leslie Clark, Senior Financial Accountant/Great Plains DBA
Mr. Tom Willard, Systems Development Manager
Mr. Paul Hemmes, Systems Programmer
Mr. Sam Meier, IT Operations Manager

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

*Mr. Gregory Ferguson
Committee Chairman*

The meeting was called to order by Chairman Ferguson at 11:02 a.m.

2. Review, discussion and possible approval of Operations, Governance Policy and Audit Committee Minutes from February 20, 2013.

Mr. Gregory Ferguson

MOTION: 1 – 3/20/13	At 11:05 a.m.
Motion:	To accept the minutes of the February 20, 2013 Operations, Governance Policy and Audit Committee as presented.
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 2013 and possible **Recommendations.**

*Mr. John Hendricks
Manager Finance and Accounting*

Ms. Leslie Clark reported that we expect to be over budget by 1.6% due to investment and legal expenses which we anticipate will be reduced next year. Discussion was held regarding work on the ducts which supply and direct the flow of air from the air conditioning system but are not directly related to the air conditioning units.

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

*Mr. Don Mineer
Local Board Training Specialist*

Mr. Mineer reported that the report is in written form. He also discussed the current Local Board Newsletter. As of the date of this meeting, 67 local boards have not signed up for use of the Local Board Portal and we are looking for 100% participation. The Local Board Training Program is giving more assistance to aid the boards in disability claims processing.

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

*Mr. Jim Hacking
Administrator*

Mr. Hacking reported that three of the four outstanding requests have been resolved and one request is pending awaiting the receipt of minutes.

6. Review, discussion and possible Action regarding the March 2013 Kutak Rock and other law firms' billings for legal services performed February 2013.

MOTION: 2 – 3/20/13	At 11:17 a.m.
Motion:	To approve the billing of \$39,350.00 for legal services performed in February 2013.
Moved by:	Ms. Stein
Seconded by:	Mr. McHenry
Discussion:	None
In Favor:	Unanimous
Motion:	Passes

7. Report and **Recommendations** on the FY 2013 Compliance and Internal Audit Plan.

*Ms. Bridget Feeley,
Internal Audit and Compliance Officer*

Ms. Feeley reported that two internal audit reports have been completed – one of travel expense reimbursements and another of the investment due diligence process. The controls in both of these areas are adequate and in six months another review of investment due diligence will be conducted.

8. Discussion regarding regional disability retirement boards.

Mr. Jim Hacking

Among other things, the Study Committee that was mandated by SB 1609, was required to conduct a review of how disability claims are processed. The Committee found that local boards for small groups have so few disability claims to process that they find them difficult to complete correctly.. It was suggested that perhaps each county could have a regional board to handle disability claims that come from the small groups within the county. In terms of designing the structure of the regional boards, Mr. Hacking stated this would be easy to do and would have many advantages. However, there may be an issue of local control and some of the PSPRS constituent groups may have concerns about taking jurisdiction away from the local boards. Mr. Hacking suggested preparing a document that would outline the structure of a county local board that would handle all disability claims arising from small groups within the county. After review by the Committee, we could then have this document reviewed by each interest group for their input and suggestions for modifications. There was discussion about who would be responsible for the costs, how to select each board, and who would be in charge. This would help achieve consistency in disability claims processing and help to overcome that lack of familiarity some boards have with the disability process. Staff will draft the document for review by this Committee.

9. Status report and discussion of the PSPRS, EORP and CORP Administrative Bills (HB2056, SB1173 and SB1174) and Amendments.

*Mr. Jim Hacking
Mr. Jared Smout, Deputy Administrator*

Mr. Hacking said these bills are moving through the legislative process. HB2056 is coming before the Senate Finance Committee this afternoon, and SB1173 and SB1174 were approved unanimously yesterday in the House Committee. The CORP Administrative Bill was amended to restore some of the original language as an accommodation for the Department of Corrections.

10. Report, discussion and possible **Recommendations** regarding HB2608, the "EORP Closure Bill" and any related bills, including SB1178.

*Mr. Jim Hacking
Mr. Jared Smout*

HB 2608 would close the EORP Defined Benefit Plan; all new hires would be placed in a Defined Contribution Plan where the employee would contribute up to 8% of pay and the employer would contribute a 5% of pay matching amount. There would be a third party administrator that would provide a menu of investment options for the employee to invest the assets in their account. The closed DB Plan and the new DC Plan would be funded over a 30 year period on a combined payroll basis. The bill, as introduced, placed administration of the Defined Contribution Plan with ASRS and it was in that form that the bill passed out of the House. However, because we pointed out that there are valid reasons for having administration of both the closed DB and the new DC under PSPRS, an amendment will be offered in the Finance Committee this afternoon to make this change. Mr. Hacking told the Committee members that having a bifurcated administration would create problems in terms of reporting and in terms of distributing the funds to cover the costs for the two plans. Additionally, it would be less expensive to have the disability

protection that the proposal provides for DC participants provided through PSPRS rather than ASRS. Assuming the amendment is accepted in the Finance Committee, the PSPRS position on the proposal will remain one of neutrality. The amendment would require periodic reports to the legislature with respect to the implementation of the new DC Plan by PSPRS. The implementation date for the changes will be January 1, 2014.

Mr. Hacking also told the Committee members that a proposal to subject PSPRS to the appropriations process and to the ADOA procurement rules has been dropped. That proposal was going to be offered as an amendment to SB1178.

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.

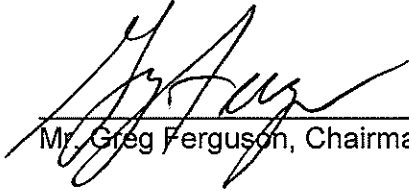
There was no response to the Call to the Public.

12. Schedule next meeting. (*Currently scheduled for Wednesday, April 17, 2013*)

The next meeting will be held on Wednesday, April 17, 2013.

13. Adjournment.

The meeting was adjourned at 11:59 a.m.



Mr. Greg Ferguson, Chairman