

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

November 19, 2014

MINUTES

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

Others Present: 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
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. John Chase, Senior Systems Programmer
Mr. Paul Hemmes, Systems Programmer
Ms. Michelle Pechan, Paralegal
Ms. Lisa Sweeting
Ms. Bonnie Brown, Retired Members Manager
Ms. Jennifer Lybarger, ADOA
Ms. Annette Jorgensen, Insurance Team Leader and Cancer Insurance Manager

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

*Mr. Gregory Ferguson
Committee Chairman*

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

2. Review, discussion and possible approval of Operations, Governance Policy and Audit Committee Minutes from August 27, 2014 and October 22, 2014.

Mr. Gregory Ferguson

MOTION: 1-11/19/14	At 11:01 a.m.
Motion:	To approve both the Operations, Governance Policy and Audit Committee Minutes from August 27, 2014 and October 22, 2014 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 2015 and possible **Recommendations**.

*Mr. John Hendricks
Manager Finance and Accounting*

The budget was up by \$170,000 last month which included three new investment projects, \$500 for the administrator selection process and the SharePoint project which will be placed on the agenda for future discussion regarding how it works. It is projected we will be 6.82% over budget at the end of the fiscal year. Mr. Smout stated the increase in the legal bill was expected due to the fact the new in-house investment counsel getting up to date.

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*

There was nothing major to report and a written report was included in the information for the Board of Trustees. The Local Board Training group is working on more structured programs for training of the Local Boards regarding actuarial information to enable the Local Boards to make decisions regarding funding levels.

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

*Mr. Jared A. Smout
Deputy Administrator*

One rehearing request has been held over and there is one additional request.

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

Mr. Jared A. Smout

MOTION: 2-11/19/14	At 11:13 a.m.
Motion:	To approve the law firms' billings for legal services performed in October, 2014 in the amount of \$152,583.30.
Moved by:	Mr. McHenry
Seconded by:	Ms. Stein
Discussion:	None
In Favor:	Unanimous
Motion:	Passes

7. Report and **Recommendations** on the FY 2015 Compliance and Internal Audit Plan.

*Ms. Bridget Feeley
Internal Audit and Compliance Officer*

Review of service purchases has been completed and this will be forwarded to the actuaries to make sure our spreadsheets are still adequate and to see if changes are needed. The Investment Committee wanted to see more management fee reviews to be completed each month and more information regarding same. The compliance department will look at the EPIC system for accuracy and verification will be conducted regarding accuracy of bank account information source documents. In December a log of critical review issues will be presented and meetings with Staff and Trustees will be held to discuss risk assessment.

8. Discussion and possible **Recommendations** regarding changes to the Fire Fighter, Peace Officer and Corrections Officers Cancer Insurance Policy Program.

*Mr. Jared A. Smout
Ms. Bonnie Brown
Retired Members Manager
Ms. Annette Jorgensen
Insurance Team Leader & Cancer Insurance Manager*

Mr. Smout informed the committee that Staff has been asked to see what we can do to simplify the cancer insurance processes to include the corrections officers. Ms. Brown stated that employers will be notified by December 1, 2014 regarding the process and the employees will want to enroll by January 31, 2015. Premiums will be due March 31, 2015 which will be collected by the employers.

The plan and its benefits, based on member utilization, were reviewed and were compared to current industry standards in order to simplify the insurance process. Enhanced first occurrence benefits, skin cancer benefits and the addition of a pharmacy benefits have been researched. Discussion of lifetime benefit amounts and average usage per member were reviewed in light of what the new numbers of enrollees will do to those amounts. It is too soon to tell what member benefits will do to the average benefit and this will be reviewed in a year.

Discussion of the wording of the written documents regarding benefit changes was held. Revisions will be brought back to the committee next month. Notification of availability of the changes will be made in January to those who were members of CORP effective July 1, 2014. Plan changes are not retroactive. It was recommended that this be presented to the constituent groups.

9. Discussion and **Recommendations** regarding an amendment to the PSPRS FY 2015 Budget to provide funding for an existing and open Lead Portfolio Manager position.

Mr. Jared A. Smout

This agenda item was tabled.

10. Discussion and possible **Recommendations** regarding the use of Employment Agreements.

Mr. Gregory Ferguson

There is no data on use of employment agreements and uniformity of use. There are a couple of options. NASRA suggested a survey regarding the use of employment agreements in time for the next compensation study and to include this as part of an RFP. A standard uniform policy could be developed, but this too could be changed if

someone negotiates differently than any proposed policy elements. Mr. Smout recommended keeping the term to three years with a retention agreement of 25% of base pay. As of this time there is no data from which to make recommendations.

11. Discussion and possible **Recommendations** regarding the use of legal counsel.

Mr. Jared A. Smout

This is an informational update which was continued from last month. Over the past few months the Board has desired to retain outside fiduciary counsel which acts as a type of backstop for what we already have. Investment counsel specialists and fiduciary counsel specialists will be used on an as needed basis. In-house legal counsel needs to have the role of fiduciary counsel diminished, but it is valuable to have fiduciary counsel on retainer.

12. Discussion and possible **Recommendations** on adopting the First Amendment to the Elected Officials' Defined Contribution Retirement System.

Mr. Jared A. Smout

This formalizes legislation that has been passed. Last month a favorable IRS determination letter was received which made clear for whom the plan was implemented. Guidance regarding qualifications for this plan: If an official is elected now and already has time with a plan, it is mandatory they return to that plan. If that elected official has time with ASRS and no time with EORP, they must return to ASRS. If they are not a member of either plan, they must go to the new DC plan. If they are retired from either plan, they cannot enter the DC plan. Discussion was held regarding portions of the proposed First Amendment.

MOTION: 3-11/19/14 At 12:01 p.m.

Motion: To accept the First Amendment to the Elected Officials' Defined Contribution Retirement System as presented.

Moved by: Mr. McHenry

Seconded by: Ms. Stein

Discussion: None

In Favor: Unanimous

Motion: Passes

13. Review, discussion and possible **Recommendations** on potential PSPRS legislative proposals for the 2015 legislative session including items for a possible administrative amendments bill.

Mr. Jared A. Smout

No discussion was held.

14. Update and discussion on the progress of efforts with the Arizona Department of Administration in relation to the MOU.

Mr. Jared A. Smout

The next stage is discussing placement of positions into the ADOA HR system. We pay ADOA \$5000 per month for the payroll process.

15. 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.

Mr. Jim Mann of the Fraternal Order of Police stated he appreciates the work on the cancer insurance policy and is happy to see it gel. He will give out revisions to the employers and stakeholders. There have been a lot of questions about local boards and possibly putting together regional local boards. Staff has done a good job educating members about pension passports.

16. Schedule next meeting. (*Currently scheduled for Wednesday, December 17, 2014*)

17. Adjournment.

The meeting was adjourned at 12:15 p.m.

Mr. Greg Ferguson, Chairman