

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

**May 27, 2015**

**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  
Ms. Michelle Pechan, Paralegal  
Ms. Lisa Sweeting, Knowledge/Information Manager  
Mr. Christian Palmer, Avant Strategies  
Mr. Craig Harris, The Arizona Republic  
Mr. Paul Hemmes, IT Staff  
Mr. John Kaites, Public Policy Partners  
Mr. Alex Kaites, Public Policy Partners

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

*Mr. Gregory Ferguson  
Committee Chairman*

Chairman Ferguson called the meeting to order at 11:06 a.m.

2. Review, discussion and possible approval of Operations, Governance Policy and Audit Committee Minutes from April 22, 2015.

*Mr. Gregory Ferguson*

**MOTION: 1-5/27/15** At 11:06 a.m.

**Motion:** To approve the Operations, Governance Policy and Audit Committee Minutes from April 22, 2015 as written.

**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*

Ms. Leslie Clark stated we are 0.03% over budget since the removal of money that was not used for the actuary in the amount of \$51,000. With the removal of the cost for scanning services that were not needed, we are under budget by \$21,600.

<b>MOTION: 2-5/27/15</b>	At 11:07 a.m.
<b>Motion:</b>	To recommend to the Board of Trustees to amendment to the budget.
<b>Moved by:</b>	Ms. Stein
<b>Seconded by:</b>	Mr. McHenry
<b>Discussion:</b>	None
<b>In Favor:</b>	Unanimous
<b>Motion:</b>	Passes

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*

Discussion is progressing regarding a Hopi Joinder Agreement.

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

*Mr. Jared A. Smout  
Deputy Administrator*

There is one additional rehearing request.

6. Review, discussion and possible **Action** regarding law firms' billings for legal services performed in April, 2015.

*Mr. Jared A. Smout*

<b>MOTION: 3-5/27/15</b>	At 11:10 a.m.
<b>Motion:</b>	To approve the law firms' billings for legal service performed in April, 2015 in the amount of \$108,698.13.
<b>Moved by:</b>	Mr. McHenry
<b>Seconded by:</b>	Ms. Stein
<b>Discussion:</b>	None
<b>In Favor:</b>	Unanimous
<b>Motion:</b>	Passes

The summary report shows deals in progress relative to the legal fees.

7. Report and possible **Action** on FY 2015 and FY 2016 Compliance and Internal Audit Plan.

*Ms. Bridget Feeley  
Internal Audit and Compliance Officer*

The Internal Audit Plan is 75% complete due to recent additional requests from the Board of Trustees. Payroll is being reviewed regarding changes to bank accounts. Other projects were listed, as were conferences that the Internal Audit and Compliance staff plans to attend. An accounting of time spent by staff on projects was presented.

8. Written update on external communications efforts.

*Mr. Christian Palmer  
Avant Strategies*

Highlights of the written report were mentioned such as work to create a larger audience for the newsletter and improvement of the letter and communications.

9. Presentation, discussion and possible **Recommendations** regarding the renewal of fiscal 2015-16 contracts for various services.

*Mr. Jared A. Smout*

Not all contracts have been finalized and this agenda item will be brought back next month. Discussion was held regarding interim agreements with the investment consultants in order for all contracts to be on a fiscal year cycle.

10. Consideration of, and possible **Recommendations** on, the FY 2016 PSPRS Administrative Budget.

*Mr. Jared A. Smout*

The proposed Administrative Budget has an increase of 1.8% over last year's budget, which can be attributed to an increase in bank fees and services for real estate valuation we are required to perform on an annual basis now. The proposed budget is \$10.5 million. Also discussed was the personnel budget, including ADOA fees; tracking fees for due diligence; and whether or not to include litigation fees in the operations or investment budget as part of the return on the investment. Contracts and budget will be discussed at the June meeting.

11. Discussion and possible **Recommendation** to approve, disapprove or modify the Assumed Earnings Rate for the fiscal year beginning July 1, 2015.

*Mr. Jared A. Smout*

There have been no changes in the Assumed Earnings Rate for two or three years. This agenda item will be discussed during the Board of Trustees meeting.

12. Update and discussion on service purchase agreements on an installment basis.

*Mr. Jared A. Smout*

This topic is informational. A couple of months ago, our tax counsel advised us that due to the IRS no longer issuing private letter rulings on payroll deduction agreements, we cannot have pretax service purchase agreements on an installment plan which the Arizona legislature allowed us to utilize a couple of years ago. It does not preclude post tax installment plans. Mr. Smout proposed a unique approach by treating this like any other debt that can be paid off at the employee's own schedule and still accrue interest. Mr. McHenry stated the idea is labor intensive for the few that would choose to do this. He also had a concern about the true cost of the purchase being captured if it was treated this way. Mr. Smout said he will continue to look into this idea, including speaking with the actuaries about Mr. McHenry's concern.

13. 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.

No response to the Call to the Public.

14. Schedule next meeting. (*Currently scheduled for Wednesday, June 24, 2015*)

The next meeting will be held on Wednesday, June 24, 2015.

15. Adjournment.

The meeting was adjourned at 12:14 p.m.

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Mr. Gregory Ferguson, Chairman