



**PUBLIC SAFETY RETIREMENT SYSTEM
CITY OF SURPRISE LOCAL FIRE & POLICE BOARDS – JOINT**

Minutes, Wednesday, July 20, 2022
16000 N. Civic Center Plaza, Surprise, Arizona 85374

The following are the minutes from the PSPRS City of Surprise Fire & Police Joint Board Meeting held at 10:01 a.m. Wednesday, July 20, 2022. The meeting was held in City Hall, Council Chambers.

A. Call to Order

Chair Hall called meeting to order at 10:01 a.m.

B. Roll Call:

Skip Hall, Chairperson – Present
James Conner, Appointed Member – Present
Kim Drayden, Appointed Member - Present
Severin Hall, Police Department – Present
Christopher Thomas, Police Department – Present
Christopher Preest, Fire Department – Present *(telephonically)*
Ricardo Valdez, Fire Department – Present

In attendance:

Cynthia Kelley, Legal Counsel
Ariana Reyna, PSPRS Board Secretary

C. Pledge of Allegiance – Completed

D. Current Events Reports – None

E. Staff Reports

Welcome new and re-elected Board Members.

Ariana Reyna officially welcomed Appointed Member Kim Drayden, newly elected Police Member Cristopher Thomas, as well as Christopher Preest who was reelected to serve as a Fire Board Member. The members all have a term expiration effective June 30, 2026.

Review FY 22 legal counsel fees

Ariana Reyna stated that she included a summary report of legal fees' expenditures for previous fiscal years for the Board's review in addition to providing a new template for FY legal fees.

F. Call to the Public – None

Consent Agenda:

- 1. Considerations and action pertaining to the review and approval of the April 13, 2022 Joint Public Safety Retirement Commissions – Joint Board Meeting Minutes - APPROVED**



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Motion to Approve: James Conner

Second: Severin Hall

Opposed: None

Regular Agenda:

**2. Considerations and discussion pertaining to Senate Bill 1268 as presented by
Legal Counsel – DISCUSSION ONLY**

Cindy addressed the Board and stated that Senate Bill (SB) 1268 is now law, it relates to DROP, and that there are two aspects associated with it. Tier 1 employees can enter DROP for a period of 84 months but they have to meet the following criteria: have 24.5 years of credited service and they have to be 51 years old. As long as Tier 1 members meet the criteria to enter DROP for the first time, they are able to do so; the employer has no discretion of allowing or denying. For members who are already actively participating in DROP, they can also extend their participation to 84 months and are not required to meet the aforementioned criteria of service and age. However, the employer does have discretion to determine if this will be allowed or not. Cindy Kelley stated that each employer should work with their employment attorney to establish a process/policy, and set parameters, restrictions, etc. as to who can extend for 84 months.

Chair Hall asked Cindy Kelley to explain DROP for the television audience. Cindy Kelley stated that DROP was a Deferred Retirement Option Plan and employees that have 20-25 years of credited service, depending when they came into the system, can opt to enter DROP. They have to sign an irrevocable contract and they have to designate a period for participation. It used to be 5 years (60 months) now it can be 7 years (84 months). While they are in DROP, employees are not earning any credited service and they stop contributing to the pension plan. The amount that they would have been receiving for retirement benefit is calculated, and instead of receiving a monthly payment, those monies are deposited into an account that earns interest. At the end of the DROP period or separation from the employer, the employee decides what to do with the monies with the option of rolling it over to another plan if they choose to.

James Conner asked if the monthly benefit amount stays the same after they enter DROP to which Cynthia Kelley confirmed it does. James Conner followed by asking Cynthia Kelley if the drafting of a policy would need to be done by the City or by the Board. Cynthia Kelley clarified that the employer would have to draft such policy. Chair Hall stated that the City would work with its legal team. Ariana Reyna asked the Board if there were any suggestions from the Board that she could present to the City for consideration in drafting a policy for SB 1268. Discussion ensued regarding the interpretation of automatic vs. discretionary provisions.



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Ricardo Valdez asked details about the Bill, specifically inquiring about a member who chooses to extend DROP participation for an additional 24 months. The Bill states that the system will transfer the accumulated balance of a member's DROP participation account to an account created for the member in a defined contribution plan. Ricardo Valdez wanted to know who will be responsible for holding the money and what percentage of interest were these monies (additional 24 months) would be compounded at. Who determines this percentage? Chair Hall recommended for this to be discussed in a future meeting. Ariana Reyna stated that currently Nationwide is managing DROP accounts on behalf of the City so she would also inquire with the representative so that he could provide additional details for the Board.

Christopher Preest asked if there was any reason for the City not to allow extension of DROP participation to what the Chair responded no, the City was fine with the extension. Christopher Preest stated that his interpretation of the money distribution was that the first five years of DROP participation would be managed by Nationwide. However, if a member chose to extend for an additional 2 years, then he/she would get to choose portfolio distribution, which vendor would manage the funds, and that the interest is based on the market, not set by PSPRS. Cynthia Kelley stated that she did think these would be two separate accounts.

James Conner asked for clarification that it was up to the member how long he/she wanted to participate in DROP to which Cynthia Kelley said yes but stated that a member had to leave prior to the end of their DROP end date. Ariana Reyna informed the Board that internally, Human Resources ran an audit on all active DROP participants and there is no one member that will be immediately impacted on this until 2023 which gives the City more time to get these questions answered accordingly.

Cynthia Kelley mentioned House Bill 2063, which changes the return to work provisions from having to be separated from service for 12 months to 6 months. Discussion ensued on a previous return to work case that was reviewed by the Police PSPRS Board.

G. Other Business and Future Agenda Items – Follow up on Senate Bill 1268 questions regarding money distribution for extension of participation

H. Executive Session – None.

I. Adjournment

Motion to adjourn at 10:18 a.m. – APPROVED

Motion: James Conner



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Second: Ricardo Valdez

Opposed: None

Meeting Minutes Approval:

Skip Hall, Chair

CERTIFICATION:

I, Ariana Reyna, Human Resources Business Partner and PSPRS Board Secretary for the City of Surprise, Maricopa County, Arizona, do hereby verify that these are true and correct minutes of the PSPRS Local Fire & Police Boards - Joint Meeting of **Wednesday, July 20, 2022.**

Ariana Reyna, PSPRS Board Secretary