SURPRISE
ARIZONA

PUBLIC SAFETY RETIREMENT SYSTEM
CITY OF SURPRISE LOCAL FIRE & POLICE BOARDS – JOINT
Minutes, Wednesday, February 15, 2023
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 10:00 a.m. Wednesday, February 15, 2023. The meeting was held in City Hall, Council Chambers.

A. Call to Order

Chair Hall called meeting to order at 10:00 a.m.

B. Roll Call:
Skip Hall, Chair – Present
James Conner, Appointed Member – Present
Kim Drayden, Appointed Member – Absent
Severin Hall, Police Department – Present
Christopher Thomas, Police Department – Present
Christopher Preest, Fire Department – Absent
Ricardo "Rick" Valdez, Fire Department – Present

In attendance:
Cynthia "Cindy" Kelley, Legal Counsel
Ariana Reyna, PSPRS Board Secretary

C. Pledge of Allegiance – Completed

D. Current Events Reports – None

E. Staff Reports
Review of FY 23 legal counsel fees.

Reminder of the upcoming annual PSPRS Employer-Local Board conference for Wednesday, March 1, all day event. I have registered all of the Members who have confirmed attendance.

Ariana Reyna asked to know what the Board's preference was to continue broadcasting a live streaming of the PSPRS meetings. She indicated that prior to COVID-19, the Local PSPRS Board Meetings were not televised. Legal Counsel has confirmed that per statute, televising the meetings is not a requirement. Since this originally, stemmed from a need due to the pandemic, she asked if the Board had a preference to continue or discontinue the live streaming of PSPRS Board Meetings through the Surprise TV channel. The Board indicated that they prefer to continue televising the meetings for public's access and ease of review.

F. Call to the Public – None

Consent Agenda:

1. **Considerations and action pertaining to the review and approval of the September 14, 2022 Public Safety Retirement Commissions – Joint Board Meeting Minutes - APPROVED**

   Motion to Approve: James Conner
   Second: Rick Valdez
   Opposed: None

Regular Agenda:

2. **Considerations and follow-up discussion pertaining to Senate Bill 1268 – DISCUSSION ONLY**

Ariana Reyna stated that during the September 14, 2022 meeting, Joint Board Members had questions regarding the City's decision to allow for a DROP extension pursuant to SB 1268 and there was questions made regarding interest rates for retirement savings plans managed by Nationwide. Ariana Reyna indicated that she provided the official City Manager's Directive explaining the City's stance on DROP extension. Ariana Reyna introduced Matt Gayman, Program Director from Nationwide who was present and available to answer questions from the Board Members.

Christopher Thomas asked if the City would continue paying the same contributions into members' PEHP *(Post Employment Health Plan)* account as long as the member is in the DROP, including the extension. Ariana Reyna stated that the way that public safety's MOU *(Memorandum of Understanding)* is written is very specific in stating that the same contribution will be made as long as the member is active in DROP, which constitutes the extension period as well.

Christopher Thomas asked that if the 401(a) rate would be market driven or a fixed, set rate. Matt Gayman addressed the Local Board and explained that at the end of the 7-year DROP, which is similar to the end of the 5-year DROP, the money (lump-sum deposit) will automatically be deferred to Nationwide from PSPRS. To provide some context, Matt Gayman stated that this law went into effect last July, 2022 and for anyone who extended their DROP between July 2022 and December 31, 2022, Nationwide recently received those members' lump sum deposits on January 31, 2023. Matt Gayman further explained that going forward; PSPRS would automatically transfer lump sum payments for members in the DROP at the end of their 5-year (60 month) participation period regardless if the member chooses to extend participation or not. After Nationwide receives the lump sum payment for the member's initial 5-year DROP participation, Nationwide will also receive the member's monthly PSPRS payment that a member would have originally received at the end of the 5-year period, and Nationwide will hold those monthly funds until the member finally exits DROP. Those monies go into Nationwide's fixed 401(a) account that has a credited interest rate of 2.75%. In order to accrue the interest, the money has to remain in Nationwide's 401(a) but the member has discretion on how to invest since Nationwide offers a diverse line of investment options available to participating members, which is very similar to what employees, see with their 457(b) accounts with the City. Matt Gayman continued discussing other investment options available to members through the use of a broker within Nationwide's portal. Matt Gayman confirmed that the default rate for the 401(a) fixed account is a fixed 2.75% rate, but the members have immediate discretion with investment options with their money.

Christopher Thomas asked if the lump-sum payment for the initial 5 year (60-month period), if that was also going to accrue at 2.75%? Matt Gayman said yes; that the lump sum and the monthly deposits would accrue at the 2.75% rate unless the member decided to invest differently and outside of the fixed account.

Rick Valdez asked if there was a potential to lose money if the market tanked. Matt Gayman stated that as long as the member keeps the funds in the fixed rate account, the member would not lose money because PSRPS has guaranteed a 2.75% accrual rate. However, if the member decides to invest money in mutual funds, for example, then those monies are subject to rate adjustments based on the market's performance. Rick Valdez inquired on timeline for accessing funds post separation of employment. Matt Gayman stated that as soon as Nationwide receives final contributions on behalf of the member, after a typical processing time of 3-7 business days, the employee has full access to their money and has the option to withdraw funds and pay taxes, rollover funds elsewhere, or leave the money in the plan.

Rick Valdez inquired on Nationwide's management of money/accounts for other Cities. Matt Gayman stated that Nationwide won the PSPRS contract to manage DROP funds for PSPRS members through a competitive bid. Therefore, Nationwide manages all exit DROP accounts for all PSPRS members, for every City, even if the City utilizes a different vendor to manage their deferred and PEHP accounts.

Severin Hall asked that if upon separation, the employee has the option to leave the funds in the 401(a) at the fixed rate of 2.75% and if there was a timeline where that money needed to be rolled over to something else. Matt Gayman said that the member could leave those funds intact upon separation, for an indefinite period, and the account funds would still be accruing at the same fixed rate of 2.75%. In addition to that, Matt Gayman explained that this benefit was also extended to retirees even if they do not currently have any money invested with Nationwide. As long as a retiree member is receiving a pension benefit through PSPRS and has pre-tax funds available and/or invested elsewhere, they can open a 401(a) account with Nationwide and still receive the same benefit of having these funds accrue at the fixed rate of 2.75%; this is a benefit that is tied to PSRPS members including retirees. Severin Hall asked if City employees (PSPRS members) had the option to rollover their 457(b) monies into that 401(a) account and take advantage of the fixed rate and Matt Gayman said yes; Nationwide has members that at the end of their careers, once members exit DROP, members have decided to merge all funds into one account.

Matt Gayman indicated that he recently became the program director in December 2022 but welcomes the opportunity to assist and address members' questions. He also reminded the Board that the City's local servicing representative from Nationwide is Scott Wheeler who was onsite doing a regular visiting session with City employees.

Ariana Reyna asked for clarification on the guaranteed 2.75% rate and inquired on the basis for this rate to possibly change pursuant to a possible contract termination between PSPRS and Nationwide in the future. Matt Gayman stated that the rate could change in the event that PSPRS decided to hire a different provider. The 2.75% is Nationwide's contractual rate today but if the contract undergoes a rebidding process, than the rate could potentially go up or down depending on the terms of the new contract. PSPRS is currently reviewing RFP material for contract management of PSPRS funds.

Matt Gayman distributed business cards to Board Members and thanked the City's public safety personnel for keeping the community safe as he is a resident of Surprise.

Rick Valdez inquired on the process as outlined in the City Manager's directive 23-01, which stipulates the City's stance on DROP extension. Rick Valdez asked why there was a mention that the approval of extension for up to an additional twenty-four (24) months would be repealed from and after December 31, 2027. Ariana Reyna explained that there are two components to SB 1268: the repeal date only applies to members that had already gone into DROP effective July 1, 2022, which is when this law went into effect. Anyone who entered DROP on or after July 1, 2022 has the option to enter DROP for the full 7 years if he/she chooses to as long as he/she meets the criteria set forth by the state. For members who entered DROP prior to July 1, 2022, the City will be all caught up with asking each one of the members if they would like to extend their original designation period in DROP participation for up to an additional twenty four months. By December 31, 2027, everyone who had already entered DROP by July 1, 2022 would have received the opportunity to extend if they wish to do so pursuant to the City's directive. Ariana Reyna then indicated that the Human Resources (HR) Department would be responsible for contacting the members regarding this process, therefore, Board Members could direct employees back to HR if they have any specific questions or concerns and the HR department would be happy to assist.

G. Other Business and Future Agenda Items – None.

H. Executive Session – None.

I. Adjournment
Motion to adjourn at 10:27 a.m. – APPROVED

Motion: James Conner
Second: Rick 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, February 15, 2023.**

Ariana Reyna, PSPRS Board Secretary