

PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM

FUND MANAGER MEETING

February 24, 2010

REVISED AGENDA

A Meeting of the Fund Manager of the Public Safety Personnel Retirement System (PSPRS or System) will be held in the main public conference room of the administrative offices of PSPRS, 3010 East Camelback Road, Suite 200, Phoenix, Arizona, 85016, commencing at 1:00 p.m. on Wednesday, February 24, 2010. The meeting will continue until on or before 5:00 p.m. or until the matters set forth in this agenda are otherwise addressed. The Fund Manager may vote to hold an executive session, which will not be open to the public, to discuss certain matters. The Fund Manager reserves the right to consider agenda items out of their listed order.

1. Call to Order

2. **Consent Agenda** (Non-privileged documentation concerning the matters on the consent agenda may be reviewed at the PSPRS office). Any matter on the Consent Agenda will be removed from the Consent Agenda and discussed as a regular agenda item, and **Action** taken, upon the request of any Fund Manager member, or advisor. The Fund Manager may approve, modify or reject approval of any of the following items:

- a. Approval of the Minutes of the Fund Manager Meeting on January 27, 2010.
- b. Acceptance of Transfer Between State Retirement Systems of Barbara Snider.
- c. Acceptance of Transfer Between State Retirement Systems of Robert Churchey.
- d. Acceptance of Transfer Between State Retirement Systems of Aninna Thornburg.
- e. Acceptance of Transfer Between State Retirement Systems of Timothy Sumner.
- f. Acceptance of Transfer Between State Retirement Systems of Deborah Dyson.
- g. Acceptance of Transfer Between State Retirement Systems of Michael Green.
- h. Acceptance of Transfer Between State Retirement Systems of James Bower.
- i. Acceptance of Transfer Between State Retirement Systems of Gerard Stuart.
- j. Acceptance of Transfer Between State Retirement Systems of Christine Britt.
- k. Acceptance of Transfer Between State Retirement Systems of Robert Costello.
- l. Acceptance of Transfer Between State Retirement Systems of James Bower.
- m. Acceptance of Transfer Between State Retirement Systems of Dwayne Evans.
- n. Acceptance of Transfer Between State Retirement Systems of Charles Blalock.
- o. Acceptance of Transfer Between State Retirement Systems of David Enriquez.
- p. Acceptance of Transfer Between State Retirement Systems of Douglas Schuster.
- q. Acceptance of Elected Officials' Retirement Plan of termination of benefit of Glen Stapley.
- r. Acceptance of Elected Officials' Retirement Plan of normal benefit of Lindsay Ellis.
- s. Acceptance of Elected Officials' Retirement Plan of survivor benefit of Marian Stapley.
- t. Acceptance of Elected Officials' Retirement Plan of termination of benefit of Edith Roylston.
- u. Acceptance of Elected Officials' Retirement Plan of survivor benefit of Phoebe Lynch.

3. Investments - Stocks, Bonds and Others

- a. Report by the Chair of the Investment Committee, Mike Galloway, regarding the discussions that were held and the recommendations that were made in the Investment Subcommittee meeting that was held on Wednesday, February 24, 2010 at 10:00 a.m., with discussion, and possible **Action** by the Fund Manager to approve, disapprove, or suggest modification regarding the following items:

1. Presentation by Staff, StepStone Group and representatives of Millennium Technology Ventures L.L.C. and discussion regarding a possible investment of up to \$20 million in Millennium Technology Value Partners II or any appropriate feeder, blocker or parallel fund of same.
2. Presentation by Staff, ORG Real Property, fiduciary counsel and representatives of Timbervest Management, LLC and discussion among them and the trustees and special advisers regarding:
 - i. increasing the allocation previously approved on March 25, 2009 to the ORG AZ Secondary Opportunity Fund L.P. ("ORG Fund") from \$40 million to \$65 million; and
 - ii. granting a waiver of the \$8 million per investment cap in the ORG Fund for purposes of facilitating a possible investment by the Trust in the ORG Fund of up to \$25 million to enable the ORG Fund to purchase fully called secondary interests in Timbervest Partners, L.P.
3. Presentation by Staff, New England Pension Consultants ("NEPC") and representatives of Crestline Investors, Inc. ("Crestline") and discussion regarding a possible investment of up to \$150 million in separate accounts or commingled funds (or any appropriate feeder, blocker or parallel fund of same) affiliated with or managed by Crestline or Crestline Partners.
4. Presentation by Staff, NEPC and representatives of FrontPointPartners L.L.C. and discussion regarding a possible investment of up to \$150 million in FrontPoint Multi-Strategy Fund or any appropriate feeder, blocker or parallel fund of same.
5. Presentation by Staff, StepStone Group and representatives of Littlejohn Management Holdings, L.L.C. and discussion regarding a possible investment of up to \$40 million in Littlejohn Fund IV, L.P. or any appropriate feeder, blocker or parallel fund of same.
6. Presentation by Staff, NEPC and representatives of BlackRock/Barclays Global Investors Global Markets Strategy Group and their affiliates ("BlackRock") and discussion regarding a possible investment of up to \$200 million in separate accounts or commingled funds (or appropriate feeders, blockers or parallel funds) managed by BlackRock and employing GTAA strategies. Such investment may be made in Global Ascent Ltd. (and or its subsidiaries, affiliates, or parallel funds).
7. Presentation by Staff and NEPC and discussion regarding increasing the allocation (from up to \$120 million to up to \$200 million) approved on January 27, 2010 to separate accounts or commingled funds (or appropriate feeders, blockers or parallel funds) managed by Bridgewater and employing a GTAA strategy called the "pure alpha strategy."
8. Presentation by Staff and discussion regarding a partial restructure of DTR1, LLC ("DTR1") and its subsidiaries (DTR1A, LLC and DTR1B, LLC), as follows:
 - i. abandonment by Desert Troon Limited, LLC ("DTL") of its interest in several entities and associated properties currently owned by the parties indirectly through DTR1 [DTR10, LLC (DTC headquarters and parking facility), DTD Devco 1, LLC (Skyline Ranch Marketplace), DTD Devco 7, LLC (Glendale Promenade), DTD Devco 3, LLC (Power Ranch Marketplace I), DTD Devco 2, LLC (Power Marketplace II), and DTD Devco 6, LLC (Shops at Palmilla)] and transfer of all

- interest in such entities to DTR1C, LLC (“DTR1C”), an entity wholly owned by the Arizona PSPRS Trust (“Trust”) and managed by DTL;
 - ii. contribution by the Trust of \$5 million in additional capital to DTR1C, LLC (the Trust’s wholly owned entity) to fund that entity’s increased obligations arising as a result of the transfer to that entity of the properties referenced in item (i) above;
 - iii. payment by the Trust of up to \$50 million (as previously authorized by the trustees for purposes of contribution to DTR1) to satisfy portions of debt (including that owed Wachovia Bank) encumbering the properties referenced in item (i) above;
 - iv. transfer to DTR1B, LLC of all assets owned by the Trust and DTL in the Torreon Community, with all net proceeds from such assets being divided between the Trust and DTL on a 90%/10% basis respectively, instead of a 50%/50% basis;
 - v. payment by DTL of approximately \$5 million to DTR1, earmarked for investment in DTR1B, such that the first \$5 million in funds needed by DTR1B shall be paid by DTL and with the interests of the Trust and DTL in DTR1B thereafter being allocated on a 90%/10% basis, respectively; and
 - vi. reduction from \$392 million to \$357 million of the Trust’s total commitment to DTR1 and its two subsidiaries, DTR1A and DTR1B.
9. Report by Staff and discussion regarding the Month Ended and Fiscal Year-to-Date performance/portfolio update.)
 10. Report by NEPC regarding Report for the Fourth Calendar Quarter Performance Update.
 11. Report by Compliance Auditor and discussion regarding investment compliance, holdings and transactions as of January 31, 2010.
 12. Report by Staff and/or legal counsel and discussion regarding recent developments and legal issues (including settlement discussions) involving the Trust’s custodians, lenders, securities lending agents, vendors, investments or investment managers or partners (as well as any investments managed by the Trust’s investment managers or partners). The Fund Manager may vote to discuss this matter in Executive Session pursuant to A.R.S. §§ 38-431.03(A)(3),(4) and (7), as set forth in item D(1).

4. Other Business

- a. Report by the Chair of the Operations, Governance Policy and Audit Committee, Brian Tobin, regarding discussions that were held and the recommendations that were made in the Operations, Governance Policy and Audit Committee meetings that were held on Friday, February 19, 2010 at 5:00 p.m., and Wednesday, February 24, 2010 at 10:00 a.m., with discussion, and possible **Action** by the Fund Manager to approve, disapprove or suggest modification regarding the following items:
 1. Presentations by the executive search firms chosen by the Operations, Governance Policy and Audit Committee with discussion and possible **Action** to approve the Committee’s recommendations to retain one or more of such firms.
 2. Presentation by staff and legal counsel, and possible discussion and **Action** thereon, regarding adoption of the proposed Policy Regarding Review of PSPRS Local Board Actions, to be compliant with A.R.S. § 38-847(H).
 3. Report by Jim Hacking, PSPRS IT staff regarding Brazen Technology exit strategy, the IT department’s plan for going forward, the status of our systems and possible **Action** to approve the Committee’s recommendations concerning such matters.

4. Discussion between the committee, staff and the IT department regarding second off site back up and possible **Action** to approve the Committee's recommendations concerning such matters.
 5. Update by Karen Lewis regarding the FY 2009, 2010 budget as of January 31, 2010 with departmental projections to the end of the fiscal year to be followed by discussion and possible **Action** to approve the Committee's recommendations concerning such matters.
 6. Review, discussion, and possible **Action** regarding approval of the February 2010 bill for legal services performed in January 2010.
 7. Written update and discussion on the progress of the Local Board Training Program and possible **Action** to approve the Committee's recommendations concerning such matters.
 8. Update by Bridget Feeley regarding compliance followed by possible discussion and possible **Action** to approve Ms. Feeley's advice concerning such matters.
- b. Presentation by the System lobbyists (Representatives of P3 and/or HighGround) and Jim Hacking with respect to status of the System's FY 2010 legislative initiatives with discussion and possible **Action** to approve, disapprove or modify same by the Board.
 - c. Discussion regarding the Best Practices for Use of Lobbyists Policy, communication of legislative changes between the Administrator, the Fund Manager and the Operations, Governance Policy and Audit Committee and other interested parties with possible **Action** concerning such matters
 - d. Report (per the trustee's earlier request) regarding the mechanics of the employee DC plan and whether the value of such plan was included in the December 22, 2008 McLagan salary and bonus recommendations and possible **Action** on the Administrator's recommendations (or as recommended by the Operations and Audit Committee) regarding staff salaries, bonuses and/or the employee DC program.
 - e. **Action** to **approve** the Chair's appointment of **Mr. Dunn** as a member of the Investment Committee and **Mr. Ferguson** as a member of the Operations, Governance Policy and Audit Committee.
 - f. Discussion and possible **Action** to establish a separate committee of the Fund Manager to conduct interviews in order to choose a new Administrator.
 - g. Discussion regarding Information Exchange Among Arizona Public Pension Plans held on February 18, 2010 at ASRS and possible **Action**.
 - h. Discussion regarding Fund Manager and Special Adviser requests to participate in training, educational and due diligence opportunities with possible **Action** to approve, disapprove, or suggest alternative training and education seminars and/or due diligence opportunities.
 - i. Discussion with the Fund Manager and instruction to legal counsel regarding ongoing or threatened legal action involving the Arizona PSPRS Trust, the System, or the System's sister plans (EORP or CORP), including Kilcline, Campbell, Martone, AOC Opt Out, Swink, Hosea, Miller, Cross, ApexCapital, Staeck, Apex/Sossaman, BNY Mellon, Pivotal Group, Desert Troon, Wachovia/Wells Fargo, Biltmore Bank, National Bank of Arizona, Loftus, Seldin, Toyota Motor Corporation and affiliates and JP Morgan Chase matters and possible **Action** regarding same. The Fund Manager may vote to discuss these matters in Executive Session pursuant to A.R.S.

§§ 38-431.03(A)(1), (2), (3), (4), and (7), as set forth in items 5(a) and (b).

5. Executive Session for Legal Matters in Accordance with A.R.S. §§ 38-431.03(A)(1), (2), (3), (4), & (7). The Fund Manager may vote to go into Executive Session to discuss matters pursuant to A.R.S. §§ 38-431.03(A)(1), (2), (3), (4), and (7) including to obtain legal advice from the Board's attorney on any matter listed on the agenda, including:

- a. Discussion and consultation with legal counsel regarding legal issues, and settlement discussions, if any, arising in connection with the Arizona PSPRS Trust's real estate, private equity, hedge and other investments, including those managed by the Pivotal Group, ApexCapital Management, and Desert Troon Limited, pursuant to A.R.S. §§ 38-431.03(A)(3), (4) and (7), and including specifically, Seldin and Toyota Motor Corporation and its affiliates.
- b. Discussion and consultation with legal counsel and Staff regarding ongoing or threatened legal action involving the Arizona PSPRS Trust, the System or the System's sister plans (EORP or CORP), including contemplated internal investigation and interview guidelines, investment related matters, EEOC charges, and cases, including Kilcline, Campbell, Martone, AOC Opt Out, Swink, Hosea, Miller, Cross, Staeck, ApexCapital, Apex/Sossaman, BNY Mellon, Pivotal Group, Desert Troon, Wachovia/Wells Fargo, Biltmore Bank, National Bank of Arizona, Loftus, Seldin, Toyota Motor Corporation and affiliates and JP Morgan Chase matters, pursuant to A.R.S. §§ 38-431.03(A)(1), (3), (4), and (7).

6. Call to the Public:

This is the time for the public to comment. Members of the Fund Manager may not discuss items that are not specifically identified on the agenda, except to address criticism from the public. Therefore, pursuant to A.R.S. § 38-431.01(H), the Fund Manager's reaction to any public comment is limited to addressing criticism or recommending that the Fund Manager or Staff respond or study such comment or schedule the subject matter for further consideration at a later date after appropriate notice.

7. Set Next Meeting Date

8. Adjournment