1. Call to Order; Roll Call; Opening remarks

Chairman Tobin called the meeting to order at 1:00 p.m.

2. Call to the Public.

This is the time for the public to comment. Members of the Board of Trustees 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 Board of Trustees’ reaction to any public comment is limited to addressing criticism or recommending that the Board of Trustees or Staff respond or study such comment or schedule the subject matter for further consideration at a later date after appropriate notice.
There was no response to the Call to the Public.

3. Appropriate Action for approval of the items on the Consent Agenda (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 upon the request of any member of the Board of Trustees.

c. Acceptance of Elected Officials’ Retirement Plan of termination of survivor benefit of Juanita Burton.
d. Acceptance of Elected Officials’ Retirement Plan of termination of normal retirement benefit of Glenn Gill.
e. Acceptance of Elected Officials’ Retirement Plan of survivor benefit of Sandra Gill.
g. Acceptance of Elected Officials’ Retirement Plan of normal retirement benefit of George D. Gradillas.
h. Acceptance of Elected Officials’ Retirement Plan of termination of normal retirement benefit of Lillian Hall.
i. Acceptance of Elected Officials’ Retirement Plan of termination of survivor benefit of Barbara Hink.
k. Acceptance of Elected Officials’ Retirement Plan of termination of survivor benefit of Sandra W. McFate.
m. Acceptance of Elected Officials’ Retirement Plan of termination of early retirement benefit of James J. Skelly.
n. Acceptance of Transfer Between State Retirement Systems of Eric Miller.
o. Acceptance of Transfer Between State Retirement Systems of Aaron Victor.
p. Acceptance of Transfer Between State Retirement Systems of Travis Millsap.
q. Acceptance of Transfer Between State Retirement Systems of Timothy Shay.
r. Acceptance of Transfer Between State Retirement Systems of James Groat.
s. Acceptance of Transfer Between State Retirement Systems of Christian Huber.
t. Acceptance of Transfer Between State Retirement Systems of Chase Wright.
u. Acceptance of Transfer Between State Retirement Systems of Giogi Chiappo-West.
v. Acceptance of Transfer Between State Retirement Systems of Kelly Kennedy.
w. Acceptance of Transfer Between State Retirement Systems of Adrian Ruiz.
x. Acceptance of Transfer Between State Retirement Systems of Derek Stephenson.
y. Acceptance of Transfer Between State Retirement Systems of Lance Larson.
z. Acceptance of Transfer Between State Retirement Systems of Andrew Whiteneck.

aa. Acceptance of Transfer Between State Retirement Systems of Shawn Hanson.

bb. Acceptance of Transfer Between State Retirement Systems of Michael Johnston.

c. Acceptance of Transfer Between State Retirement Systems of Ernesto Lugo.

dd. Acceptance of Transfer Between State Retirement Systems of Jose Gaxiola.

ee. Acceptance of Transfer Between State Retirement Systems of Kari Dory.


gg. Acceptance of Transfer Between State Retirement Systems of Randall Roether.

hh. Acceptance of Transfer Between State Retirement Systems of David Holland.


jj. Acceptance of Transfer Between State Retirement Systems of James Parr.

kk. Acceptance of Transfer Between State Retirement Systems of Eric Breindl.

ll. Acceptance of Transfer Between State Retirement Systems of Clifford Freeman.

mm. Acceptance of Transfer Between State Retirement Systems of Kelly McMenemy.

nn. Acceptance of Transfer Between State Retirement Systems of Jacob Pedersen.

oo. Acceptance of Transfer Between State Retirement Systems of Ramona Means.


qq. Acceptance of Transfer Between State Retirement Systems of Kevin Tilley.

rr. Acceptance of Transfer Between State Retirement Systems of Christopher Hall.

ss. Acceptance of Transfer Between State Retirement Systems of Elaine Bates.

tt. Acceptance of Transfer Between State Retirement Systems of Keith Kaminski.

uu. Acceptance of Transfer Between State Retirement Systems of Michael Long.

vv. Acceptance of Transfer Between State Retirement Systems of Robert Shetler.

ww. Acceptance of Transfer Between State Retirement Systems of Paul Bartholomew.


yy. Acceptance of Transfer Between State Retirement Systems of Ramon Lopez.

zz. Acceptance of Transfer Between State Retirement Systems of Daniel Musselman.


bbb. Acceptance of Transfer Between State Retirement Systems of Roy Dominguez.


ddd. Acceptance of Transfer Between State Retirement Systems of Eryn Hover.

eee. Acceptance of Transfer Between State Retirement Systems of Eric Mendoza.

fff. Acceptance of Transfer Between State Retirement Systems of Trent Otis.

ggg. Acceptance of Transfer Between State Retirement Systems of Cheryl Horvath.

hhh. Acceptance of Transfer Between State Retirement Systems of Billy McDaniel.

iii. Acceptance of Transfer Between State Retirement Systems of Harry Reiter.

jjj. Acceptance of Transfer Between State Retirement Systems of David Havely.

kkk. Acceptance of Transfer Between State Retirement Systems of Robert Benham.

lll. Approval of the Minutes of the November 18, 2015 Meeting of the PSPRS Board of Trustees.

Mr. Brian P. Tobin
4. Discussion and possible Action regarding the adoption of the amended and restated Supplemental Defined Contribution Plan and the Arizona Defined Contribution Plan for Term Limited State Officials and Exempt State Officers and Employees.

Mr. Jared A. Smout
Administrator

Approximately two years ago, the Board adopted amendments to the Term Limited Plan and the Supplemental DC Plan to bring these plans into compliance with IRS Rules and Regulations. We are submitting these amended plans to the Board in the regular cycle. The Board needs to take action by accepting the complete package, as amended and restated, in its entirety.

5. Appropriate Action regarding the Agreement to participate in the Supplemental Defined Contribution Plan with the City of Cottonwood.

Mr. Brian P. Tobin

<table>
<thead>
<tr>
<th>MOTION:1-1/20/16</th>
<th>At 1:01 p.m.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motion:</td>
<td>To accept the Consent Agenda as presented.</td>
</tr>
<tr>
<td>Moved by:</td>
<td>Mr. Ferguson</td>
</tr>
<tr>
<td>Seconded by:</td>
<td>Mr. McHenry</td>
</tr>
<tr>
<td>Discussion:</td>
<td>Ms. Stein stated two notable legislators, Mr. Jack A. Brown and Mr. James J. Skelly, passed away and the Board acknowledged their service to the state.</td>
</tr>
<tr>
<td>In Favor:</td>
<td>Unanimous – Mr. Kingry - Excused</td>
</tr>
<tr>
<td>Motion:</td>
<td>Passes</td>
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</tbody>
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<tr>
<th>MOTION:2-1/20/16</th>
<th>At 1:04 p.m.</th>
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</thead>
<tbody>
<tr>
<td>Motion:</td>
<td>Move to approve as presented.</td>
</tr>
<tr>
<td>Moved by:</td>
<td>Mr. Ferguson</td>
</tr>
<tr>
<td>Seconded by:</td>
<td>Mr. Petrenka</td>
</tr>
<tr>
<td>Discussion:</td>
<td>None</td>
</tr>
<tr>
<td>In Favor:</td>
<td>Unanimous – Mr. Kingry - Excused</td>
</tr>
<tr>
<td>Motion:</td>
<td>Passes</td>
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<tr>
<th>MOTION:3-1/20/16</th>
<th>At 1:06 p.m.</th>
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<tbody>
<tr>
<td>Motion:</td>
<td>Move to approve as presented.</td>
</tr>
<tr>
<td>Moved by:</td>
<td>Mr. Ferguson</td>
</tr>
<tr>
<td>Seconded by:</td>
<td>Mr. McHenry</td>
</tr>
<tr>
<td>Discussion:</td>
<td>None</td>
</tr>
<tr>
<td>In Favor:</td>
<td>Unanimous – Mr. Kingry - Excused</td>
</tr>
<tr>
<td>Motion:</td>
<td>Passes</td>
</tr>
</tbody>
</table>
Report by Mr. Lauren Kingry, Chairman of the Investment Committee, regarding agenda items 6. through 12., which were discussed at the Investment Committee meeting held today, January 20, 2016, on or after 10:00 a.m., and possible Action on the Committee’s recommendations to the Board regarding same.

6. Written report and possible discussion of monthly review of Management Fees.
   Ms. Bridget Feeley
   Internal Audit and Compliance Officer

   A written report was provided with the monthly material, for which there were no questions.

7. Written report and possible discussion by the System’s Internal Audit and Compliance Officer and discussion regarding investment compliance, holdings and transactions, as of November 30, 2015.
   Ms. Bridget Feeley

   A written report was provided with the monthly material, for which there were no questions.

8. Written report by Investment Department Staff regarding Portfolio Risk as of November 30, 2015.
   Mr. Owen Zhao
   Portfolio Analyst - Risk

   Discussion was held regarding the written report during the Investment Committee meeting.

9. Written report by Investment Department Staff and discussion regarding (i) the Month-End and Fiscal Year-to-Date performance for the PSPRS Trust as of November 30, 2015; and (ii) written report regarding the asset allocation and performance of the Firefighters and Peace Officers Cancer Insurance Program.
   Ms. Vaida Maleckaite
   Sr. Investment Analyst

   A written report was provided with the monthly material, for which there were no questions.

10. Presentation and discussion by Investment Department Staff and Consultants regarding the annual Overview and Strategic Plan for the Private Equity Portfolio.
    Mr. Shan Chen
    Lead Portfolio Manager

    Mr. David Hutchings
    Albourne America

    Mr. Jay Rose
    StepStone Group, LLC
Mr. Chen reported that, since inception, the Private Equity portfolio had made $1.9 billion in commitments and has had $827 million in total distributions. Last year, there were 6 direct commitments, 5 co-investments, 3 re-ups, and 2 new managers. Performance as of 9/30/15 experienced a total IRR since inception of 12.67%. Three years ago, the IRR since inception was 7.48% and one year ago it was 11.7%.

Mr. Rose reported $670 million gain in the last five years. He reported on sectors, sub-sectors, vintage years, geographical exposure. Additionally, he presented information regarding U.S. small and mid-market buyouts. The secondary portfolio market review included information regarding performance, strategy, fund vintage, and geography.

The third speaker was Mr. Hutchings who presented the private market summary looking back from December 2006 to December 2015. This included performance of the private market as compared to public markets.

11. Disclosure by Investment Department Staff of the following manager selection matters:

A. New and potential investments considered this period:

1. A potential investment of up to $30 million in the Castle Creek Capital Partners VI Fund, allocated to the PSPRS Private Equity portfolio, subject to final Staff and legal due diligence.

2. A potential investment of up to $40 million in the Lubert-Adler Laramar Urban Neighborhood Fund, allocated to the PSPRS Real Estate portfolio, subject to final Staff and legal due diligence.

3. A potential investment of up to $50 million to establish a separately managed account (SMA) to be managed by Salient Capital Advisors, LLC, allocated to the PSPRS Real Assets portfolio, subject to final Staff and legal due diligence.

Mr. Martin Anderson  
Deputy Chief Investment Officer

B. Investments considered for de-selection this period:

1. Brevan Howard Master Fund, Ltd. Staff recommends full redemption of all investments. Estimated redemption completion date: October 31, 2016. This Fund is allocated to the PSPRS Absolute Return Portfolio.

2. Pebble Creek (Robson Communities); Staff recommends a sale of our interest in Pebble Creek Properties (Robson Communities). The fund is allocated to the PSPRS Real Estate Portfolio.

3. West Face Long Term Opportunities (USA), L.P. Staff recommends full redemption of all investments. This investment is allocated to the PSPRS Private Credit portfolio.

The Board focused on Agenda item 11 B. Mr. Parham added some detail regarding the de-selected items. All board members are invited to the Selection meeting of the investment staff, but the information is confidential.
12. Disclosure of closed transactions for this period.
   
a. Davidson Kempner Special Situations Fund III; Committed Amount up to $80 million; Date Closed: August 24, 2015. PSPRS Asset Class: Credit Opportunities.
b. LSV Special Opportunities Fund V; Committed Amount up to $80 million; Date Closed: September 30, 2015. PSPRS Asset class: Absolute Return.
c. Tritium I, LP Fund; Committed Amount up to $20 million direct; Date Closed: November 16, 2015. PSPRS Asset class: Private Equity.
d. TSG 7A & 7B Fund; Committed Amount up to $40 million (TSG 7A) and $10 million (TSG 7B); Date Closed: November 16, 2015. PSPRS Asset class: Private Equity.
e. Pinebridge Structured Capital III Fund; Committed Amount up to $80 million; Date Closed: November 25, 2015. PSPRS Asset class: Credit Opportunities.
f. Lubert-Adler Laramar Urban Neighborhood Fund; Committed Amount up to $40 million; Date Closed: December 30, 2015. PSPRS Asset class: Real Estate.

Presentation by Mr. Gregory Ferguson, Chairman of the Operations, Governance Policy and Audit Committee, regarding agenda items 13. through 22., which were discussed at the Operations, Governance Policy and Audit Committee meeting held today, January 20, 2016, on or after 11:00 a.m., and possible Action on the Committee’s recommendations to the Board regarding same.

13. Presentation of the Month-to-Date Budget Report for FY 2016 and possible Action on same.
   
   Mr. John Hendricks
   Manager of Finance and Accounting

   We are 2.41% under budget due to four vacant positions.

14. Discussion and Action regarding the creation of a new Investment Analyst Position.
   
   Mr. Mark Steed
   Deputy CIO and Chief of Staff

   This item has been tabled for one month.

15. Update and discussion on the status of building space and tenant lease.
   
   Mr. Jared A. Smout

   Due to our growing need for more office space, our downstairs tenant has been told their lease, which expires in September, 2017, will not be renewed in order for PSPRS to utilize the additional space.

   
   Ms. Bridget Feeley

   Discussion was held regarding same.

17. Summary Update – Business Continuity Plan
   
   Mr. Sam Meier
   IT Operations Manager
Due to the security of IT procedures, the details were not discussed, but there is a plan in place with which we are comfortable. Chairman Tobin suggested use of fire drills regarding breaches by cyberattacks in order to practice the written plans.

18. **Update on the progress of the Local Board Training Program and discussion and possible Action regarding the same.**

   *Mr. Robert Ortega*
   
   *Local Board Training Coordinator and Human Resources Manager*

   *Mr. Don Mineer*
   
   *Local Board Training Specialist*

A written report was provided with the monthly material, for which there were no questions.

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

   *Mr. Jared A. Smout*

There are 10 requests for local board rehearings.

20. **Review and discussion regarding law firms' billings for legal services performed in October, November and December, 2015.**

   *Mr. Jared A. Smout*

The Operations, Governance Policy and Audit Committee approved payment of the law firms’ billings for legal services. The following amounts were approved: October – $102,212.52; November $95,966.48; December- $94,221.81.

21. **Update and discussion on the progress of implementing the Auditor General recommendations as agreed to in their Performance Audit and Sunset Review.**

   *Mr. Jared A. Smout*

The matrix, which includes the status of recommended implementations, was included with the information for the board members.

22. **Review, discussion and possible Action on potential legislative proposals for the 2016 legislative session including items for a possible administrative amendments bill.**

   *Mr. Jared A. Smout*

Mr. Doug Cole and Ms. Dianne McAllister of Public Policy Partners summarized 2016 proposed legislation applicable to PSPRS. Regarding pension reform, the goal is to have the proposed plan included on the May 17, 2016 ballot. Meetings are being held on pension reform with stakeholders, local boards, judges associations, and others. The Administrative Bill is being worked on with Representative Olson, in charge of pension in the House, and by Senator Lesko in the Senate. Also being worked on are proposed legislative changes in redemption of prior service regarding the discount rate in order to be more actuarially sound for CORP, EORP and PSPRS and changes in the fire district local boards to clarify language.
Chairman Tobin informed the Board that regarding pension reform there is no specific proposed bill language yet to read and asked the Board to focus on this item since it requires the vote of the public. The deadline to get something on the ballot is February 14, 2016 for changes to the Pension Benefit Increase (PBI) structure for retirees. A proposed change to the actual cost of living adjustment is to base it on regional Consumer Price Index (CPI) with a cap of 2%. The chairman asked if the Board wanted to take a position on the matrix box #1 in Senator Lesko’s Pension Reform Grid. Mr. McHenry stated he would like to see something more concrete in order to know what the PBI does to our ability to earn our way out of unfunded liability in conjunction with information from the actuaries. He added we are talking about the concept since the specific language is not yet formed.

<table>
<thead>
<tr>
<th>MOTION: 4-1/20/16</th>
<th>At 2:12 p.m.</th>
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<tbody>
<tr>
<td>Motion:</td>
<td>To support the proposed ballot measure item #1 in Matrix of Senator Lesko’s Pension Reform Grid. This is a proposed change to the Actual Cost of Living Adjustment based on the Consumer Price Index (CPI) with a cap of 2%.</td>
</tr>
<tr>
<td>Amended Motion:</td>
<td>Mr. Ferguson amended the motion and will support the concept of supporting the ballot measure as listed on the Matrix.</td>
</tr>
<tr>
<td>Moved by:</td>
<td>Mr. Ferguson</td>
</tr>
<tr>
<td>Seconded by:</td>
<td>Mr. Davis</td>
</tr>
<tr>
<td>Discussion:</td>
<td>Mr. McHenry stated he has a problem with the ballot measure, but will support the concept. Mr. Ferguson withdrew the motion due to Mr. McHenry’s statement and will support the concept of supporting the ballot measure as listed on the Matrix.</td>
</tr>
<tr>
<td>In Favor:</td>
<td>Unanimous – Mr. Kingry - Excused</td>
</tr>
<tr>
<td>Motion:</td>
<td>Passes</td>
</tr>
</tbody>
</table>


Mr. Corey Arvizu
Managing Partner
Mr. Christopher Heinfeld
Audit Manager
Heinfeld, Meech & Co., P.C.

Mr. Arvizu reported a lot of changes have occurred since last year as to how information is reported to the employers. This year staff prepared four additional statements, the Auditor General worked with the Plans and all plans are now combined into a single financial statement which includes the detailed report of each plan, but in one single set of documents.

Mr. Heinfeld stated there are additional schedules and audits. He described the 2014 review as related to GASB Statement No. 68, the 2015 audit procedures leading to financial statements and the combined report. No findings were noted, there were minor changes and edits, and there was no disagreement with management. An additional report for FFCIP will be completed shortly.
24. Discussion and appropriate Action regarding Board of Trustee member requests to participate in training, educational and due diligence opportunities.

                      Mr. Brian P. Tobin

There were no requests.

25. Discussion and consultation with legal counsel and Staff and possible Action regarding IRS determination letter requests, proposed legislation, investment matters, ongoing, contemplated or threatened legal action involving the Trust and Plans, including vendor disputes, public record requests, personnel matters and actual or potential litigation and claims based on contract, tort or statute, including matters involving, judges Thompson and Hall, retired judges Fields and Lankford, retired police officers Rappleyea and Everson, active police officers Parker, Griego, Manganiello and Robles, the Pivotal Group, the Seldins, Bank of America and Stroh Ranch Development and Timbervest. The Board 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 item 26.

26. The Board of Trustees may vote to go into Executive Session (which will not be open to the public) to discuss matters pursuant to A.R.S. §§ 38-431.03(A) (1), (2), (3) and (4), as applicable, including to receive legal advice from the Board’s attorneys on any matter listed on the agenda, including:

   a. Discussion and consultation with legal counsel and Staff regarding matters arising from public record requests or subpoenas, and ongoing or threatened legal action or claims involving the Plans or Trust not otherwise referenced above in Item 24, including but not limited to, those involving Anton Orlich, Andrew Carriker, Ken Fields, Mark Selfridge, Paul Corens, the Seldins and the status of lawsuits challenging provisions of S. B. 1609, as authorized by A.R.S. §§ 38-431.03(A) (2), (3).

   b. Update and discussion on the System Administrator position and other personnel matters, as authorized by A.R.S § 38-431.03(A)(1).

<table>
<thead>
<tr>
<th>MOTION:5-1/20/16</th>
<th>At 4:01 p.m.</th>
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<tbody>
<tr>
<td>Motion:</td>
<td>Move to approve Executive Session for Agenda Item 25.</td>
</tr>
<tr>
<td>Moved by:</td>
<td>Mr. Petrenka</td>
</tr>
<tr>
<td>Seconded by:</td>
<td>Mr. Davis</td>
</tr>
<tr>
<td>Discussion:</td>
<td>None</td>
</tr>
<tr>
<td>In Favor:</td>
<td>Unanimous – Mr. Kingry - Excused</td>
</tr>
<tr>
<td>Motion:</td>
<td>Passes</td>
</tr>
</tbody>
</table>

27. Schedule future meeting date(s). (Currently scheduled for Wednesday, February 24, 2016.)

The next meeting will be held on Wednesday, February 24, 2016.

28. Adjournment.

The meeting was adjourned at 4:10 p.m.