Present: Mr. Brian Tobin, Chairman, Trustee  
Mr. William T. Buividas, Vice Chairman, Trustee  
Mr. William C. Davis, Trustee  
Mr. Edward J. McNeill, Trustee  
Mr. Bryan Raines, Trustee  
Mr. Mike Scheidt, Trustee  
Mr. Dean M. Scheinert, Trustee  
Mr. Donald A. Smith, Jr., Trustee  
Mr. Jared Smout, Administrator  

Others Present:  
Mr. Dave DeJonge, Deputy Administrator  
Mr. Ryan Parham, Chief Investment Officer  
Ms. Ivy N. Voss, Esq., Assistant Attorney General  
Ms. Rose Crutcher, Investment Paralegal  
Mr. Paul Hemmes, Information Technology  
Mr. Christian Palmer, Communications Director  
Ms. Diane McAllister, Public Policy Partners  
Mr. Doug Cole, HighGround  
Mr. Tom Iannuci, President, Cortex  
Mr. Clive Morgan, Consultant, Cortex

1. Call to Order; Pledge of Allegiance; Roll Call; Opening remarks.  
   
   The meeting was called to order by Chairman Tobin at 12:38 p.m. and the Pledge of Allegiance was recited.

2. Recognition, appreciation and presentation of plaques to outgoing PSPRS Board of Trustees.  
   
   Chairman Tobin expressed his appreciation and presented plaques to outgoing trustees Mr. Gregory Ferguson, Ms. Randie Stein and Mr. Richard Petrenka for their service to the PSPRS. Not in attendance to receive their plaques were Mr. Lauren Kingry and Mr. Jeff McHenry. Administrator Smout thanked these past Board of Trustees members for their work with the PSPRS.

3. 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.
4. 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.

b. Acceptance of Elected Officials’ Retirement Plan of termination of normal retirement benefit of Gus Arzberger.
c. Acceptance of Elected Officials’ Retirement Plan of survivor benefit of Marsha Arzberger.
d. Acceptance of Elected Officials’ Retirement Plan of early retirement benefit of Paul R. Babeu.
e. Acceptance of Elected Officials’ Retirement Plan of normal retirement benefit of Trudy Berry.
g. Acceptance of Elected Officials’ Retirement Plan of early retirement benefit of Raymond Carroll.
h. Acceptance of Elected Officials’ Retirement Plan of normal retirement benefit of Donald D. Covey.
i. Acceptance of Elected Officials’ Retirement Plan of termination of normal retirement benefit of John Henry Cummings.
j. Acceptance of Elected Officials’ Retirement Plan of normal retirement benefit of Arlo G. Davis.
k. Acceptance of Elected Officials’ Retirement Plan of normal retirement benefit of Carmen Dolny.
l. Acceptance of Elected Officials’ Retirement Plan of early retirement benefit of James Driscoll, Jr.
m. Acceptance of Elected Officials’ Retirement Plan of normal retirement benefit of Kathleen Farr.
o. Acceptance of Elected Officials’ Retirement Plan of normal retirement benefit of Lenora Fulton.
r. Acceptance of Elected Officials’ Retirement Plan of survivor benefit of Terry Garcia.
s. Acceptance of Elected Officials’ Retirement Plan of normal retirement benefit of Clancy Jayne.
w. Acceptance of Elected Officials’ Retirement Plan of normal retirement benefit of Rosa C. Mazon.
x. Acceptance of Elected Officials’ Retirement Plan of early retirement benefit of Barbara McGuire.
y. Acceptance of Elected Officials’ Retirement Plan of normal retirement benefit of Mandy R. Metzger.
z. Acceptance of Elected Officials’ Retirement Plan of termination of survivor benefit of Carol Murphy.
e. Acceptance of Elected Officials' Retirement Plan of normal retirement benefit of Helen Purcell.
ff. Acceptance of Elected Officials' Retirement Plan of normal retirement benefit of Derek Rapier.
i. Acceptance of Elected Officials' Retirement Plan of early retirement benefit of David W. Rozema.
l. Acceptance of Elected Officials' Retirement Plan of normal retirement benefit of Paul Simon.
m. Acceptance of Elected Officials' Retirement Plan of normal retirement benefit of Lenore L. Stuart.
n. Acceptance of Elected Officials' Retirement Plan of termination of survivor benefit of Erna Thurston.
qq. Acceptance of Transfer Between State Retirement Systems of William Corrales.
r. Acceptance of Transfer Between State Retirement Systems of Michael Barnett.
s. Acceptance of Transfer Between State Retirement Systems of Kurtis Dana.
t. Acceptance of Transfer Between State Retirement Systems of Jose Loera.
uu. Acceptance of Transfer Between State Retirement Systems of Patrick Herron.
vv. Acceptance of Transfer Between State Retirement Systems of Sarah Loera.
ww. Acceptance of Transfer Between State Retirement Systems of Richard Temby.
xx. Acceptance of Transfer Between State Retirement Systems of Tony Tenaglia.
yy. Acceptance of Transfer Between State Retirement Systems of Janina Austin.
zz. Acceptance of Transfer Between State Retirement Systems of James Martinez.
aaa. Acceptance of Transfer Between State Retirement Systems of Nathan Auvenshine.
b. Acceptance of Transfer Between State Retirement Systems of Christopher Tucker.
c. Acceptance of Transfer Between State Retirement Systems of Jason Sanders.
dd. Acceptance of Transfer Between State Retirement Systems of Kori Peters.
ee. Acceptance of Transfer Between State Retirement Systems of Jeffrey Craner.
ff. Acceptance of Transfer Between State Retirement Systems of Michelle Dalton.
gg. Acceptance of Transfer Between State Retirement Systems of Limmie Blaylock, Jr.
hh. Acceptance of Transfer Between State Retirement Systems of Donald Gabrick, Jr.
ii. Acceptance of Transfer Between State Retirement Systems of Laurie Miller.
jj. Acceptance of Transfer Between State Retirement Systems of Ronald Jackson.
ll. Acceptance of Transfer Between State Retirement Systems of Mark Timpf.
mm. Acceptance of Transfer Between State Retirement Systems of Michael Gaspardo.
nn. Acceptance of Transfer Between State Retirement Systems of Jerry Sinica.
ooo. Acceptance of Transfer Between State Retirement Systems of Nicholas Adams.

ppp. Acceptance of Transfer Between State Retirement Systems of Patrick Schutte.

qqq. Acceptance of Transfer Between State Retirement Systems of Stephen Coburn.

rrr. Acceptance of Transfer Between State Retirement Systems of David Conto.

sss. Acceptance of Transfer Between State Retirement Systems of Shelli Miller.

ttt. Acceptance of Transfer Between State Retirement Systems of Bradley Davis.

uuu. Acceptance of Transfer Between State Retirement Systems of Jared Lowe.

vvv. Acceptance of Transfer Between State Retirement Systems of Kaye Wagstaff.

www. Acceptance of Transfer Between State Retirement Systems of Steven Sicklebower.

xxx. Acceptance of Transfer Between State Retirement Systems of Paul Weishaar.

yyy. Acceptance of Transfer Between State Retirement Systems of Raymond Sylvester.

zzz. Acceptance of Transfer Between State Retirement Systems of Jeff Bird.

aaaa. Acceptance of Transfer Between State Retirement Systems of David Breen.

bbbb. Acceptance of Transfer Between State Retirement Systems of Diane Tilton.

cccc. Approval of the Minutes of the following meetings: November 16, 2016 Meeting of the PSPRS Board of Trustees; November 22, 2016 Meeting of the PSPRS Board of Trustees; December 21, 2016 Training Meeting of the PSPRS Board of Trustees; and January 12, 2017 Special Work Session of the PSPRS Board of Trustees.

Mr. Brian P. Tobin

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It was stated that Mr. Gregory S. Ferguson’s retirement occurs today.


Mr. Jim Keeler
Program Director
Nationwide Retirement Solutions

At the end of December (the end of the fourth quarter 2016) the PSPRS Supplemental Plan included 12 employers with 575 participants and assets of $14,322,690. The EODCRS 401(a) Plan included 22 plans with 104 participants at year end with assets of $1,702,551.

Report by Mr. William Davis, Chairman of the Investment Committee, regarding agenda items 6 through 12, which were discussed at the Investment Committee meeting held today, January 25, on or after 10:30 a.m., and possible Action on the Committee’s recommendations to the Board regarding same.

6. Introduction to PSPRS Portfolio.

Mr. Allan Martin
NEPC
Mr. Parham described the evolution of the portfolio which has evolved from a portfolio with 70% U.S. equities to a portfolio with lower risk and built-in risk protections. The most important item in the formation of the portfolio are asset allocation choices which are decided annually by the Board. Mr. Martin stated the most important investment decision is selection of asset classes. NEPC reviews 40 asset classes for the 5-7 year time frame and the 30 year time frame. Then the actuary develops the 30 year forecast to then determine if there is a need to change the assumed rate of return. If the assumed rate of return is not achieved, then contributions or benefits must change.

A review of the PSPRS portfolio was held including things that the PSPRS may do to improve investment return while considering risk. The portfolio was discussed using NEPC’s 2017 assumptions for 5-7 years and a 30 year cycle. This fiscal year, through the end of November, the return of the portfolio was 7.1% which is in the top quartile of the peer group.

7. Introduction to Investment Department Staff Quarterly Risk Report (Third Calendar Quarter 2016).
   Mr. Owen Zhao
   Portfolio Analyst - Risk

A good review of risk was held this morning during the meeting of the Investment Committee. A work/study session for the Board may be held in order to give a better understanding of what the Investment Team does. The portfolio is risk adverse, but we try to reach the assumed earnings rate of 7.5%. Staff reviews risk by presenting where we are in the risk environment with asset allocation.

8. Introduction to Investment Department Staff Monthly Performance Report.
   Ms. Vaida Maleckaite
   Director of Investment Services

This report was provided to the members of the Board in their packet of information.

9. Introduction to Quarterly report by NEPC representatives.
   Mr. Allan Martin

A summary was presented regarding the topics included in the Quarterly report by NEPC. These are reports about the current economy, returns for all asset classes, special topics regarding asset classes, total funds market value, and how PSPRS did as compared to the peer group, and cash flow and compliance.

10. Presentation and discussion by Investment Department Staff and Consultants regarding the annual Overview and Strategic Plan for the Public Equities portfolio.
    Mr. Mark Steed
    Deputy Chief Investment Officer
    Mr. Shan Chen
    Lead Portfolio Manager
    Mr. Allan Martin

A description of the role of equities in the portfolio was presented as was the structure of the accounts of the domestic and international portfolios. Performance data was also reported.

Performance as to returns and volatility of domestic equities, international equities, small cap equities and emerging markets were described. The use of benchmarks for each type of equity investment was discussed. No changes were recommended regarding the investment policy.
11. Disclosure by Investment Department Staff of the following manager selection matters:
   A. New and potential investments considered by Manager Selection (MSM) this period:
      1. Disclosure of a potential investment of up to $65 million direct and a reserve allocation of up to $30 million for purposes of co-investment in the Mountain Capital Partners, LP Fund, in the Real Assets portfolio, subject to final Staff and legal due diligence.
      2. Disclosure of a potential investment of up to $60 million direct and a reserve allocation of up to $30 million for purposes of co-investment in the Actis Energy 4 Fund, in the Real Assets portfolio, subject to final Staff and legal due diligence.
      3. Disclosure of a potential investment of up to $15 million direct in the Catalyst European Property Fund II, in the Real Estate portfolio, subject to final Staff and legal due diligence.
      4. Disclosure of a potential investment of up to $50 million direct and a reserve allocation of up to $40 million for purposes of co-investment in the Bluescape Energy Recapitalization & Restructuring Fund III, in the Real Assets portfolio, subject to final Staff and legal due diligence.
      5. Disclosure of a potential investment of up to $30 million direct and a reserve allocation of up to $30 million for purposes of co-investment in the Trident VII, LP Fund, in the Private Equity portfolio, subject to final Staff and legal due diligence.
   B. Disclosure of closed transactions for this period:
      1. Castle Creek Fund VI (increases for second and third closing); Committed amount up to $3.8 million and $4.3 million respectively; Date Closed: November 22, 2016 (second closing) and January 11, 2017 (third closing). This investment is allocated to PSPRS Asset class: Private Equity.
   C. Disclosure of completed transactions for this period:
      1. 12th Street and Bell Property; Asset Class: Real Estate; This Real Estate Portfolio investment was originally approved by the Fund Manager in September, 2005.

Jennifer Eichholz, Esq.
In-House Investment Counsel

The manager Selection process was described to the board members. This is a prudent, exhaustive, and a many layered process of checks and balances.

12. 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 October 31, 2016 and November 30, 2016; (ii) written report regarding the asset allocation and performance of the Firefighters and Peace Officers Cancer Insurance Program; and (iii) review and possible discussion regarding written report for 2016 Third Calendar Quarter presented to the Trustees in November, 2016.

Ms. Vaida Maleckaite

The quarterly reports are presented orally and the monthly reports are given in writing. Next month there will be an oral quarterly report. For today the monthly report will be oral for the new Board of Trustees. Gross of fees the portfolio was up 1.17% for the month ending November 30, 2016. For the Fiscal Year-to-Date the Trust was up 5.07% as compared to the benchmark which was up .72%. For the Calendar Year-to-Date the portfolio was up 7.10% as compared to the benchmark which was up 6.43%.

The Supplemental Cancer Insurance Plan for the month ending November 30, 2016 was down 0.09% as compared to the benchmark which was down 1.26%. For the Fiscal Year-to-Date this fund was up 1.34% as compared to the benchmark which was down 0.13%. For the Calendar Year-to-Date the fund was up 5.81% as compared to the benchmark which was up 5.13%.
Presentation by Mr. Bryan Raines, Chairman of the Operations, Governance Policy and Audit Committee, regarding agenda items 13 through 20, which were discussed at the Operations, Governance Policy and Audit Committee meeting held today, January 25, 2017, 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 2017 and possible Action on same.  
   Mr. John Hendricks  
   Manager of Finance and Accounting

   The PSPRS is under budget for the Fiscal Year-to-Date; however there are new initiatives and activities required for the Information Technology Department resulting from new pension reform.

14. Presentation of the Local Board & Employer Outreach Report and possible Action.  
   Mr. Don Mineer  
   Local Board Training Coordinator

   New joinder agreements are in process.

15. Presentation of the Strategic Plan Process and possible Action.  
   Mr. John Briney  
   Enterprise Systems Architect

   An update of the Strategic Plan was presented to the Operations, Governance Policy and Audit Committee during their morning meeting.

   Ms. Lisa Sweeting  
   Continuous Improvement Administrator

   An update regarding operational accomplishments was presented to the Operations, Governance Policy and Audit Committee during their morning meeting.

17. Presentation of the "Requests for Local Board Rehearing" Report for the current month.  
   Ms. Michelle Pechan  
   Paralegal

   Of the three requests for local board rehearing, two have been addressed so there is one outstanding request.

18. Presentation on PSPRS communication efforts.  
   Mr. Christian Palmer  
   Communications Director

   Outreach and communication efforts were described and discussed during the Operations, Governance Policy and Audit Committee meeting.

19. Review and discussion regarding law firms' billings for legal services performed in November and December, 2016.  
   Mr. Jared A. Smout

   The billings for law firms for legal services performed in November and December, 2016 were $233,126.56 and payment was unanimously approved by members of the Operations, Governance Policy and Audit Committee. The Board of Trustees had delegated this process to the committee. The bills are reviewed by legal counsel before they are placed on the agenda for the committee meeting.
20. Review, discussion and possible Action on pending and passed actions and potential legislative proposals.

Mr. Jared A. Smout

Several bills were reviewed including HB 2315, SB 1019, SB 1115, and SB 1190 which extends the supplemental program for another eight years. Our Administration Bill is in progress. This bill addresses the dire situation of EORP regarding a variable contribution rate versus the static rate that is now used. The focus now is on CORP at the legislature. Chairman Tobin stated the EORP issue is of high priority for the Board due to actuarial studies regarding sustainability. He directed the lobbyists to try to fix the situation regarding EORP since there are only about ten years left of solvency. We need to act as the fiduciary of that plan, to do something, but we cannot pass legislation. Options were discussed as to how to proceed.

Updated language regarding the Administration Bill was approved during the Operation, Governance Policy and Audit Committee meeting and it was recommended the Board approve it with one more change pending for an item.

MOTION:2-1/25/17
Motion: At 2:34 p.m.
To accept the recommendation of the Operations, Governance Policy and Audit Committee to approve past actions regarding the Administration Bill as presented in our packets pending the outcome of the conversation of the Administrator with the tax consultant regarding language.
Moved by: The Operations, Governance Policy and Audit Committee
Seconded by: Mr. Raines
Discussion: None
In Favor: Unanimous
Motion: Passes: One vacant Board position

Chairman Tobin directed the Board’s attention to SB 1115 regarding changes to Tier 2 early retirement that would make it similar to Tier 3 starting July 1, 2017. There would be a slight savings according to an actuarial review. This allows those in Tier 2 to retire with at least 15 years of credited service at lower stepped multipliers until they reach the same 2.5% multiplier at 25 years.

MOTION:3-1/25/17
Motion: At 2:44 p.m.
Move to support bill SB 1115.
Moved by: Mr. Buividas
Seconded by: Mr. Davis
Discussion: Discussion regarding being neutral or giving support to a bill was held. This bill has a cost saving. Mr. Buividas stated our weight at legislature is good.
In Favor: Unanimous
Motion: Passes: One vacant Board position
Chairman Tobin stated that our lobbyists have asked for direction regarding EORP funding status. The discussion centered around language to present removal of 23.5% contribution rate in order to allow the contribution rate to change every year based on actuarial reports. If the statutory rate continues, the employer rate will increase to 53.7% or increase annual contributions to over $40 million.

Discussion was held regarding sending some type of correspondence to the Legislature asking them to act in some way, to outline issues and concerns of the Board and to direct them to take some sort of action.

<table>
<thead>
<tr>
<th>MOTION:4-1/25/17</th>
<th>At 3:14 p.m.</th>
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<tbody>
<tr>
<td>Motion:</td>
<td>To work with the Administrator to craft a letter to the leadership of the legislature to direct them to take reasonable and quick action to resolve the EORP Plan and urge them to do something as quickly as possible and to go on record.</td>
</tr>
<tr>
<td>Moved by:</td>
<td>Mr. Scheidt</td>
</tr>
<tr>
<td>Seconded by:</td>
<td>Mr. Davis</td>
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<tr>
<td>Discussion:</td>
<td>Mr. Smout stated we have the Auditor General’s report to back this up and to include this report in the letter, to reference this issue in the letter and the resolution.</td>
</tr>
<tr>
<td>In Favor:</td>
<td>Unanimous</td>
</tr>
<tr>
<td>Motion:</td>
<td>Passes: One vacant Board position</td>
</tr>
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Mr. Corey Arvizu
Managing Partner
Mr. Christopher Heinfeld
Audit Manager
Heinfeld, Meech & Co., P.C

Two elements of the audit included review of the financial statements of the Plan and review of the benefits provided to employers and the reports the employers provided to their member entities. The auditing procedures were described as well as the wrap-up procedures. The external auditor had no difficulty with member entities or System employees with getting information. Also there were no disagreements with management and no findings were noted.

22. Discussion, and possible Action on the risk-pooling and local board consolidation study as directed by SB1428.

Mr. Jared A. Smout

There will be a meeting on Friday, January 27, 2017 specifically regarding this topic thus this agenda item was tabled until that date.


Mr. William T. Buividas
Vice Chairman

Mr. Buividas stated a contract with SageView Capital was executed and the committee is in the process of developing an RFP for a custodian/record keeper which will be out by mid-February.
24. Discussion and appropriate Action regarding Board of Trustee member requests to participate in training, educational and due diligence opportunities.

Mr. Brian P. Tobin

The board members discussed the NCEPRS Conference and those who want to attend to please notify the Administrator.

25. Discussion and consultation with legal counsel and Staff and possible Action regarding 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. 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), (4) and (7), 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 25, including but not limited to those involving the status of lawsuits challenging provisions of SB1609, as authorized by A.R.S. §§ 38-431.03(A)(2), (3).

   b. Update and discussion on personnel matters, including the Administrator’s Annual Performance Review, as authorized by A.R.S § 38-431.03(A)(1).

No request was made for an Executive Session.

27. Schedule future meeting date(s). (Currently scheduled for Wednesday, March 1, 2017.)

The next meeting will be March 1, 2017 which will act as the February meeting and the following meeting will be held on March 29.

28. Adjournment.

The meeting was adjourned at 3:43 p.m.