PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM
BOARD OF TRUSTEES INVESTMENT COMMITTEE MEETING

FEBRUARY 24, 2016

MINUTES

Present: Mr. Richard Petrenka, Acting Investment Chairman, Trustee
         Mr. William Davis, Trustee
         Mr. Brian Tobin, Chairman, Trustee

Others Present: Mr. Ryan Parham, Chief Investment Officer
                Mr. Marty Anderson, Deputy Chief Investment Officer
                Mr. Mark Steed, Deputy CIO and Chief of Staff
                Mr. Shan Chen, Lead Portfolio Manager
                Ms. Vaida Maleckaitė, Sr. Investment Operations Analyst - Excused
                Ms. Jennifer Eichholz, Esq., In-House Investment Counsel
                Mr. Owen Zhao, Portfolio Analyst
                Mr. Don Stracke, NEPC
                Ms. Rose Crutcher, Investment Paralegal
                Mr. Jefferson Weston, Investment Analyst
                Mr. Paul Hemmes, Information Technology

1. Call to Order, Roll Call, Opening remarks.  

   Acting Chairman Petrenka called the meeting to order at 10:50 a.m.

2. Review, discussion and possible Action to approve Investment Committee Minutes from January 20, 2016.

   MOTION: 1-2/24/16
   Motion: At 10:33 a.m.
   Move to approve the Investment Committee Minutes from January 20, 2016 as presented.
   Moved by: Mr. Davis
   Seconded by: Mr. Petrenka
   Discussion: None
   In Favor: Unanimous
   Motion: Passes

3. Written report and possible discussion of monthly review of Management Fees.

   A written report was provided with the monthly material, for which there were no questions.
4. Report by the System’s Internal Audit and Compliance Officer and discussion regarding investment compliance, holdings and transactions, as of December 31, 2015.

Ms. Bridget Feeley

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

5. Presentation and written report by Investment Department Staff regarding Portfolio Risk as of December 31, 2015.

Mr. Owen Zhao
Portfolio Analyst - Risk

In addition to the written report, Mr. Zhao presented a market overview, comments regarding the current market, information regarding value at risk, PSPRS volatility versus market volatility, drivers of sub-portfolios, information regarding the PSPRS global portfolio and lessons from the past. The PSPRS Trust Portfolio has been in the top quartile in return performance terms since July 2014.

6. Presentation and 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 December 31, 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

This report now includes cumulative returns for the Trust for the past ten calendar years. The Equity Trade Report has been changed to highlight internal and separately managed trades and a report has been added regarding the Cancer Insurance Program.

As of 12/31/15, the value of the Trust was $8,292 billion, including the 2015 addition of $176 million in asset value. In the last three months, $120 million in value has been added to the Trust.

For the month-end, the Trust was down 0.95% as compared to the benchmark, which declined 0.79%. For the three months ending, the Trust was up 1.49% as compared to 2.50% for the benchmark. Most assets declined, but Credit Opportunities and Fixed Income had positive performances. For the Fiscal Year-to-Date, the total fund was down 0.86% as compared to the benchmark, which declined 1.21%. For the Calendar Year-to-Date, the total fund was up 2.65% as compared to the benchmark, which was up 1.01%.

Discussion was held regarding future earnings rates.
7. Presentation and discussion by NEPC representatives on the Second Fiscal Quarter (4th Calendar Quarter) investment performance and the 2015 Fiscal Year investment performance for the Arizona PSPRS Trust.

Mr. Ryan Parham
Assistant Administrator and Chief Investment Officer
Mr. Allan Martin
NEPC, LLC.

Mr. Stracke summarized the current economic environment, where we are in the economic cycle. The Trust was up 1.5% for three months, for the Fiscal Year-to-Date, it was down .09%. For one year, the Trust was +2.7% (ranking 6 of all public funds); three years +7.3% (ranking 56), 5 years +6.4% (ranking 78) and for 10 years +4.7% (ranking 94).

Discussion was held regarding risk adjusted returns. The Cancer Insurance Plan is small and is run with a more traditional approach in target asset allocation and risk/return.


Mr. Ryan Parham
Mr. Alan Martin
To be presented during the Board meeting.

9. Disclosure by Investment Department Staff of the following manager selection matters this period:
A. New and potential investments considered:
   1. Disclosure of a potential investment of up to $50 million direct in a separately managed account (SMA) investing in various securities issued by Master Limited Partnerships in the energy sector, in the Real Assets portfolio, subject to final Staff and legal due diligence.
   2. Disclosure of a potential investment of up to $50 million direct investment in a fund focusing on mid-market buyouts in the Private Equity portfolio, subject to final Staff and legal due diligence.
B. Disclosure of closed transactions:
   1. None this period.
C. Current investments considered for de-selection:
   1. None this period.
D. Disclosure of completed transactions:
   1. None this period.
E. Disclosure of transactions withdrawn from consideration:
   1. None this period.

Jennifer Eichholz, Esq.

10. Discussion and Recommendations regarding minor clarification revisions to the PSPRS Investment Policy Statement.

Mr. Ryan Parham

This will be discussed next month.
11. **Call to the Public:**

   This is the time for the public to comment. Members of the Committee may not discuss items that are not specifically identified on the agenda. Therefore, pursuant to A.R.S. § 38-431.01 (H), action taken as a result of public comment will be limited to directing staff to study the matter, responding to any criticism, or scheduling the matter for a later date for further consideration and possible recommendations to the Board of Trustees.

   There was no reply to the Call to the Public.

12. **The Committee may discuss future dates for meetings and direct Staff to place matters on future agendas. (Currently scheduled for March 23, 2016.)**

   The next meeting will be held on Wednesday, March 23, 2016.

13. **Adjournment.**

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<thead>
<tr>
<th>MOTION:2-2/24/16</th>
<th>At 12:11 p.m.</th>
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<tbody>
<tr>
<td>Motion:</td>
<td>Move to adjourn the meeting.</td>
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<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</td>
</tr>
<tr>
<td>Motion:</td>
<td>Passes</td>
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</tbody>
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   /s/ Richard Petrenka
   Mr. Richard Petrenka, Investment Chairman