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

    Mr. William C. Davis
    Committee Chairman

The meeting was called to order by Chairman Davis at 9:05 a.m.

2. Review, discussion and possible Action to approve Investment Committee Minutes from April 26, 2017.

    Mr. William C. Davis
3. Presentation and report by Investment Department Staff regarding Portfolio Risk as of March 31, 2017.

   Mr. Owen Zhao
   Portfolio Analyst – Risk

   Discussion was held regarding volatility and the PSPRS portfolio, as compared to the S&P 500 stock index. Equity risk is considered the highest contributor to the Value at Risk. Drivers of asset class risk and portfolio risk were also discussed. PSPRS actual upside and downside risk returns in a six-month time frame were compared to the Russell 3000.

4. Presentation and report by Investment Department Staff and discussion regarding (i) the Month-End and Fiscal Year-to-Date performance for the PSPRS Trust as of March 31, 2017; and (ii) presentation and report regarding the asset allocation and performance of the Firefighters and Peace Officers Cancer Insurance Program.

   Ms. Vaida Maleckaite
   Director of Investment Services

   For the month ending 3/31/17, the Trust outperformed the benchmark by 54 basis points and it is valued at $9.1 billion. For the calendar year-to-date, the Trust underperformed the benchmark 3.57% as compared to 3.57%. Regarding the Fiscal Year-to-Date, the Trust increased in value by 9.93%, which exceeds the assumed rate of return. The annualized 3, 5 and 10 year return rates were presented. The Firefighters and Peace Officers Cancer Insurance Program for the period ended March 31, 2017 returned 4.25%, as compared to the benchmark return of 4.46%. Regarding the Fiscal Year-to-Date, the return was 7.04%, as compared to the benchmark return of 5.25%. Returns for the 3, 5, and 10 years spans were also presented.

5. Presentation and discussion by NEPC representative(s) on the 3rd Fiscal Quarter (1st Calendar Quarter) investment performance and the 2016-2017 Fiscal Year investment performance for the Arizona PSPRS Trust.

   Mr. Allan Martin
   NEPC, LLC.

   Highlights of economic activity during the 3rd Fiscal Quarter were presented. PSPRS assets performed well with the exception of bonds. The performance of the fund over five years was 7.1%, for three years the fund returned 5.5% and over the last year, it surpassed the 7.5% assumed rate, returning 9.6%. Over the last year, assets in the fund are valued at $9.1 billion with a net investment gain of $811 million. A discussion was held regarding risk/return charts and how, over time, the Board has reduced risk exposure. All asset allocations are within Board-approved range. The legacy real estate portfolio was

MOTION:1-5/31/17

At 9:06 A.M.
Motion: To approve the Investment Committee Minutes from April 26, 2017.
Moved by: Mr. Scheinert
Seconded by: Mr. Buividas
Discussion: None
In Favor: Unanimous
Motion: Passes
also reviewed well as the U.S. equity and non-U.S. equity portfolios, in preparation for a review at a later date.

6. Presentation and discussion by Investment Department Staff and Consultants regarding the Annual Overview and Strategic Plan for the Risk Parity Portfolio.

   Mr. Ryan Parham, Assistant Administrator and Chief Investment Officer  
   Mr. Bob Smith, Client Advisor, Bridgewater  
   Mr. James L. Haskel, Senior Portfolio Strategist, Bridgewater  
   Dr. Roberto Croce, Head of Quantitative Strategies, Salient Capital Partners  
   Blair Batson, Director of Institutional Investments, Salient Capital Partners

The Risk Parity portfolio is 4% of the total Fund. Discussion was held regarding how asset classes work over time in order to earn increased value. It is difficult to predict what economic environment will occur in the future, so the portfolio is structured to achieve outperformance in the long run. A description was provided regarding how portfolios are built in order to spread risk in a diversified manner across asset classes and within asset classes. These adaptive strategies are designed to do well in uncertain economic environments without discretionary intervention.

7. Introduction to Asset Allocation.

   Mr. Ryan Parham  
   Mr. Allan Martin

Discussion was held regarding possible adjustments to the asset allocations in the System’s portfolio and appropriate benchmarks. Every asset class is designed to achieve the required 7.4% return with consideration to the amount of risk to take in order to earn a higher return that is reasonably consistent. Aspects for consideration include asset classes, targets, ranges, benchmarks, expected returns and expected risk. Two different asset mixes proposed by PSPRS staff and NEPC were discussed. Additional discussion will be held during the next meeting.

8. Disclosure by Investment Department Staff of the following Manager Selection Matters:

   A. New and Potential Investments Considered this Period:
      1. Disclosure of a potential investment of up to $60 million direct and a reserve allocation of up to $40 million for purposes of co-investment with Orion Mine Finance Fund II, in the PSPRS Real Assets portfolio, subject to final Staff and legal due diligence.
      2. Disclosure of a potential increase in a current investment of up to an additional $25 million for direct investment with Fundamental Partners III, L.P., in the PSPRS Real Assets (Core Capital) portfolio, subject to final Staff and legal due diligence.
      3. Disclosure of a potential investment of up to $50 million direct and a reserve allocation of up to $25 million for purposes of co-investment in the Sabal / SIA Debt Opportunities Fund, L.P., in the PSPRS Private Credit portfolio, subject to final Staff and legal due diligence.
      4. Disclosure of a potential investment of up to $80 million for direct investment purposes with EnCap Energy Capital Fund XI, L.P., in the PSPRS Real Assets (Energy) portfolio, subject to final Staff and legal due diligence.
   
   B. Finalized and Executed Transactions During Prior Period:
      1. Comvest Capital IV, L.P.; Committed amount up to $50 million direct. Date Closed: April 17, 2017; This investment is allocated to PSPRS Asset Class: Private Credit.
2. Transfer of current investment (100% deselection) from Bridgewater Real Asset Fund for purposes of direct investment in Bridgewater All Weather Fund, in the PSPRS Asset Class Risk Parity.

C. Investments Completely Liquidated During Prior Period:
   1. OZ Domestic Partners II, LP (Och-Ziff Capital Management Group/Oz Master Fund, Ltd.); Date of original investment: October 1, 2010; This investment was allocated to PSPRS Asset class: Absolute Return.

   No discussion was held.

9. The Committee may discuss future dates for meetings and direct Staff to place matters on future agendas (currently scheduled for June 28, 2017.)

   The next meeting will be held on June 28, 2017.

10. 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.

11. Adjournment.

   The meeting was adjourned at 11:53 a.m.

   /s/ William C. Davis, Trustee

   Mr. William C. Davis, Trustee
   Chairman of the Investment Committee