PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM  
BOARD OF TRUSTEES MEETING  
June 28, 2017  

MINUTES  

Members  
Mr. Brian P. Tobin, Chairman, Trustee  
Mr. William T. Bulvadas, Vice Chairman, Trustee  
Mr. William C. Davis, Trustee  
Mr. Edward J. McNeill, Trustee  
Mr. Bryan Raines, Trustee - Excused  
Mr. Mike Scheidt, Trustee  
Mr. Dean Scheinert, Trustee – Excused at 2:18 P.M.  
Mr. Donald A. Smith, Jr. Trustee – Arrived at 1:11 P.M.  

Present:  

Others Present:  
Mr. Jared Smout, Administrator  
Mr. Ryan Parham, Assistant Administrator and CIO  
Ms. Ivy Voss, Assistant Attorney General  
Mr. Mark Steed, Deputy CIO and Chief of Staff  
Mr. Shan Chen, Lead Portfolio Manager  
Mr. Owen Zhao, Portfolio Analyst  
Mr. Jefferson Weston, Investment Analyst  
Ms. Vaida Maleckaite, Director of Investment Services  
Mr. William Thatcher, Lead Portfolio Manager  
Mr. Kevin Chen, Investment Accountant  
Ms. Vaida Maleckaite, Director Investment Services  
Mr. Don Mineer, Local Board Trainer  
Ms. Rose Crutcher, Investment Paralegal  
Mr. Paul Hemmes, Information Technology  
Mr. Allan Martin, NEPC  
Ms. Dianne McAllister, Public Policy Partners  

1. Call to Order; Pledge of Allegiance; Roll Call; Opening remarks.  

Mr. Brian P. Tobin  
Chairman  

The meeting was called to order at 1:00 P.M. by Chairman Tobin which was followed by the Pledge of Allegiance and Roll Call.  

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 reply 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.
b. Acceptance of Elected Officials' Retirement Plan of early retirement benefit of Don Calendar.
e. Acceptance of Elected Officials' Retirement Plan of normal retirement benefit of Jimmie R. Hernandez.
g. Acceptance of Transfer Between State Retirement Systems of Thomas Craig.
h. Acceptance of Transfer Between State Retirement Systems of David Keys-Nunes.
i. Acceptance of Transfer Between State Retirement Systems of Scott Bales.
j. Acceptance of Transfer Between State Retirement Systems of James Gordon.
k. Acceptance of Transfer Between State Retirement Systems of John Lerew.
l. Acceptance of Transfer Between State Retirement Systems of Juan Moronaz.
m. Acceptance of Transfer Between State Retirement Systems of Mark Kincannon.
n. Acceptance of Transfer Between State Retirement Systems of Patrick Tortorici.
o. Acceptance of Transfer Between State Retirement Systems of Eric Miller.
p. Acceptance of Transfer Between State Retirement Systems of Nathan Barden.
q. Acceptance of Transfer Between State Retirement Systems of Chad Kreuger.
r. Acceptance of Transfer Between State Retirement Systems of Matthew Bender.
s. Acceptance of Transfer Between State Retirement Systems of Mark Orona.
t. Acceptance of Transfer Between State Retirement Systems of Julien Huck.
u. Acceptance of Transfer Between State Retirement Systems of Scott Friedman.
v. Acceptance of Transfer Between State Retirement Systems of Mark Dannels.
w. Acceptance of Transfer Between State Retirement Systems of Marcelo Camacho.
x. Approval of the Minutes of the May 31, 2017 Meeting of the PSPRS Board of Trustees.

Mr. Brian P. Tobin

<table>
<thead>
<tr>
<th>MOTION: 1-6/28/17</th>
<th>At 1:01 P.M.</th>
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<tbody>
<tr>
<td>Motion:</td>
<td>To approve the Consent Agenda as presented.</td>
</tr>
<tr>
<td>Moved by:</td>
<td>Mr. Scheidt</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. Raines - Excused</td>
</tr>
<tr>
<td>Motion:</td>
<td>Passes</td>
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4. Appropriate Action regarding the Joinder Agreement with the Arizona Fire & Medical Authority (which resulted from the adoption of Joint Powers Authority between North County Fire & Medical District and Sun Lakes Fire District).

Mr. Brian P. Tobin

<table>
<thead>
<tr>
<th>MOTION: 2-6/28/17</th>
<th>At 1:02 P.M.</th>
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<tbody>
<tr>
<td>Motion:</td>
<td>To approve the Joinder Agreement with the Arizona Fire &amp; Medical Authority. All documents have been received.</td>
</tr>
<tr>
<td>Moved by:</td>
<td>Mr. Scheidt</td>
</tr>
<tr>
<td>Seconded by:</td>
<td>Mr. Buividas</td>
</tr>
<tr>
<td>Discussion:</td>
<td>None</td>
</tr>
<tr>
<td>In Favor:</td>
<td>Unanimous; Mr. Raines - Excused</td>
</tr>
<tr>
<td>Motion:</td>
<td>Passes</td>
</tr>
</tbody>
</table>
5. Appropriate Action regarding the Agreement to participate in the Supplemental Defined Contribution Plan with the Sedona Fire District.

Mr. Brian P. Tobin

MOTION: 3-6/28/17
At 1:03 P.M.
Motion: To approve the Agreements to participate in the Supplemental Defined Contribution Plan with the Sedona Fire District.
Moved by: Mr. Scheinert
Seconded by: Mr. Scheidt
Discussion: None
In Favor: Unanimous; Mr. Raines - Excused
Motion: Passes

6. Appropriate Action regarding the approval of requests to increase amortization period for the following listed employers.

Mr. Brian P. Tobin

a. Arizona Fire & Medical Authority
b. City of Bisbee
c. City of Mesa
d. City of Phoenix
e. City of Safford
f. City of South Tucson
g. Cochise County
h. Graham County
i. Highlands Fire District
j. Town of Clarkdale
k. Town of Patagonia
m. Town of Pinetop-Lakeside

MOTION: 4-6/28/17
At 1:04 P.M.
Motion: To approve the requests to increase amortization period for the above listed employers (in agenda topic 6). All documents have been executed.
Moved by: Mr. Davis
Seconded by: Mr. Scheidt
Discussion: None
In Favor: Unanimous; Mr. Raines – Excused
Motion: Passes

Report by Mr. William Davis, Chairman of the Investment Committee, regarding agenda items 7 through 10, which were discussed at the Investment Committee meeting held today, June 28, 2017 on or after 9:00 a.m., and possible Action on the Committee’s recommendations to the Board regarding same.

7. Written report by Investment Department Staff regarding Portfolio Risk as of April 30, 2017.

Mr. Owen Zhao, Portfolio Analyst – Risk

No discussion was held.

8. Written report by Investment Department Staff regarding (i) the Month-End and Fiscal Year-to-Date performance for the PSPRS Trust as of April 30, 2017; and (ii) written report regarding the asset allocation and performance of the Firefighters and Peace Officers Cancer Insurance Program.

Ms. Vaida Maleckait, Director of Investment Services

The Year-to-Date returns are strong as indicated in the written report.
Disclosure by Investment Department Staff of the following Manager Selection Matters:

A. Finalized and Executed Transactions During Prior Period:

1. **Fundamental Partners III, LP;** Committed amount up to $25 million; Date Closed: April 26, 2017. This investment is allocated to PSPRS Asset class: Real Assets.

2. **Sabal / SIA Debt Opportunities Fund, L.P.;** Committed amount up to $50 million direct and up to $25 million for co-investment purposes; Date Closed: May 9, 2017. This investment is allocated to PSPRS Asset class: Private Credit.

3. **Orion Mine Finance Fund II;** Committed amount up to $60 million direct and a reserve allocation of up to $40 million for co-investment purposes; Date Closed: May 12, 2017. This investment is allocated to PSPRS Asset class: Real Assets.

4. **EnCap Energy Capital Fund XI, L.P.;** Committed amount up to $80 million; Date Closed: May 31, 2017. This investment is allocated to PSPRS Asset class: Real Assets.

No discussion was held.

10. Discussion regarding transfer of the 3010 E. Camelback building into the Arizona PSPRS Trust, and possible Action regarding Committee recommendation to the Board regarding same.

   Mr. Ryan Parham, Assistant Administrator and Chief Investment Officer

A possible transfer of the building ownership to an LLC entity will be discussed in Executive Session.

Motions 13 and 14 were made following the Executive Session beginning that began at 2:26 P.M. and ended at 3:25 P.M.

**MOTION: 13-6/28/17**

**Motion:** To transfer the building 3010 East Camelback Road, Phoenix, AZ into an LLC entity.

**Moved by:** Mr. Davis

**Seconded by:** Mr. Smith

**Discussion:** Mr. McNeill: Friendly Amendment: to be effective July 1, 2017.

**In Favor:** Unanimous: Mr. Scheinert, Mr. Raines - Excused

**Motion:** Passes

**MOTION: 14-6/28/17**

**Motion:** As a result of the action taken in Agenda item 10, to adjust the budget for FY 2018. The budget has been approved by the Board of Trustees with the exception of building expenses of $233,468. To increase the budget by $700,000 to include rental expenses of $28 per square foot for 25,000 square feet at the current market rate and to include extra funds to cover expenses of any required improvements.

**Moved by:** Mr. McNeill

**Seconded by:** Mr. Scheidt

**Discussion:** None

**In Favor:** Unanimous

**Motion:** Passes
Report by Chairman Brian Tobin on agenda item 11, which was discussed at the Special Study Session meeting held June 28, 2017 on or after 10:00 a.m., and possible Action regarding same.

11. Presentation and discussion by NEPC representatives and Staff on Asset Allocation for the Arizona PSPRS Trust Portfolio.

Mr. Ryan Parham
Mr. Mark Steed, Deputy CIO and Chief of Staff
Mr. Allan Martin, NEPC, LLC.

The Board discussed the proposed adoption of the revised asset allocation recommended by Staff and NEPC to be effective 7/1/17 in a Board of Trustees Study Session. The discussion included proposed asset allocation ranges and policy targets. Discussion was held regarding combining the Absolute Return and GTAA portfolios into one portfolio to be renamed Global Trading Strategies (GTS), with such GTS portfolio reduced -3 (a reduction of 3% from 15% to 12% of the overall portfolio), and increasing allocations to the Private Equity portfolio +1%, Real Assets portfolio +1%, and Private Credit portfolio +1%. All other asset allocation targets shall remain the same.

MOTION:5-6/28/17
Motion: At 1:05 P.M.
To approve the proposed policy asset allocations, ranges.
Moved by: Mr. Davis
Seconded by: Mr. Scheidt
Discussion: Mr. Buividis discussed proposed ranges and targets.
In Favor: Unanimous; Mr. Raines - Excused
Motion: Passes

Presentation by Mr. Ed McNeill, Vice Chairman of the Operations, Governance Policy and Audit Committee, regarding agenda items 12 through 23, which were discussed at the Operations, Governance Policy and Audit Committee meeting held today, June 28, 2017, on or after 9:00 a.m., and possible Action on the Committee’s recommendations to the Board regarding same.


Mr. Jared A. Smout
Administrator

Mr. Smout discussed Operations Updates, including that the relocation of the Investment Department to the first floor has been completed, and that the prejudgment interest rate for the Hall case has been set at 4.25% although the final judgement has not yet been entered by the court.

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 operating budget for the 2016-2017 fiscal year is currently 2% under the FY 2016-17 adopted budget.

14. Presentation of the Local Board & Employer Outreach Report and possible Action.

Mr. Don Mineer
Local Board Training Coordinator

A number of events were held in the past month including a webinar regarding questions about the Hall case and other pension inquiries.
15. Presentation of the Strategic Plan Progress Report and possible Action.  

Mr. John Briney  
Enterprise Systems Architect

A copy of the Strategic Plan was provided to the Board for their comments and direction. One member of the staff was reclassified as security officer. The focus this year will be on education, communication, employee engagement, manager responsibilities/ownership and cross training.

MOTION:6-6/28/17  
At 1:19 P.M.  
Motion: To accept the recommendation of the Operations, Governance Policy and Audit Committee to adopt the Strategic Plan for FY 2017-18.  
Moved by: The Operations, Governance Policy and Audit Committee  
Seconded by: Mr. McNeill  
Discussion: None  
In Favor: Unanimous; Mr. Raines – Excused  
Motion: Passes

16. Presentation of the Requests for Local Board Rehearing Report for the current month and possible Action.  

Ms. Michelle Pechan  
Paralegal

There are four requests for Local Board Rehearings and we are waiting to receive final documents for review.

17. Presentation on PSPRS communication efforts and possible Action.  

Mr. Christian Palmer  
Communications Director

The outreach e-mail system has been updated. Communication regarding updates on the Hall/Parker cases continue to be on-going.

18. Presentation of HR Report and possible Action.  

Ms. Patricia Shaner  
Human Resources Director

Employee satisfaction and engagement results on the State's annual survey had a 92% participation rate. The ratio rate of satisfaction regarding PSPRS has increased greatly over the prior year and those results are supported by information received during individual one-on-one visits. We will concentrate on areas of lower and neutral scores.

19. Review and discussion regarding law firms' billings for legal services performed in May, 2017.  

Ivy Voss, Esq.  
Assistant Attorney General

The Operations, Governance Policy and Audit Committee approved $101,634.64 payment for law firms' billings for legal services performed in May, 2017.

20. Review, discussion and possible Action on pending and passed legislative actions and potential legislative proposals.  

Mr. Jared A. Smout

Stakeholder and ad hoc committee meetings have been held around the State regarding information about pension reform and other topics. State Senator Lesko will begin EORP stakeholder meetings this summer. Discussion was held with the Board regarding the urgency of
the EORP situation. Chairman Tobin inquired as to the direction in which the members of the Board want to proceed. Mr. Bulvidas suggested holding work groups regarding solutions to the situation due to contribution returns for the Hall case and the possibility that there will be a PBI payout this year due to our high investment returns. Discussion was also held as to whether there was enough time to establish another tier? Others suggested a study of financial alternatives or restructure of the EORP Plan.

Action regarding municipal bankruptcy was discussed. In order to be prepared, this topic will be moved to another meeting.

21. Discussion and possible Action regarding various interest and other rates utilized by staff for calculations.

Mr. Jared A. Smout

A discussion was held regarding the table of interest rates used by the System, most of which are mandated by Arizona statute. The refund rate for all three tiers is to be set by the Board of Trustees. Historically, such rate has been 3%, which is also recommended by the System’s actuaries. It is recommended that the 3% apply and be compounded annually. Regarding forfeiture, if a stakeholder is convicted of a felony, the court has the ability to take away their pension, but must also refund their contributions. This will need to be reaffirmed. Additionally, the PSPRS Staff DC Plan employer match of up to 6% (since inception) must be approved each year and 6% is recommended. The Operations, Governance Policy and Audit Committee recommended adoption of the three provisions.

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<thead>
<tr>
<th>MOTION:7-6/28/17</th>
<th>At 1:43 P.M.</th>
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<tr>
<td>Motion:</td>
<td>To accept the recommendation of the Operations, Governance Policy and Audit Committee to set the refund rate for all three tiers at 3% compounded annually, to reaffirm refund on contributions for those convicted of a felony whose pensions have been taken away and to approve the PSPRS Staff DC Plan employer match of up to 6%.</td>
</tr>
<tr>
<td>Moved by:</td>
<td>The Operations, Governance Policy and Audit Committee</td>
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<tr>
<td>Seconded by:</td>
<td>Mr. McNeill</td>
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<tr>
<td>Discussion:</td>
<td>None</td>
</tr>
<tr>
<td>In Favor:</td>
<td>Unanimous; Mr. Raines - Excused</td>
</tr>
<tr>
<td>Motion:</td>
<td>Passes</td>
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22. Review and discussion regarding the renewal of fiscal 2017-18 contracts for various services.

Mr. Jared A. Smout

The Operations, Governance Policy and Audit Committee discussed renewal of fiscal 2017-18 third-party contracts.

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<tr>
<th>MOTION:8-6/28/17</th>
<th>At 1:54 P.M.</th>
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<tr>
<td>Motion:</td>
<td>To accept the recommendation of the Operations, Governance Policy and Audit Committee to renew the contracts for Gabriel Roeder Smith, Heinfeld Meech, Public Policy Partners, HighGround, New England Pension Consulting, StepStone, Albourne, ORG and the Office of the Attorney General.</td>
</tr>
<tr>
<td>Moved by:</td>
<td>The Operations, Governance Policy and Audit Committee</td>
</tr>
<tr>
<td>Seconded by:</td>
<td>Mr. McNeill</td>
</tr>
<tr>
<td>Discussion:</td>
<td>None</td>
</tr>
<tr>
<td>In Favor:</td>
<td>Unanimous; Mr. Raines - Excused</td>
</tr>
<tr>
<td>Motion:</td>
<td>Passes</td>
</tr>
</tbody>
</table>
Staff and the committee will work to improve the process of reviewing third-party contracts and to develop a formal RFP process.

23. Review, discussion and possible Action with respect to the FY2018 PSPRS Administrative Budget.

Mr. Jared A. Smout

The proposed FY2018 budget is 3.11% over the FY2017 budget. The increase is attributable to new positions. The expenses for the 3010 building have not been included in the proposed FY2018 budget since the building will be discussed in Executive Session.

|MOTION:9-6/28/17| At 2:02 P.M.|
|Motion:| To accept the recommendation of the Operations, Governance Policy and Audit Committee to approve the FY2018 budget as presented with the exception of the 3010 building to be discussed in Executive Session.|
|Moved by:| The Operations, Governance Policy and Audit Committee|
|Seconded by:| Mr. McNeill|
|Discussion:| None|
|In Favor:| Unanimous; Mr. Raines - Excused|
|Motion:| Passes|

24. Update, discussion and possible Action on EORP funding and litigation issues and the fiduciary role of PSPRS in these matters.

Brian P. Tobin

Discussion of the fiduciary role of PSPRS was held with the Board members and the Assistant Attorney General. An ad hoc committee was suggested. Chairman Tobin stated to take this discussion as an affirmative from the Board to proceed with such committee.

25. Discussion and possible Action regarding the delegation of decision and contractual authority to the PSPRS Defined Contribution Committee and Committee Chair, respectively, to enter into a contract with an annuity provider.

Mr. William T. Buividas
Vice Chairman
Chairman of the Arizona PSPRS Defined Contribution Committee

|MOTION:10-6/28/17| At 2:16 P.M.|
|Motion:| To delegate the decision and contractual authority to the PSPRS Defined Contribution Committee Chairman to enter into a contract with an annuity provider effective 7/1/2017.|
|Moved by:| Mr. McNeill|
|Seconded by:| Mr. David|
|Discussion:| None|
|In Favor:| Unanimous|
|Motion:| Passes|

One bid was received due to the requirement in the RFP that such annuity provider be a fiduciary.


Mr. William T. Buividas

The Board was walked through the new website for the Public Safety Personnel Defined Contribution Retirement Plan, which is expected to go live July 1, 2017. Letters regarding the new investment choices have been sent out.
27. Discussion and appropriate **Action** regarding Board of Trustee member requests to participate in training, educational and due diligence opportunities.

*Mr. Brian P. Tobin*

No requests were presented.

28. Discussion and consultation with legal counsel and Staff and possible **Action** regarding 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 29.

29. **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, legislation and ongoing or threatened legal action or claims involving the Plans or Trust not otherwise referenced above in Item 28, 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, as authorized by A.R.S § 38-431.03(A)(1).

   c. Transfer of 3010 E. Camelback Road property into the Arizona PSPRS Trust, as authorized by A.R.S. § 38-431.03(A)(7).

   d. Update and discussion on EORP funding and litigation issues and the fiduciary role of PSPRS in these matters, as authorized by A.R.S. § 38-431.03(A)(2) (3) and (4).

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**MOTION: 11-6/28/17**

**Motion:** To approve the adoption of the documents.

**Moved by:** Mr. Smith

**Seconded by:** Mr. Davis

**Discussion:** None

**In Favor:** Mr. Scheinert – Excused at 2:18 P.M.; Mr. Raines - Excused

**Motion:** Passes

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**MOTION: 12-6/28/17**

**Motion:** To recess Open Session and Enter Executive Session regarding agenda items 29 a, b, c and d.

**Moved by:** Mr. Davis

**Seconded by:** Mr. McNeill

**Discussion:** None

**In Favor:** Unanimous; Excused – Mr. Scheinert, Mr. Raines

**Motion:** Passes

Open Session resumed at 3:25 P.M. Please refer to Agenda Item 10 for applicable motions.
30. Schedule future meeting date(s). (Currently scheduled for Thursday, July 27, 2017.)

The meeting that was scheduled for Thursday, July 27th was cancelled. The next meeting was rescheduled to Tuesday, August 22, 2017.

31. Adjournment.

The meeting was adjourned at 3:38 P.M.

/s/
Brian P. Tobin, Trustee, Chairman

/s/  
William P. Buividas, Trustee, Vice Chairman

/s/  
Edward J. McNeill, Trustee

/s/  
Mike Scheinert, Trustee

/s/  
William C. Davis, Trustee

EXCUSED  
Bryan Raines, Trustee

/s/  
Dean M. Scheinert, Trustee

/s/  
Donald A. Smith, Jr., Trustee