1. Call to Order; Roll Call; Opening remarks

The meeting was called to order at 1:00 p.m. by Chairman Tobin.

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 at 1:00 p.m. There was a second Call to the Public when the only response was from Chairman Tobin who called for a moment of silence in memory of the nineteen Hot Shots who were lost three years ago.
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.

a. Acceptance of Elected Officials' Retirement Plan of termination of survivor benefit of Mari Anne Carson.
b. Acceptance of Elected Officials' Retirement Plan of survivor benefit of Dorothy Castillo.
e. Acceptance of Elected Officials' Retirement Plan of termination of survivor benefit of Catherine Dorgan.
g. Acceptance of Elected Officials' Retirement Plan of termination of survivor benefit of Agripina Duarte.
h. Acceptance of Elected Officials' Retirement Plan of termination of normal retirement benefit of Sarah D. Grant.
i. Acceptance of Elected Officials' Retirement Plan of normal retirement benefit of Manuel A. Hernandez.
k. Acceptance of Elected Officials' Retirement Plan of normal retirement benefit of Roland J. Steinle, III.
l. Acceptance of Elected Officials' Retirement Plan of termination of survivor benefit of Gladys Vukcevich.
m. Acceptance of Transfer Between State Retirement Systems of Troy Holland, Jr.
n. Acceptance of Transfer Between State Retirement Systems of Steven Denney.
o. Acceptance of Transfer Between State Retirement Systems of Barbara Hendricks.
p. Acceptance of Transfer Between State Retirement Systems of Beth Cervantes.
q. Acceptance of Transfer Between State Retirement Systems of Boe Garry.
r. Acceptance of Transfer Between State Retirement Systems of Matthew Misino.
s. Acceptance of Transfer Between State Retirement Systems of Decio Hopffer.
t. Acceptance of Transfer Between State Retirement Systems of Samuel Chavez.
u. Acceptance of Transfer Between State Retirement Systems of Sharon Herndon.
v. Acceptance of Transfer Between State Retirement Systems of Susan Barnard.
w. Acceptance of Transfer Between State Retirement Systems of Michael Resultay.
x. Acceptance of Transfer Between State Retirement Systems of Gabriel Rios.
y. Acceptance of Transfer Between State Retirement Systems of Scott Schade.
z. Acceptance of Transfer Between State Retirement Systems of Elijah Johnston.
aa. Acceptance of Transfer Between State Retirement Systems of Luis Hernandez.
bb. Acceptance of Transfer Between State Retirement Systems of James Tobin.
cc. Acceptance of Transfer Between State Retirement Systems of Michael Calles.
dd. Acceptance of Transfer Between State Retirement Systems of Brian Toomey.
e. Acceptance of Transfer Between State Retirement Systems of Kathryn Krause-Ingulli.
ff. Acceptance of Transfer Between State Retirement Systems of Steven Ganis.
gg. Acceptance of Transfer Between State Retirement Systems of Alan Zagorski.
hh. Acceptance of Transfer Between State Retirement Systems of Vance Lunt.
i. Acceptance of Transfer Between State Retirement Systems of Stephen Mangum.
j. Acceptance of Transfer Between State Retirement Systems of Jeffrey Stec.
k. Acceptance of Transfer Between State Retirement Systems of Margaret Bentzen.
l. Acceptance of Transfer Between State Retirement Systems of Bruce Ciolli.
m. Acceptance of Transfer Between State Retirement Systems of Diane Day.
n. Acceptance of Transfer Between State Retirement Systems of Annette Jacobs.
o. Acceptance of Transfer Between State Retirement Systems of Robert Rodriguez.
pp.  Acceptance of Transfer Between State Retirement Systems of Steven Steinke.
qq.  Acceptance of Transfer Between State Retirement Systems of Justin Osowski.
rr.  Acceptance of Transfer Between State Retirement Systems of Derek Litchfield.
ss.  Approval of the Minutes of the May 25, 2016 Meeting of the PSPRS Board of Trustees.

Mr. Brian P. Tobin

MOTION: 1-6/29/16
Motion:  At 1:02 p.m.
To approve the Consent Agenda as presented.
Moved by:  Mr. Ferguson
Seconded by:  Mr. Davis
Discussion:  None
In Favor:  Unanimous
Motion:  Passes

4.  Appropriate Action regarding the approval of the Joinder Agreement with the Mountain Vista Fire District; and approval of the Applications for Membership Waiver of participation.

Mr. Brian P. Tobin

A brief history of the Mountain Vista Fire District was provided by Fire Chief Cheryl Horvath. Mr. Ben Jones spoke regarding this agenda item as well. Discussion was held regarding approval of the Applications for Membership Waiver of participation and spousal approval of waivers. The Chairman directed a vote be taken on just the Joinder approval and the issue of waivers to be tabled until the next meeting.

MOTION: 4-6/29/16
Motion:  At 1:27 p.m.
Motion for the approval of the Mountain Vista Fire District Joinder Agreement.
Moved by:  Mr. Davis
Seconded by:  Mr. McHenry
Discussion:  None
In Favor:  Unanimous
Motion:  Passes

5.  Appropriate Action regarding the Joinder Agreement with the Copper Canyon Fire and Medical Authority (which resulted from a merger of Camp Verde Fire District and Montezuma Rimrock Fire District).

Mr. Brian P. Tobin

MOTION: 2-6/29/16
Motion:  At 1:13 p.m.
To accept the Joinder Agreement with the Copper Canyon Fire and Medical Authority and direct the Chairman to sign.
Moved by:  Mr. Ferguson
Seconded by:  Mr. McHenry
Discussion:  None
In Favor:  Unanimous
Motion:  Passes

6.  Appropriate Action regarding the approval of the Joinder Agreement with La Paz County for membership in the Corrections Officer Retirement Plan.

Mr. Brian P. Tobin
7. Introduction, discussion and possible Action on the risk-pooling and local board consolidation study as directed by SB1428.

Cortex is in the early stages of holding stakeholder outreach meetings to discuss concerns, solutions and options of the proposed risk-pooling and local board consolidation. Cost sharing arrangements of all future Tier 3 employees takes effect July 1, 2017 and the goal of Cortex is to have a final report to the Board by October or November. Mr. Smout added that there is a diverse representation of the System being heard and he is confident that most, if not all, stakeholder groups are being represented for Cortex to receive a thorough understanding of the issues and ideas.

Report by Mr. William C. Davis, Vice Chairman of the Investment Committee, regarding agenda items 8. through 13., which were discussed at the Investment Committee meeting held today, June 29, 2016, on or after 11:00 a.m., and possible Action on the Committee's recommendations to the Board regarding same.


Ms. Bridget Feeley
Internal Audit and Compliance Officer

No discussion was held.

9. Report by the System's Internal Audit and Compliance Officer and discussion regarding investment compliance, holdings and transactions, as of April 30, 2016.

Ms. Bridget Feeley

No discussion was held.

10. Written report by Investment Department Staff regarding Portfolio Risk as of April 30, 2016.

Mr. Owen Zhao
Portfolio Analyst - Risk

Brief discussion of questions regarding Brexit.

11. Discussion and possible Action regarding proposed changes to Asset Allocation by Investment Department Staff and Consultants.

Mr. Martin Anderson
Deputy Chief Investment Officer
Mr. Don Stracke
NEPC
Mr. Allan Martin stated that return assumptions of historically low interest rate environments present fundamental challenges. There are not a lot of combinations that will get you to your best outcome of 7.5% assumed earnings rate. With your current targets you will do fairly well, but for each year you do not make your assumed return rate, it causes you the need to pay for this by higher contribution rates or lower benefits as liabilities grow. Changes to the asset allocation were discussed to achieve earnings and protect the portfolio by minimizing the outcome of a negative event. The goal is to do everything to get to the assumed rate of return with a risk level that the Board can tolerate.

### MOTION: 5-6/29/16

**Motion:** At 3:09 p.m. To adopt the recommendation of the Investment Committee to approve the proposed Exhibit A in the NEPC Asset Allocation Report on page 13 which was developed by NEPC and Staff to replace the past Exhibit A.

**Moved by:** As recommended by the Investment Committee

**Seconded by:**

**Discussion:** None

**In Favor:** Unanimous

**Motion:** Passes

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12. 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 €15,000,000 direct for purposes of increasing our investment with **Benson Elliot Real Estate Partners IV - Bensell US Feeder Fund IV-B**, in the Real Estate portfolio, subject to final Staff and legal due diligence.

2. Disclosure of a potential investment of up to $100,000,000 direct for purposes of investment in a Separately Managed Account with **Hancock Agricultural Investment Group**, in the Real Estate portfolio, subject to final Staff and legal due diligence.

3. Disclosure of a potential investment of up to €15,000,000 direct for purposes of increasing our investment with **Patron Capital Group V, L.P.**, in the Real Estate portfolio, subject to final Staff and legal due diligence.

4. Disclosure of a potential investment of up to $50,000,000 direct and a reserve allocation of up to $20,000,000 for purposes of co-investment with **Rockbridge Hospitality Fund VII L.P.**, in the Real Estate portfolio, subject to final Staff and legal due diligence.

**B.** Disclosure of terminated transactions for this period:

1. None.

**C.** Disclosure of closed transactions for this period:

1. **Benson Elliot Real Estate Partners IV - Bensell US Feeder Fund IV-B**; Committed Amount up to €15,000,000; Date Closed: 06/15/2016; PSPRS Asset Class: Real Estate.

2. **Crestline Opportunity Fund III, LLC.** Committed Amount up to $75,000,000. Date Closed: 06/08/2016. PSPRS Asset Class: Credit Opportunities.

3. **Freeport First Lien Loan Fund III**; Committed Amount up to $100,000,000; Date Closed: 04/19/2016; PSPRS Asset Class: Credit Opportunities.

4. **Hancock Agricultural Investment Group (SMA)**; Committed Amount up to $100,000,000; Date Closed: 06/13/2016; PSPRS Asset Class: Real Estate.

5. **Northern Shipping Fund III**; Committed Amount up to $70,000,000; Date Closed 06/15/2016; PSPRS Asset Class: Credit Opportunities.

6. **Patron Capital Group V, L.P.**; Committed Amount up to €15,000,000; Date Closed 06/17/2016; PSPRS Asset Class: Real Estate.

7. **SJC Direct Lending Fund III GP, L.P.** Committed Amount up to $75 million. Date Closed: 03/31/2016. PSPRS Asset Class: Credit Opportunities.

**D.** Current investments considered for de-selection this period:

1. **THB Small Cap Fund (SMA)**; Redemption requested June 15, 2016; this investment is allocated to the PSPRS Public Equities portfolio.
2. **THB Micro Cap Fund (SMA)**: Redemption requested June 15, 2016; this investment is allocated to the PSPRS Public Equities portfolio.

E. Disclosure of completed transactions for this period:
   1. None.

   *Jennifer Eichholz, Esq.*
   *In-House Investment Counsel*

   No discussion was held.

13. 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 April 30, 2016; and (ii) written report regarding the asset allocation and performance of the Firefighters and Peace Officers Cancer Insurance Program.

   *Ms. Vaida Maleckaite*
   *Senior Investment Analyst*

   No discussion was held.

14. Presentation by Albourne Consultants and Bridgewater Associates, and discussion by Investment Department Staff and consultants pertaining to the annual Overview and Strategic Plan for the GTAA Portfolio.

   *Mr. Mark Steed*
   *Deputy Chief Investment Officer and Chief of Staff*

   *Mr. William Thatcher*
   *Lead Portfolio Manager*

   *Mr. Bob Smith*
   *Bridgewater Associates, LP*

   *Mr. Seth Birnbaum*
   *Bridgewater Associates, LP*

   *Mr. Lincoln Smith*
   *Albourne Consultants*

   The first part of the topic was presented by Mr. Smith and Mr. Thatcher. The goal of Global Tactical Asset Allocation (GTAA) is to deliver returns uncorrelated to other asset classes. Discussion was held about the seven GTAA asset managers, goals for PSPRS, returns since inception, risks and performance, correlations between various factors and of market risk. Additionally reviewed were factors to use when analyzing funds and portfolios, underlying drivers of this portfolio, the current composition of the GTAA portfolio and use of diversified instruments to achieve goals.

   The Bridgewater consultants, Mr. Smith and Mr. Birnbaum offered information for an understanding of how markets and economies work in order to translate this into insights for institutional clients for return streams. They summarized net of fee returns for the PSPRS for the past six years and discussed passive holding of assets versus actively traded markets in order to position and profit from this. The goal of PSPRS is high consistent returns uncorrelated to markets and for managers to be flexible. Key observations regarding various world sectors were stated. A question and answer period was held.

   *Presentation by Mr. Gregory Ferguson, Chairman of the Operations, Governance Policy and Audit Committee, regarding agenda items 15. through 23., which were discussed at the Operations, Governance Policy and Audit Committee meeting held today, June 29, 2016, on or after 11:00 a.m., and possible Action on the Committee’s recommendations to the Board regarding same.*
15. 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 projected to be 4% under budget.

16. 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*
   
   Written report provided. Discussion regarding work being done on Joinders and amendments.

17. Presentation of the "Requests for Local Board Rehearing" Report for the current month.
   
   *Mr. Jared A. Smout*
   
   *Administrator*
   
   The three reported requests have been resolved.

18. Review and discussion regarding law firms' billings for legal services performed in May, 2016.
   
   *Mr. Jared A. Smout*
   
   The committee approved payment for legal services performed in May, 2016.

   
   *Ms. Bridget Feeley*
   
   Written report provided. No discussion was held.

20. Discussion and possible **Action** regarding changes to the PSPRS organizational structure.
   
   *Mr. Jared A. Smout*
   
   **MOTION: 6-6/29/16**
   
   **Motion:** At 3:52 p.m.
   
   To recommend approval of the proposed PSPRS organizational structure as recommended by the Operations, Governance Policy and Audit Committee.
   
   **Moved by:** As recommended by the Operations, Governance Policy and Audit Committee
   
   **Seconded by:** None
   
   **Discussion:** None
   
   **In Favor:** Unanimous
   
   **Motion:** Passes

21. Presentation, discussion and possible **Action** regarding the renewal of fiscal 2016-17 contracts for various services.
   
   *Mr. Jared A. Smout*
22. Review, discussion and possible Action with respect to the FY 2017 PSPRS Administrative Budget.

   Mr. Jared A. Smout

   **MOTION:7-6/29/16**
   **Motion:** At 3:52 p.m. To approve the renewal of the fiscal 2016-17 contracts for various services.
   **Moved by:** As recommended by the Operations, Governance Policy and Audit Committee
   **Seconded by:** None
   **Discussion:** None
   **In Favor:** Unanimous
   **Motion:** Passes

23. Review, discussion and possible Action on pending and passed legislative proposals.

   Mr. Jared A. Smout

   Meetings have been held with stakeholders to implement the new pension reform bill. Legislature is moving forward with reform legislation for CORP and possibly for EORP.

24. 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 for training, educational or due diligence opportunities.

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 Rappleysa and Everson, active police officers Parker, Griego, Manganiello and Robles, the Pivotal Group, Bank of America, Desert Troon, 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 27.

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 26, including but not limited to, those involving Ken Fields and 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).

The Executive Session was held from 4:03 p.m. until 4:39 p.m.

No motions were presented.

27. Schedule future meeting date(s). (Currently scheduled for Wednesday, July 20, 2016.)

The next meeting is currently scheduled for Wednesday, July 20, 2016.

28. Adjournment.

The meeting was adjourned at 4:40 p.m.

____________________________________
Brian P. Tobin, Chairman

____________________________________
Gregory Ferguson, Trustee, 
Vice Chairman

____________________________________
Randie A. Stein, Trustee - Excused

____________________________________
Jeff Allen McHenry, Trustee

____________________________________
Richard J. Petrenka, Trustee - Excused

____________________________________
Williams C. Davis, Trustee