1. Call to Order; Roll Call; Opening remarks  

   Chairman Tobin called the meeting to order at 9:03 a.m. With efficient adjustment of the Agenda, the Annual Meeting was shortened to one day. There will be no committee meetings today.

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.

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.

   d. Acceptance of Elected Officials’ Retirement Plan of termination of normal retirement benefit of Lillian S. Fisher.
   e. Acceptance of Transfer Between State Retirement Systems of Manuel A. Madrigal.
   f. Acceptance of Transfer Between State Retirement Systems of William Wickers, Jr.
   g. Acceptance of Transfer Between State Retirement Systems of George McElroy.
   h. Acceptance of Transfer Between State Retirement Systems of Lynnette Pickering.
   i. Acceptance of Transfer Between State Retirement Systems of Erin Ballos.
   j. Acceptance of Transfer Between State Retirement Systems of Anjanette Bolinger.
   k. Acceptance of Transfer Between State Retirement Systems of Jacob Peterson.
   l. Acceptance of Transfer Between State Retirement Systems of Richard Allen.
   m. Acceptance of Transfer Between State Retirement Systems of Tadd Cline.
   n. Acceptance of Transfer Between State Retirement Systems of Grant Kelly.
   o. Acceptance of Transfer Between State Retirement Systems of J. Richard Gama.
   p. Acceptance of Transfer Between State Retirement Systems of Donald Garcia.
   q. Acceptance of Transfer Between State Retirement Systems of Jay Walter.
   r. Acceptance of Transfer Between State Retirement Systems of James Ray.
   s. Acceptance of Transfer Between State Retirement Systems of John Day.
   t. Acceptance of Transfer Between State Retirement Systems of Douglas Santiago.
   u. Acceptance of Transfer Between State Retirement Systems of John Gonzales.
   v. Acceptance of Transfer Between State Retirement Systems of Christopher Miller.
   w. Acceptance of Transfer Between State Retirement Systems of Allyssa Rojo.
   x. Acceptance of Transfer Between State Retirement Systems of Hector Gonzalez.
   y. Acceptance of Transfer Between State Retirement Systems of Ramon Mechtel.
z. Acceptance of Transfer Between State Retirement Systems of Tommy Jensen.

aa. Acceptance of Transfer Between State Retirement Systems of William Randall.

<table>
<thead>
<tr>
<th>MOTION:1-9/30/15</th>
<th>At 9:06 a.m.</th>
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<tbody>
<tr>
<td>Motion:</td>
<td>To approve the items on the Consent Agenda as presented.</td>
</tr>
<tr>
<td>Moved by:</td>
<td>Mr. McHenry</td>
</tr>
<tr>
<td>Seconded by:</td>
<td>Mr. Kingry</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>
</tr>
</tbody>
</table>

4. Appropriate **Action** regarding the Minutes of the August 25 and August 26, 2015 Meetings of the PSPRS Board of Trustees.

   *Mr. Brian P. Tobin*

<table>
<thead>
<tr>
<th>MOTION:2-9/30/15</th>
<th>At 9:10 a.m.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motion:</td>
<td>To approve the Minutes of the August 25 and August 26, 2015 Meetings of the PSPRS Board of Trustees as presented.</td>
</tr>
<tr>
<td>Moved by:</td>
<td>Mr. Ferguson</td>
</tr>
<tr>
<td>Seconded by:</td>
<td>Mr. Kingry</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>
</tr>
</tbody>
</table>

Trustee Ferguson suggested that approval of the minutes be included in the Consent Agenda and reminded the other Trustees that they can be taken off for separate discussion and approval if desired.

5. Update and possible discussion on the Auditor General's Performance Audit and Sunset Review.

   *Mr. Jared A. Smout*
   
   **Administrator**
   
   *Mr. Mark Steed*
   
   **Deputy CIO and Chief of Staff**

Periodic updates were given to the Board of Trustees by the Auditor General on their Performance Audit and Sunset Review over the course of their audit. At the request of the Auditor General, all those updates were given in Executive Session, either during regular Board of Trustees meetings or special meetings called just for that purpose. Now that the report has been published, we will take the opportunity today to discuss some of the highlights of the report, including the findings, recommendations and our response.

Mr. Smout thanked the PSPRS staff and the Auditor General for the work that has taken almost two years to complete and for their good recommendations.

Mr. Smout stated he will review the overall findings and Mr. Steed will review the findings regarding investments.

The Auditor General’s findings included the following:
• Assets have not kept pace with estimated pension obligations due to investment performance and increases in permanent benefits.
• The System’s sustainability would be helped by changing the way benefit increases are calculated. Mr. Smout said the Board recognized such issue previously and had made changes to SB 1609 in 2011, which were subsequently overturned. The proposed Pension Reform Act is designed to address the issue again. We need to look into how we can implement a PBI differently. There are a number of ideas to do so.
• PSPRS is to provide more communication and education/training materials for better education of the members, employers, local boards and stakeholders.
• Implement a funding improvement strategy by individual employers. This has been discussed prior to the Auditor General recommendation.
• Track complaints in a formal way. PSPRS addresses them, but we need a formal reporting system.

Mr. Steed stated the evaluation of the PSPRS Investment Portfolio was conducted by a third party consultant retained by the Auditor General to evaluate managers, fees and processes. The highlights are as follows:

• It was noted that the Trust is well-diversified.
• Absolute performance was reviewed.
• Issues that came from our stakeholders were reviewed.
• The review covered the period from 2004 – 2014. On a risk-adjusted score, we performed favorably. Risk should reflect our liabilities. Underperformance in the Real Estate Portfolio was noted.
• Our process to monitor managers in alternative investments was comparable to industry best practices.
• The auditors were pleased with our processes and had some cosmetic recommendations.
• There were no material concerns with our due diligence process.

Discussion was held regarding a more specific commitment to education. Labor and patience is needed to do this. Another topic was a monitoring process for the recommendations and implementation in the next six months, but with the realization that larger topics take time and efforts, such as the pension reform talks.

Mr. Kingry recommended that the Board be apprised of the progress on a quarterly basis, since the general public has this document and we have 45 items to track. Chairman Tobin added we need to build a reporting method into our System and hire a Deputy Administrator to help Administrator Smout.

Discussion was held about achieving performance results in order to keep from losing even one basis point. Also, thoughts were given about how to educate our stakeholders. Mr. Ferguson discussed the interest levels the stakeholders have regarding education about the System.

Mr. Davis stated a lot of criticism comes with hindsight and we need to communicate our efforts and strategies along with the fact there will be upsides and downsides in the investment process.
Mr. Martin added that NEPC can, with the help of the staff, present the fees per unit of Sharpe Ratio in their quarterly report. It is not the fees you pay, but the returns you have earned. More returns come out of the Alternatives portfolio per fee paid than other asset classes. Mr. Davis added that it is important how you communicate cost per unit of Sharpe Ratio and to make it understandable and meaningful. Additionally, Mr. Parham suggested a bit of context for stakeholders is good by comparing PSPRS to our peers.

6. Round Table Discussion on Macro Economic Developments.

Mr. Mark Steed  
Deputy CIO and Chief of Staff  
Manish Chande  
Senior Partner, Clearbell Capital, LLP  
Dan Clifton  
Partner and Head of Policy Research, Strategas  
Tom Kempner, Jr.  
Executive Managing Member, Davidson Kempner Capital Management  
Alan Waxman  
Partner and Chief Investment Officer, TPG Special Situations

This was a round table discussion between the Board and several of the System's investment partners.

The discussion was led by Mr. Steed.

Chairman Tobin thanked Mr. Steed and the members of the round table discussion.

7. Report by the System’s Internal Audit and Compliance Officer and discussion regarding investment compliance, holdings and transactions as of July 31, 2015.

Ms. Bridget Feeley  
Internal Audit and Compliance Officer

All holdings and transactions are in compliance as of July 31, 2015.

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

Ms. Bridget Feeley  
Internal Audit and Compliance Officer

The five funds that were reviewed are in compliance with the legal documents as requested by the Board. This is a sample of approximately 136 different funds. Discussion about the review of the specific funds and the review process was held.

9. Presentation by Albourne Consultants and discussion by Investment Department Staff and Consultants regarding the annual Overview and Strategic Plan for the Real Assets Portfolio.

Mr. Martin Anderson  
Deputy Chief Investment Officer  
Mr. Lincoln Smith  
Albourne Consultants
Mr. Anderson introduced Mr. Mark Weiss, head of Real Assets at Albourne Consultants.
Mr. Weiss gave a brief summary of his background and experience and a description of how Albourne and the PSPRS Investment Department work together, the tools they use and the items they are working on. Other topics included the movements of the commodities market over the last five years and performance of the new PSPRS Real Assets Portfolio.

Other topics included global diversity, trends in correlation analysis and some new global ideas/strategies now being researched.

10. Disclosure by Investment Department Staff of the following manager selection matters:

a. Disclosure of a potential investment of up to $80 million in the Davidson Kempner Special Situations Fund III subject to final Staff and legal due diligence. Asset Class: Credit Opportunities.

b. Disclosure of a potential investment of up to $50 million direct and $20 Million co-investments with Orion Co-Investments II, LP in the Orion Mine Finance Fund 1-A Pretium Fund, subject to final Staff and legal due diligence. Asset Class: Real Assets.

c. Disclosure of a potential investment of up to $80 million in the LSV Special Opportunities Fund V subject to final Staff and legal due diligence. Asset Class: Absolute Return.

These three disclosures mean the manager selection process has been held and due to favorable results, they have been selected as managers for the System.

11. Disclosure of closed transactions for the period August 12, 2015 through September 17, 2015:

   Jennifer Eichholz, Esq.

   In-House Investment Counsel

a. Actis Atlantic Co-investment of $10 million; Asset Class: Real Assets; Closed August 13, 2015;

b. Davidson Kempner Special Situations Fund III, investment of $80 million; Asset Class: Credit Opportunities; Date closed: August 24, 2015;

c. Myriad Opportunities Offshore Fund Limited investment of $50 million; Asset Class: Absolute Return; Date closed: September 1, 2015;

d. Orion Mine Finance Fund 1-A Pretium Fund, investment of $50 million direct, $20 million co-investment; Asset Class: Real Assets; Closed September 17, 2015;

e. BPE Asia Real Estate Fund Project Alliance Co-Investment of $12 million; Asset Class: Real Estate; Closed September 17, 2015.

The above transactions have closed following legal due diligence and represent the current activities of the Trust’s closed transactions.


All of the dollars have been generated from the underlying fund which has been completed and closed. Blackrock Mortgage Investor Master Fund underperformed our expectations due to a sustained dislocation of the pricing of mortgage backed securities which fell substantially. The holding period of the investment was longer than originally expected. The net IRR was 7-8% with an earnings multiple of 1.34%. The investment was successful, but did not achieve expectations.

Discussion was held about the decision making process, review by legal staff and the number of transactions reviewed which were either selected or not selected.

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 July 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

Mr. Parham commented regarding the Fiscal Year End and the basic assumption that our portfolio will be more resilient than those of many of our peers in times of economic stress. Mr. Martin added that the Fiscal Year-to-Date negative was the best on the NEPC list of 12 benchmark accounts. The structure of the Trust is intended to be more resilient in down times, but we still want to get to a positive 7%.

Ms. Maleckaite summarized the performance of the Trust, net of fees, for last fiscal year and we underperformed in Non-U.S. Equities and Absolute Return. For the Fiscal Year-to-Date the Trust performed at 3.68% as compared to the benchmark return of 2.70%. For the Calendar Year-to-Date the Trust performed at 3.28% as compared to the benchmark return of 2.25%.

14. Discussion with Staff and counsel and possible **Action** regarding the renewal of the System’s consulting contract with New England Pension Consultants (“NEPC”) to enable NEPC to continue to serve as the System’s general investment consultant as well as the specialty consultant for credit opportunities.

Mr. Ryan Parham
Chief Investment Officer

Mr. Parham informed the Board that the contract for NEPC will expire in October and staff recommends renewal up through June 30, 2018 in order to match the timing for the other PSPRS contracts. The final paragraph of the contract indicates an incremental increase over the base amount that is justified since there has been no increase since 2008. In the last year we have asked them to do additional performance calculations, not a trivial exercise, which will be a significant increase in the work load for them.
Mr. Ferguson discussed the budget regarding the amount to be added into it and a possible offset. Mr. Petrenka asked for some process to review contracts and a schedule for RFPs in order to see where we are in relationship to the market and to spend the right dollar amount for the right service since this contract was missed, which is a tactical issue, and to put it on the same cycle.

15. Review, discussion and possible Action regarding law firms' billings for legal services performed in August, 2015.

   Mr. Jared A. Smout


   Ms. Bridget Feeley

   The draft of the FY 2016 Compliance and Internal Audit Plan has been completed and will be presented in October. Regarding the IRS compliance letters, PSPRS has implemented all reported items. The recommendations of the Auditor General have been introduced into the plan. A breakdown of the task categories performed by the audit/compliance staff was presented.

17. Update, discussion and possible Action on the System Administrator negotiations and other personnel matters.

   Mr. Brian P. Tobin

   No action.

18. Discussion and possible Action regarding the use of legal counsel and their scope of work.

   Mr. Jared A. Smout

   Ivy N. Voss, Esq.
No action.

19. Election of Officers of the PSPRS Board of Trustees.

Mr. Brian P. Tobin

<table>
<thead>
<tr>
<th>MOTION:5-9/30/15</th>
<th>At 3:16 p.m.</th>
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<tbody>
<tr>
<td>Motion:</td>
<td>To nominate Mr. Tobin as Chairman of the PSPRS Board of Trustees.</td>
</tr>
<tr>
<td>Moved by:</td>
<td>Mr. McHenry</td>
</tr>
<tr>
<td>Seconded by:</td>
<td>Mr. Ferguson</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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</table>

Mr. Tobin said it is an honor to serve and Mr. Ferguson stated it is a pleasure to be here.

20. Discussion and appropriate **Action** regarding Board of Trustee member requests to participate in training, educational and due diligence opportunities.

Mr. Brian P. Tobin

Chairman Tobin stated interest in attending NCPERS meeting which is on the approve list for training, educational and due diligence opportunities.

21. 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 Rappleyea and Everson, active police officers Parker, Griego, Manganiello and Robles, the Pivotal Group, Bank of America and 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 22.

22. **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) and (4), 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 21, including but not limited to, those involving Anton Orlich, Andrew Carriker, Ken Fields, Mark Selfridge, Paul Corens, and the status of lawsuits challenging provisions of S. B. 1609, as authorized by A.R.S. §§ 38-431.03(A)(2), (3).

b. Update and discussion on the System Administrator negotiations and other personnel matters, as authorized by A.R.S § 38-431.03(A)(1) and (4).

c. Discussion and consultation with legal counsel for the purpose of receiving legal advice regarding the use of legal counsel, as authorized by A.R.S. § 38-431.03(A)(3).

<table>
<thead>
<tr>
<th>MOTION: 7-9/30/15</th>
<th>At 2:19 p.m.</th>
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<tbody>
<tr>
<td><strong>Motion:</strong></td>
<td>To recess Open Session and enter Executive Session regarding agenda items 22 a, b, and c.</td>
</tr>
<tr>
<td><strong>Moved by:</strong></td>
<td>Mr. Petrenka</td>
</tr>
<tr>
<td><strong>Seconded by:</strong></td>
<td>Mr. McHenry</td>
</tr>
<tr>
<td><strong>Discussion:</strong></td>
<td>None</td>
</tr>
<tr>
<td><strong>In Favor:</strong></td>
<td>Unanimous</td>
</tr>
<tr>
<td><strong>Motion:</strong></td>
<td>Passes</td>
</tr>
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</table>

Executive Session ended at 3:14 p.m.

23. Schedule future meeting date(s). *(Currently scheduled for Wednesday, October 21, 2015.)*

The next meeting will be held on Wednesday, October 21, 2015.


The meeting was adjourned at 3:18 p.m.