Call to Order; Roll Call; Opening remarks

Mr. Brian P. Tobin  
Chairman

Chairman Tobin called the meeting to order at 1:07 p.m. He stated that Mr. Ferguson, Mr. Smout, Mr. Steed, Mr. Cole, and he had attended the Sunset Review hearing this morning at the Arizona Legislature, which resulted in a unanimous approval to continue the PSPRS for 8 years.

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.

Mr. Ferguson reported on a report given during the NCPERS conference which concluded that there is not much difference on a return basis between a lay and a professional board.

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.
   c. Acceptance of Elected Officials’ Retirement Plan of termination of normal retirement benefit of John F. Glass.
   d. Acceptance of Elected Officials’ Retirement Plan of normal retirement benefit of Scott Sulley.
   e. Acceptance of Transfer Between State Retirement Systems of William Hawk.
   f. Acceptance of Transfer Between State Retirement Systems of Lisa Ball.
   g. Acceptance of Transfer Between State Retirement Systems of William Underwood.
   h. Acceptance of Transfer Between State Retirement Systems of Dan Dahl.
   i. Acceptance of Transfer Between State Retirement Systems of Steven Randall.
   j. Acceptance of Transfer Between State Retirement Systems of Michael Vertz.
   k. Acceptance of Transfer Between State Retirement Systems of Christopher Wilson.
   l. Acceptance of Transfer Between State Retirement Systems of Amy Breitzman.
   m. Acceptance of Transfer Between State Retirement Systems of Tyrone Patterson.
   n. Acceptance of Transfer Between State Retirement Systems of Sheldon Payne.
   o. Acceptance of Transfer Between State Retirement Systems of Robin Noble.
   p. Acceptance of Transfer Between State Retirement Systems of Sean Swanson.
   q. Acceptance of Transfer Between State Retirement Systems of Raul Garcia, Jr.
   r. Acceptance of Transfer Between State Retirement Systems of Robert Merritt.
   s. Acceptance of Transfer Between State Retirement Systems of Bryan Bowers.
   t. Acceptance of Transfer Between State Retirement Systems of Judson Tomaiako.
   u. Acceptance of Transfer Between State Retirement Systems of Mark Ott.
   v. Acceptance of Transfer Between State Retirement Systems of Sean Carney.
   w. Acceptance of Transfer Between State Retirement Systems of Jamie Bennett.
   x. Acceptance of Transfer Between State Retirement Systems of Charles Sanders.
   y. Acceptance of Transfer Between State Retirement Systems of Jose Abdala.
   z. Acceptance of Transfer Between State Retirement Systems of Michael Wallace.
   aa. Acceptance of Transfer Between State Retirement Systems of Manh Vu.
   bb. Acceptance of Transfer Between State Retirement Systems of John Sheeley.
   cc. Approval of the Minutes of the October 20 and October 21, 2015 Meetings of the PSPRS Board of Trustees.

   Mr. Brian P. Tobin
Report by Mr. Lauren W. Kingry, Chairman of the Investment Committee, regarding agenda items 4 through 12, which were discussed at the Investment Committee meeting held today, November 18, 2015, on or after 10:30 a.m., and possible Action on the Committee’s recommendations to the Board regarding same.

4. **Written report and possible discussion of monthly review of Management Fees.**  
   **Ms. Bridget Feeley**  
   *Internal Audit and Compliance Officer*

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

5. **Report by the System’s Internal Audit and Compliance Officer and discussion regarding investment compliance, holdings and transactions as of September 30, 2015.**  
   **Ms. Bridget Feeley**

   Nothing of import to report on either the review of Management Fees or the report regarding investment compliance, holdings and transactions as of September 30, 2015.

6. **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 September 30, 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*

   The contents of the written report will be reviewed during the Quarterly Report by NEPC.
7. Presentation and discussion by NEPC representative(s) on the 1st Fiscal Quarter (3rd Calendar Quarter) investment performance and the 2015 Fiscal Year investment performance for the Arizona PSPRS Trust.

Mr. Ryan Parham  
Assistant Administrator and CIO  
Mr. Chris Hill  
NEPC, LLC.

The portfolio for the 1st fiscal Quarter was down -2.3% and over the last year, the Fund returned +2.3% therefore, did not achieve the 7.85% assumed rate of return. The +2.3% return places PSPRS in the top 1% of peer funds. The Trust totaled over $8.3 billion, which is an increase of $148 million from a year ago. Over that time, the Fund had a net investment gain of $157 million. The Fund has improved, on an annualized return basis, relative to our peer group of 72 portfolios to become first and second within the past five years, on a risk adjusted return among peers with $1 billion or more in assets. On a risk/return basis, PSPRS, for the one year period ending 9/30/15, of 72 portfolios, we underperformed only one fund and there was only one fund with less risk. This story matches the goals of PSPRS. All asset allocations are within policy range. Private equity has done well for both the one and five year periods.

8. Report and presentation by Investment Department Staff regarding Portfolio Risk as of September 30, 2015.

Mr. Owen Zhao  
Portfolio Analyst - Risk  
Mr. Mark Steed  
Deputy CIO and Chief of Staff

The presentation included current market conditions, the PSPRS portfolio in current market conditions, volatility and value-at-risk, notable drivers of sub portfolios, lessons from the past and conclusions. The Trust portfolio is well-constructed to manage volatility, is in the top-decile in risk terms since 2009 and in the top-quartile in return performance since July 2014. This year PSPRS ranks first among our peers.


Mr. Jim Keller  
Program Director  
Nationwide Retirement Solutions

In December 2015, the Supplemental and EODCRS 401(a) Plan will be reported separately. For the third quarter as of 9/30/15, the total value for the Supplemental and the EODCRS 401(a) Plans was $12,083,000.


Mr. Ryan Parham

Mr. Parham stated that a draft article for Risk Magazine, the information of which began with discussion amongst the Investment Staff several years ago regarding looking at risk in a different way to enhance returns, is being reviewed for possible publication. This
process was described and has been well received. Discussion was held between the Board and Staff.

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

   a. Disclosure of a potential investment of up to €35 million direct and a reserve allocation of up to €20 million for purposes of co-investment with Benson Elliot Real Estate Partners IV, L.P. or its affiliates in the Bensell US Feeder IV-B, L.P. Fund, in the Real Estate portfolio, subject to final Staff and legal due diligence.

   b. Disclosure of a potential investment of up to $80 million with PineBridge Structured Capital Partners, III, L.P., in the Credit Opportunities/Private Credit portfolio, subject to final Staff and legal due diligence.

   c. Disclosure of a potential investment of up to $20 million direct and a reserve allocation of up to $10 million for purposes of co-investment in the Tritium I, L.P. Fund, in the Private Equity portfolio, subject to final Staff and legal due diligence.

   d. Disclosure of a potential investment of up to $50 million with TSG Consumer Partners in the TSG 7A and TSG 7B Funds, in the Private Equity portfolio, subject to final Staff and legal due diligence.

   *Mr. Ryan Parham*
   
   Assistant Administrator and Chief Investment Officer

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

   a. **Walton Street Real Estate Fund VIII, L.P.**; Date Closed: 10/28/2015. Asset class: Real Estate.

   b. **Benson Elliott Real Estate Partners IV, L.P.** in the **Bensell US Feeder IV-B, L.P. Fund**; Date Closed: 10/15/2015. Asset class: Real Estate

   c. **Orion Co-investments III (SASA) Fund**; Date Closed: 10/27/2015. Asset class: Real Assets

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

13. **Presentation of the Month-to-Date Budget Report for FY 2016 and possible Action on same.**

    *Mr. John Hendricks*
    
    Manager of Finance and Accounting

    The budget was provided in the information packet. There were no questions. Chairman Tobin requested to start discussion regarding the next fiscal year budget at the February meeting.
14. 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

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

15. Presentation of the "Requests for Local Board Rehearing" Report for the current month.  

Mr. Jared A. Smout  
Administrator

In the past month, one issue has been resolved and three more have been added for a net change of two issues. There were no questions.

16. Review and discussion regarding law firms' billings for legal services performed in October 2015.  

Mr. Jared A. Smout

Discussion was held regarding how well in-house legal staff and outside counsel are working together in regard to controlling legal expenses. Amounts spent on legacy items versus new items were reviewed.


Ms. Bridget Feeley

A definition of the audit universe was given, the topics of which include areas to be reviewed, frequency of review and priority of the review items. Recently reviewed is the area of refunds. Recommendations were added to the implementation log which will be presented at the next meeting. Procedures for the Audit and Compliance Department will be tested. Discussion was held regarding future projects.

MOTION: 2-11/18/15  At 2:24 p.m.  
Motion:  Move to approve the PSPRS Audit Plan for 2016 as presented.  
Moved by:  Mr. Ferguson  
Seconded by:  Ms. Stein  
Discussion:  None  
In Favor:  Unanimous  
Motion:  Passes

18. Legislative update and review, discussion and possible Action on potential PSPRS legislative proposals for the 2016 legislative session including items for a possible administrative amendments bill.  

Mr. Jared A. Smout

Mr. Doug Cole of Public Policy Partners stated a unanimous vote was held during the Committee of Reference regarding the Sunset Hearing for PSPRS to continue for
another eight years. Several PSPRS proposed administrative bills were described to potentially be added during the 2016 legislative session.

Mr. Will Buvidas of the City of Phoenix Police Pension Board and PLEA spoke regarding service purchase rates.

19. Discussion and possible Recommendations about legislative reform proposals regarding the PSPRS, CORP and EORP.

   Mr. Brian P. Tobin

Chairman Tobin requested formation of a work group comprised of Board members, Staff, lobbyists, stakeholders, employers and employees for the Plans to discuss legislative reform proposals and general ideas for reform.

20. Discussion and possible approval of the Letter of Transmittal for the June 30, 2015 combined CAFR for PSPRS, EORP and CORP.

   Mr. Jared A. Smout

   Tabled.

21. Update and discussion on the progress of implementing the Auditor General recommendations as agreed to in their Performance Audit and Sunset Review.

   Mr. Jared A. Smout

   A status report was presented.

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

   Mr. Brian P. Tobin

   Tabled.

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

   Mr. Brian P. Tobin

   **MOTION:** 3-11/18/15  At 3:36 p.m.
   Motion: To preapprove forums under the Institutional Investor Forum for training, educational and due diligence opportunities.
   Moved by: Chairman Tobin
   Seconded by: Mr. Ferguson
   Discussion: None
   In Favor: Unanimous
   Motion: Passes

24. Discussion and possible Action regarding the schedule for the 2016 PSPRS Board of Trustee monthly meetings.

   Mr. Brian P. Tobin
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 Rappleyea and Everson, active police officers Parker, Griego, Manganiello and Robles, the Pivotal Group, the Seldins, 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 26.

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) 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 25, including but not limited to, those involving Anton Orlich, Andrew Carniker, Ken Fields, Mark Selfridge, Paul Corens, the Seldins 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 position and other personnel matters, as authorized by A.R.S § 38-431.03(A)(1).

An Executive Session was not held.

27. Schedule future meeting date(s). (Currently scheduled for Wednesday, December 16, 2015.)

The December meeting may be canceled.
28. **Adjournment.**

The meeting was adjourned at 3:41 p.m.

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Brian P. Tobin, Chairman

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Gregory Ferguson, Trustee, Vice Chairman

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Randie A. Stein, Trustee

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Jeff Allen McHenry, Trustee

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Richard J. Petrenka, Trustee

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Lauren W. Kingry, Trustee

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William C. Davis, Trustee