PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM
BOARD OF TRUSTEES INVESTMENT COMMITTEE MEETING
JANUARY 20, 2016
MINUTES

Present: Mr. Lauren W. Kingry, Chairman, Trustee, Chairman - Excused
Mr. Richard Petrenka, Vice Chairman, Trustee
Mr. William Davis, Trustee
Others Present: Mr. Jared Smout, Administrator – Excused at 10:54 a.m.
Mr. Ryan Parham, Chief Investment Officer
Mr. Marty Anderson,
Mr. Mark Steed, Deputy CIO and Chief of Staff
Mr. Shan Chen, Lead Portfolio Manager
Ms. Vaida Maleckaitė, Sr. Investment Operations Analyst - Excused
Ms. Jennifer Eichholz, Esq., In-House Investment Counsel
Mr. Owen Zhao, Portfolio Analyst
Ms. Rose Crutcher, Investment Paralegal
Mr. Don Mineer, Local Board Training Specialist
Mr. Paul Hemmes, Information Technology
Mr. Jay Rose, StepStone Group, LLC
Mr. David Hutchings, Albourne, America

1. Call to Order, Roll Call, Opening remarks.
   Mr. Lauren W. Kingry Committee Chairman
The meeting was called to order by Vice Chairman Petrenka at 10:10 a.m.

2. Review, discussion and possible Action to approve Investment Committee Minutes from November 18, 2015.
   Mr. Lauren W. Kingry

   MOTION:1-1/20/16 At 10:33 a.m.
   Motion: Move to approve the Investment Committee Minutes from November 18, 2015 as presented.
   Moved by: Mr. Davis
   Seconded by: Mr. Petrenka
   Discussion: None
   In Favor: Unanimous
   Motion: Passes

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

   Mr. Parham stated there was nothing anomalous in the written report by Ms. Feeley.
4. **Written report and possible discussion by the System's Internal Audit and Compliance Officer and discussion regarding investment compliance, holdings and transactions, as of November 30, 2015.**

   Ms. Bridget Feeley

   There was nothing out of the ordinary in Ms. Feeley’s internal audit and compliance report said Mr. Parham.

5. **Written report by Investment Department Staff regarding Portfolio Risk as of November 30, 2015.**

   Mr. Owen Zhao
   
   Portfolio Analyst – Risk

   This report is the interim report between the full quarter reports.

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 November 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

   For the fiscal year-to-date performance of the Trust was up .09% as compared to the benchmark which was down .41%. Outperformance was in the Private Equity, Fixed Income and Credit Opportunities portfolios. Non-U.S. Equities for the Trust were down 1.54% as to the benchmark, which was down 2.06%. This will be covered more fully in the Quarterly Report.

7. **Presentation and discussion by Investment Department Staff and Consultants regarding the annual Overview and Strategic Plan for the Private Equity Portfolio.**

   Mr. Shan Chen
   Lead Portfolio Manager

   Mr. David Hutchings
   Albourne America

   Mr. Jay Rose
   StepStone Group, LLC

   For the Private Equity Portfolio, Mr. Chen reported that since inception, PSPRS has committed to 67 funds and 38 managers, with a commitment of $1.9 billion. For the 2015 calendar year, there was a net cash inflow of $15 million. The 2015 closed commitments, diversification over vintage year, sub-class exposure, geographic exposure (majority North American) were described. The IRR since inception is 12.67%, with a total value to paid-in of 1.43%.

   Mr. Rose added that, over the last five years, the total value gained $670 million. As of 9/30/15, the portfolio appreciated 19.1% year-over-year and the Private Equity Portfolio increased in value by $207 million. Exposure by vintage year, sector exposure and sub-
sector exposure were also discussed. U.S. small and mid-market buy-outs and the reasons for this area of investment were topics of discussion as were characteristics of the secondary investments as efficient tools. Exposures to secondary markets are well diversified by strategy, vintage year and geography. As of 9/30/15, secondary investments have generated a net IRR of 40.1%, with a gain of $99 million.

Mr. Hutchings reported as to key issues affecting the private equity markets. Looking ahead and expectations were discussion topics as were private versus public market comparisons and areas of private equity investments. The importance of back office due diligence with respect to front office due diligence was a topic as well.

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

A. New and potential investments considered this period:
   1. A potential investment of up to $30 million in the Castle Creek Capital Partners VI Fund, allocated to the PSPRS Private Equity portfolio, subject to final Staff and legal due diligence.
   2. A potential investment of up to $40 million in the Lubert-Adler Laramar Urban Neighborhood Fund, allocated to the PSPRS Real Estate portfolio, subject to final Staff and legal due diligence.
   3. A potential investment of up to $50 million to establish a separately managed account (SMA) to be managed by Salient Capital Advisors, LLC, allocated to the PSPRS Real Assets portfolio, subject to final Staff and legal due diligence.

   Mr. Martin Anderson
   Deputy Chief Investment Officer

B. Investments considered for de-selection this period:
   1. Brevan Howard Master Fund, Ltd. Staff recommends full redemption of all investments. Estimated redemption completion date: October 31, 2016. This Fund is allocated to the PSPRS Absolute Return Portfolio.
   2. Pebble Creek (Robson Communities); Staff recommends a sale of our interest in Pebble Creek Properties (Robson Communities). The fund is allocated to the PSPRS Real Estate Portfolio.
   3. West Face Long Term Opportunities (USA), L.P. Staff recommends full redemption of all investments. This investment is allocated to the PSPRS Private Credit portfolio.

   Reasons for deselection were provided to the members of the board and there were no questions regarding new and potential investments.

9. Disclosure of closed transactions for this period:

a. Davidson Kempner Special Situations Fund III; Committed Amount up to $80 million; Date Closed: August 24, 2015; PSPRS Asset Class: Credit Opportunities.

b. LSV Special Opportunities Fund V; Committed Amount up to $80 million; Date Closed: September 30, 2015. PSPRS Asset class: Absolute Return.
c. Tritium I, LP Fund; Committed Amount up to $20 million direct; Date Closed: November 16, 2015. PSPRS Asset class: Private Equity.
d. TSG 7A & 7B Fund; Committed Amount up to $40 million (TSG 7A) and $10 million (TSG 7B); Date Closed: November 16, 2015. PSPRS Asset class: Private Equity.
e. Pinebridge Structured Capital III Fund; Committed Amount up to $80 million; Date Closed: November 25, 2015. PSPRS Asset class: Credit Opportunities.
f. Lubert-Adler Laramar Urban Neighborhood Fund; Committed Amount up to $40 million; Date Closed: December 30, 2015. PSPRS Asset class: Real Estate.

These are the investments in which PSPRS has entered into binding contracts.

10. **The Committee may discuss future dates for meetings and direct Staff to place matters on future agendas.** (Currently scheduled for February 24, 2016.)

   The next meeting will be held on February 24, 2016.

11. **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 response to the Call to the Public.

12. **Adjournment.**

   The meeting was adjourned at 11:22 a.m.

/s/ Mr. Richard Petrenka
Mr. Richard Petrenka, Vice Chairman