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

   Mr. Brian P. Tobin
   Chairman

The meeting was called to order by Chairman Tobin at 11:02 a.m. 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 at 11:05 A.M. A second Call to the Public was announced at 12:32 P.M. Mr. Jim Mann, Executive Director of the Fraternal Order of Police spoke regarding education for the PBI for CORP. At 2:40 P.M. Mr. Mann spoke about the GRS presentation regarding disability calculations.

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 Anita L. Lohr.
   d. Acceptance of Transfer Between State Retirement Systems of Craig Abernethy.
   e. Acceptance of Transfer Between State Retirement Systems of Christopher Hemmen.
   f. Acceptance of Transfer Between State Retirement Systems of Jesus Hughes.
   g. Acceptance of Transfer Between State Retirement Systems of Glenn Tanita.
   h. Acceptance of Transfer Between State Retirement Systems of Cassidy Taylor.
   i. Acceptance of Transfer Between State Retirement Systems of Gerald Sturgill.
   j. Acceptance of Transfer Between State Retirement Systems of Kevin Sheridan.
   k. Acceptance of Transfer Between State Retirement Systems of David Rivas.
   l. Acceptance of Transfer Between State Retirement Systems of Robert Merigan.
   m. Acceptance of Transfer Between State Retirement Systems of Verusha Jones.
   n. Acceptance of Transfer Between State Retirement Systems of Dylan Graffious.
   o. Acceptance of Transfer Between State Retirement Systems of Gregory Clark.
   p. Acceptance of Transfer Between State Retirement Systems of Teresa Fowler.
   q. Acceptance of Transfer Between State Retirement Systems of Lizabeth Clark.
   r. Acceptance of Transfer Between State Retirement Systems of Sheldon Czegledi.
   s. Acceptance of Transfer Between State Retirement Systems of Anthony Trow.
   t. Acceptance of Transfer Between State Retirement Systems of Jeremy Goad.
   u. Acceptance of Transfer Between State Retirement Systems of David Claridge.
   v. Acceptance of Transfer Between State Retirement Systems of Christina Schereck.
   w. Acceptance of Transfer Between State Retirement Systems of Clint Anderson.
   x. Acceptance of Transfer Between State Retirement Systems of April Lopez.
   y. Approval of the Minutes of the April 25, 2018 Meeting of the PSPRS Board of Trustees.

\[\text{Mr. Brian P. Tobin}\]

<table>
<thead>
<tr>
<th>MOTION: 1-05/30/2018</th>
<th>At 11:06 A.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. Papp</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</td>
</tr>
<tr>
<td>Motion:</td>
<td>Passes</td>
</tr>
</tbody>
</table>
4. Appropriate Action regarding the approval of The City of Flagstaff’s request to increase amortization period.

Mr. Brian P. Tobin

There was no discussion prior to the vote.

<table>
<thead>
<tr>
<th>MOTION:2-05/30/2018</th>
<th>At 11:07 A.M.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motion:</td>
<td>To approve The City of Flagstaff’s request to increase the amortization period.</td>
</tr>
<tr>
<td>Moved by:</td>
<td>Mr. Raines</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</td>
</tr>
<tr>
<td>Motion:</td>
<td>Passes</td>
</tr>
</tbody>
</table>

5. Appropriate Action regarding the approval of The City of Tucson’s request to increase amortization period.

Mr. Brian P. Tobin

<table>
<thead>
<tr>
<th>MOTION:3-05/30/2018</th>
<th>At 11:08 A.M.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motion:</td>
<td>To approve The City of Tucson’s request to increase the amortization period.</td>
</tr>
<tr>
<td>Moved by:</td>
<td>Mr. Papp</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</td>
</tr>
<tr>
<td>Motion:</td>
<td>Passes</td>
</tr>
</tbody>
</table>

Report by Mr. Don Smith, Chairman of the Investment Committee, regarding agenda items 6 through 14, which were discussed at the Investment Committee meeting held today, May 30, 2018, on or after 9:00 a.m., and possible Action on the Committee’s recommendations to the Board regarding same.


Mr. Ryan Parham
Assistant Administrator and CIO

Mr. Steed introduced James Ko, a new Portfolio Manager for the Trust. Mr. Ko provided details regarding his education and career/work history.

7. Written report by Compliance Officer regarding quarterly investment manager compliance as of March 31, 2018.

Mr. Tim Jackson
Compliance Officer

The written report was discussed during the meeting of the Investment Committee this morning.
8. Presentation and written report by Investment Department Staff regarding Portfolio Risk as of March 31, 2018.

   Mr. Owen Zhao
   Portfolio Analyst – Risk

   Mr. Zhao presented information regarding volatility, value at risk, and added a comparison of current volatility and value at risk to historical levels. Risk contributes to all portfolio asset classes. Major market factors impacting asset classes and the overall Trust were reviewed, as were results of stress testing. The Trust’s value decreased slightly and forecast remained stable.

   Discussion was held regarding a new risk proxy for risk analysis to be determined for the Real Estate sub-portfolio as requested by the Board, the Investment Committee and the Administrator. The goal is to look for proxy with high correlation to our Real Estate portfolio with the assistance of Albourne Partners. The presentation illustrated the method used for review of risk proxies that will help with forecasting and valuation. After reviewing indices, narrowing them to 16 candidates, it was determined to use three indices.

9. 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 March 31, 2018; and (ii) presentation and written report regarding the asset allocation and performance of the Firefighters and Peace Officers Cancer Insurance Program.

   Ms. Vaida Maleckaite
   Director of Investment Services

   This written report was in the information distributed to the Board and there were no questions.

10. Quarterly written report by Investment Department Staff and discussion regarding the Trust’s Securities Lending Program as of the end of the First Calendar Quarter 2018 (third quarter FY 2017/2018).

   Ms. Vaida Maleckaite
   Mr. Ryan Parham

   A question and answer period was held regarding development of the Trust’s Securities Lending Program.

11. Presentation and discussion by NEPC representative(s) on the 3rd Fiscal Quarter (1st Calendar Quarter) investment performance and the 2017-2018 Fiscal Year investment performance for the Arizona PSPRS Trust.

   Mr. Allan Martin
   NEPC, LLC.

   Mr. Martin stated this quarter was instructive since the overall market was down with the first negative quarter in the S&P 500 since September of 2015 and the portfolio was designed to have less sensitivity to equity markets and to be more stable over time. We trail a bit in high markets. Discussion was held regarding market environment and volatility. For the quarter, the portfolio was up 1.4% and in the top 1% of funds, which is a test of the portfolio holding up in down markets. For the fiscal year-to-date, the portfolio was up 6.5%; one year, up 8.9%, which is
more than the assumed earnings rate; 3 years, up 6.5%, 5 years, up 7.2%, all of which include the legacy real estate portfolio. With the strategy to have low volatility, we trailed peers on a return basis. The level of risk appropriate for the portfolio was discussed. Chairman Tobin and Mr. Martin discussed market timing and actuality with 20/20 hindsight. With the $9.7 billion in the Trust, more than $800 million was earned last year. Asset classes are close to policy and within performance ranges. Mr. Martin stated that the results were good for the conservative risk taken.


Mr. Ryan Parham
Mr. Allan Martin

Mr. Martin stated that the goal is to look at assets in combination with liabilities since there are three different plans. Stage 1 was to obtain actuarial results and build a model of the liabilities, which has been completed. Stage 2 is to take different allocation mixes and look at liabilities of each of the mixes with respect to current legislation in order to make recommendations. NEPC will work with Investment Staff and options will be discussed at the next Board meeting.

13. Disclosure by Investment Department Staff of the following Manager Selection Matters:

A. New and Potential Investments Considered this Period:
   1. Disclosure of a potential increase in investment of up to $11,470,000.00 direct with Iguazu Partners, L.P., in the Fixed Income Portfolio, subject to final Staff and legal due diligence.

B. Finalized and Executed Transactions During Prior Period:
   1. Trustbridge Partners VI, L.P. Fund; Committed amount up to $40 million; Date Closed: April 12, 2018. This investment is allocated to PSPRS Asset Class: Private Equity.
   2. Bensell US Feeder V-B, LP Fund/Benson Elliot Real Estate Partners V; Committed amount up to €50 million; Date Closed: April 12, 2018. This investment is allocated to PSPRS Asset Class: Real Estate.

There was no discussion. This is for information only.

Presentation by Mr. McNeill, Chairman of the Operations, Governance Policy and Audit Committee, regarding agenda items 15 through 19, which were discussed at the Operations, Governance Policy and Audit Committee meeting held today, May 30, 2018, on or after 9:00 a.m., and possible Action on the Committee’s recommendations to the Board regarding same.


   a. Operations Update Report
   b. Year to Date Budget Report
   c. Local Board & Employer Outreach Report
   d. Local Board Rehearing Report
   e. Law Firms’ Billings for Legal Services
   f. HR Report
   g. Communication Efforts

Mr. Dave DeJonge
Deputy Administrator
Each report was provided in writing. Mr. DeJonge informed the Board that the Trust is $330,000 under budget for FY 2017/2018; 5% of the Tier 3 members chose the DC Plan, 20% chose the DB Plan and 75% defaulted to the DB Plan. The high rate of default was discussed and the probability of creating a form acknowledging the member’s choice of Plan will be completed in the future. Trustee Buividas recommended development of an education position in order to assist the members of the plans.

15. Review and discussion of system development progress.

   Mr. John Briney
   Enterprise Systems Architect

   Mr. Briney informed the Board that system development is on track for mid-June completion with a July 1, 2018 roll-out.


   Ms. Lisa Sweeting
   Internal Auditor

   The Internal Audit Plan was presented at the meeting of the Operations, Governance Policy and Audit Committee meeting this morning.

   | MOTION:4-05/30/2018 | At 12:20 P.M. |
   | Motion:           | To approve the recommendation of the Operations, Governance Policy and Audit Committee to approve, as presented, the FY 18/19 Internal Audit Plan |
   | Moved by:        | The Operations, Governance Policy and Audit Committee |
   | Seconded by:     | Committee Recommended |
   | Discussion:      | None |
   | In Favor:        | Unanimous |
   | Motion:          | Passes |

17. Review, discussion and possible Action with respect to the FY2019 PSPRS Administrative Budget.

   Mr. Jared A. Smout
   Administrator

   The Administrative Budget was attached to the Board’s information. The final proposal will be presented next month.

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

   Jared A. Smout

   Mr. Doug Cole of HighGround stated the legislative session ended May 4, 2018. SB1478 was signed which provided for the EORP static rate to be changed to an actuarially determined rate to take effect May 16, 2018 due to an Emergency Clause. HCR 2032 concurrent resolution
regarding CORP and EORP PBI to change to a COLA based structure does not yet have a proposition number. “Yes” arguments are to be filed from interested parties by July 11, 2018.

A 30 minute break was held by the Board and the meeting resumed at 1:05 P.M.

19. Presentation, discussion and appropriate Action on actuarial assumptions and methods, including for CORP Tier 3 rates, the assumed earnings rate and layered amortization.

Mr. James D. Anderson
Mr. Francois Pieterse
Gabriel, Roeder, Smith & Company

Presentation of the assumed investment rates was conducted by Mr. Anderson, the CORP Tier 3 rates by Mr. Pieterse, and layered amortization by Mr. Anderson. Each year, GRS reviews investment return assumptions, which may differ from the review completed by NEPC because GRS’ review is very long range and GRS surveys a multiple of investment experts. A review was completed of public pension investment return assumptions from 2001-2018 based upon PSPRS’ current asset allocations. PSPRS’ current assumed rate of return is 7.4%, which is in the higher range of public pension invest return assumptions in 2018. Discussion was held regarding long term versus shorter term views of asset allocations. It was suggested that the Board consider decreasing the assumed rate of return to 7.3%, CORP to increase contribution rates 75-100 basis points and discussion was held regarding EORP’s 61.5% actuarially determined rate.

MOTION:5-05/30/2018  At 12:22 P.M.
Motion:  To take action on behalf of the Board to have “Yes” arguments included in the pamphlet to be drafted at the June Board meeting.
Moved by:  Mr. Raines
Seconded by:  Mr. Buividas
Discussion:  To get the word out.
In Favor:  Unanimous
Motion:  Passes

MOTION:6-05/30/2018  At 1:41 P.M.
Motion:  To lower the assumed earnings valuation from 7.4% to 7.3%, effective July 1, 2020 and DROP, effective July 1, 2018.
Moved by:  Mr. Papp
Seconded by:  Mr. Scheinert
Discussion:
Administrator Smout suggested an earlier implementation date of July 1, 2019. Discussion was held of a possible rate of 7.25%. Mr. Buividgas expressed concern about 7/1/18 date and less stress on employers with a date of 07/01/2019.
Amendment:  To recommend reduction of valuation rate from 7.4% to 7.3% with a start date of 07/01/2019, which will affect rates 07/01/2020.
Moved by:  Mr. Scheidt
Seconded by:  Mr. Buividgas
In Favor:  Unanimous
Motion:  Passes
Mr. Pieterse discussed CORP Tier 3 rates and reviewed length of employment, turnover rates and disability rates. It was suggested that the rate be set at 14.85%: employer rate at 4.95%; employee rate at 9.90%; and disability rate at 1.40%.

<table>
<thead>
<tr>
<th>MOTION:7-05/30/2018</th>
<th>At 2:22 P.M.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motion:</td>
<td>To accept the recommendation of GRS’ assumptions for CORP Tier 3.</td>
</tr>
<tr>
<td>Moved by:</td>
<td>Mr. Buividas</td>
</tr>
<tr>
<td>Seconded by:</td>
<td>Mr. Scheinert</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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</tbody>
</table>

Mr. Anderson led a discussion regarding development of a layered amortization rate for unfunded accrued liabilities to maintain a more stable contribution rate for PSPRS Tiers 1 and 2 and how to handle the complexity. This is a possible addition to our funding policy and more information to be provided in the future.

20. Update and discussion on the System's Defined Contribution Committee.

Mr. William T. Buividas, Vice Chairman
Chairman of Defined Contribution Committee

There are over $60 million in assets in the Defined Contribution Plan and discussion was held regarding how to maintain assets in the Plan. It was suggested that an information packet be sent to all System members with over 18 years of employment, including information about DROP in advance of retirements. The committee recommended creation of a position for an education liaison to contact members directly and assist members with their decision making.

<table>
<thead>
<tr>
<th>MOTION:8-05/30/2018</th>
<th>At 2:30 P.M.</th>
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</thead>
<tbody>
<tr>
<td>Motion:</td>
<td>To accept the recommendation of the Defined Contribution Committee to create a position for an education liaison to contact members directly and to assist with investments and conduct education classes.</td>
</tr>
<tr>
<td>Moved by:</td>
<td>Defined Contribution Committee.</td>
</tr>
<tr>
<td>Seconded by:</td>
<td>Committee Recommended</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>

21. Review, discussion and possible Adoption of changes to PSPDCRP Plan document.

Mr. Jared A. Smout

The changes due to IRS requirements were included in a document entitled “Summary of Changes” within the information for the members of the Board.
22. Discussion and appropriate Action regarding Board of Trustee member requests to participate in training, educational and due diligence opportunities.

   Mr. Brian P. Tobin

23. Discussion and consultation with legal counsel and Staff and possible Action regarding 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. 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 25.

24. 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 24, 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).

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**MOTION:9-05/30/2018**

At 2:35 P.M.

Motion: To adopt the changes listed in the “Summary of Changes” document as presented by the Administrator and the First Amendment Restatement.

Moved by: Mr. Buividas

Seconded by: Mr. McNeill

Discussion: None

In Favor: Unanimous

Motion: Passes

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**MOTION:10-05/30/2018**

At 2:38 P.M.

Motion: To amend a prior motion to approve a due diligence trip to Houston, TX (rather than to New York City) and to ratify such Houston, TX trip by Mr. Buividas.

Moved by: Mr. Scheidt.

Seconded by: Mr. Smith

Discussion: None

In Favor: Unanimous

Motion: Passes
At 4:07 P.M. resumed Open Session.

Board of Trustees directed PSPRS’ attorney to petition for Special Action.

MOTION:11-05/30/18  At 2:42 P.M.
Motion: To recess Open Session and enter Executive Session.
Moved by: Mr. Davis
Seconded by: Mr. Scheinert
Discussion: None
In Favor: Unanimous
Motion: Passes

MOTION:12-05/30/18  At 4:11 P.M.
Motion: To name Mr. Mark Steed as Interim CIO and appoint a committee to search for a CIO, effective July 1, 2018, due to Mr. Parham’s retirement.
Moved by: Mr. Buividas
Seconded by: Mr. Smith
Discussion: None
In Favor: Unanimous
Motion: Passes

Discussed memo from the Administrator and to move forward in consultation with the office of the Arizona Attorney General.

25. Committee creation, appointment, and Board ratification of same.

Mr. Brian P. Tobin

MOTION:13-05/30/18  At 4:13 P.M.
Motion: To create a Contracts Subcommittee, with Mr. Buividas as Chairman, and including Mr. Mc Neill, Mr. Scheinert and Mr. Davis.
Moved by: Mr. Buividas
Seconded by: Mr. Scheidt
Discussion: None
In Favor: Unanimous
Motion: Passes

MOTION:14-05/30/18  At 4:14 P.M.
Motion: To create a CIO Search Committee, with Mr. Papp as Chairman, and including Mr. Raines, Mr. Scheidt and Mr. Smith.
Moved by: Mr. Davis
Seconded by: Mr. Scheidt
Discussion: None
In Favor: Unanimous
Motion: Passes
26. Possible Action on future meeting dates. (*Next meeting currently scheduled for Wednesday, June 27, 2018.*)

There was no change of date.

27. Adjournment.

The meeting was adjourned at 4:15 P.M.

__________
Brian P. Tobin, Trustee, Chairman

William T. Buividas, Trustee, Vice Chairman
William C. Davis, Trustee

Edward J. McNeill, Trustee
Harry A. Papp, Trustee

Bryan Raines, Trustee
Mike Scheidt, Trustee

Dean M. Scheinert, Trustee
Donald A. Smith, Jr., Trustee