PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM
BOARD OF TRUSTEES MEETING

September 27 and 28, 2018

MINUTES

Members Present:
Mr. Brian P. Tobin, Chairman, Trustee
Mr. William T. Buividas, Vice Chairman, Trustee
Mr. William C. Davis, Trustee – Excused at 12:20 P.M. (day 2)
Mr. Edward J. McNeill, Trustee - Excused
Mr. Harry A. Papp, Trustee
Mr. Bryan Raines, Trustee - Excused
Mr. Mike Scheidt, Trustee
Mr. Dean Scheinert, Trustee – Arrived at 10:00 A.M (day 2)
Mr. Donald A. Smith, Jr. Trustee

Others Present:
Mr. Jared Smout, Administrator
Mr. Mark Steed, CIO
Mr. Dave DeJonge, Deputy Administrator
Mr. Timothy Jackson, Compliance Officer
Ms. Vaida Maleckaite, Director Investment Services
Mr. Owen Zhao, Portfolio Analyst
Ms. Patricia Shaner, Human Resources Director
Mr. John Briney, Enterprise Systems Architect
Mr. Christian Palmer, Communications Director
Ms. Vivian Padilla, Communications
Ms. Ivy Voss, Attorney
Ms. Jennifer Carlino, Chief In-House Investment Counsel
Mr. Kevin Chen, Portfolio Analyst
Mr. Shan Chen, Lead Portfolio Manager
Mr. William Thatcher, Portfolio Manager
Mr. Jefferson Weston, Investment Analyst
Mr. James Ko, Portfolio Manager
Mr. Phil Coleman, Employer Relationship Manager
Ms. Rose Crutcher, Investment Paralegal
Ms. Chrystal Angotti, Senior Executive Assistant
Mr. Paul Hemmes, Information Technology
Mr. Allan Martin, NEPC
Mr. Don Stracke, NEPC
Mr. Marc Lieberman, Kutak Rock
Mr. Tom Hickey, Foley Lardner
Mr. Michael Calabrese, Foley Lardner
Mr. Seth Birnbaum, Bridgewater Associates
Mr. Oskar Lewnoswki, Orion Resource Partners
Mr. Frank Kung, Vivo Capital
Mr. Daren Wunderle, DC Committee
Mr. Brian Moore, DC Committee
Mr. Ryan McKinnon, DC Committee
Ms. Dianne McAllister, Public Policy Partners
Mr. Doug Cole, HighGround
Mr. Stan Hoover, PSPRS Retiree
1. Call to Order; Pledge of Allegiance; Roll Call; Opening remarks.

The meeting was called to order by Chairman Tobin at 9:00 a.m. The Pledge of Allegiance was recited and the roll was called.

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.

No reply 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.

   b. Acceptance of Elected Officials Retirement Plan of termination of survivor benefit of Michael Brown.
   c. Acceptance of Elected Officials Retirement Plan of early retirement benefit Carol L. Dinneweth
   d. Acceptance of Elected Officials Retirement Plan of termination of survivor benefit of Nancy Harral.
   e. Acceptance of Elected Officials Retirement Plan of termination of normal retirement benefit of James K. Jones.
   g. Acceptance of Elected Officials Retirement Plan of Carma J. Scott.
   h. Acceptance of Elected Officials Retirement Plan of termination of normal retirement benefits of Carol Springer.
   i. Approval of the Minutes of the August 29, 2018 Meeting of the PSPRS Board of Trustees.

   
   
   Mr. Brian P. Tobin

4. Review and discussion of staff operation report.

   a. The Member Services Division works directly with our members, local boards and employers. It has always been difficult to quantify the work being done in this division. While EPIC 2.0, our new software program, helps us track the work better than we ever could in the past, much of what we do is still manual and difficult to track. We will continue to work on that in fiscal year 2019. To date, 23,650 phone calls were answered by the call

   
   
   Mr. Dave DeJonge
   Deputy Administrator
We want to make sure that there are enough employees in the call center and to provide appropriate training. Paul Hemmes, Developer; has been asked to do develop videos for online training and online training modules for our staff. Lori Mathews, Call Center Manager; has been moved from the front reception desk to an office near her staff. PSPRS will be hiring additional administrative assistance for the front desk.

b. An update on PSPRS Local Board and Employer Outreach efforts was given. Outreach will continue in fiscal year 2019. We will continue to conduct training events throughout the state, and we are developing plans to provide additional training online.

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

   Mr. Jared A. Smout
   Administrator

   The memo regarding PSPRS Proposed 2019 Administrative Bill was provided for review, no discussion was held.

   General Election updates were given.


   Mr. Owen Zhao
   Portfolio Analyst – Risk

   A presentation was provided regarding Portfolio Risk as of May 31, 2018 and June 30, 2018. This report included information as to volatility, monthly value at risk forecast and risk by asset class. Discussion was held regarding portfolio returns.

   No discussion was held.

7. Presentation and 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, 2018; and (ii) written report regarding the asset allocation and performance of the Firefighters and Peace Officers Cancer Insurance Program. Written report and discussion regarding the final net-of-fees investment returns for the PSPRS Trust as of June 30, 2018.

   Ms. Vaida Maleckaite
   Director of Investment Services

   A brief presentation was provided to the Board of Trustees regarding portfolio performance during this time period.

   No discussion was held.

8. Presentation and discussion regarding current Investment Staff research and submissions for publications.

   Mr. William Thatcher
   Lead Portfolio Manager

   A brief presentation was provided to the Board of Trustees regarding Publications and Press. The following is a list of publications that was presented:


No discussion was held.

9. 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 $30 million direct and a reserve allocation of up to $10 million for purposes of co-investment with *Alcion Real Estate Partners IV*, in the Real Estate portfolio, subject to final Staff and legal due diligence.

      2. Disclosure of a potential investment of up to $40 million direct and a reserve allocation of up to $40 million for purposes of co-investment with *Iron Point Real Estate IV*, in the Real Estate portfolio, subject to final Staff and legal due diligence.

      3. Disclosure of a potential investment of up to $60 million for purposes of direct investment with *Värde Asia Credit Fund Master, L.P.*, in the Private Credit portfolio, subject to final Staff and legal due diligence.

      4. Disclosure of a potential investment of up to $45 million for purposes of direct investment with *Castle Creek Capital Partners VII, L.P.*, in the Private Equity portfolio, subject to final Staff and legal due diligence.

   B. Finalized and Executed Transactions During Prior Period:

      1. LittleJohn Fund VI; Committed amount up to $40 million; Date Closed: July 31, 2018. This investment is allocated to PSPRS Asset class: Private Equity.

      2. Baring Asia Real Estate Fund II; Committed amount up to $40 million; Date Closed: July 31, 2018. This investment is allocated to PSPRS Asset class: Real Estate.

      3. TSSP Opportunities Partners IV (A), LP; Committed amount up to $75 million; Date Closed: August 9, 2018. This investment is allocated to PSPRS Asset class: Private Credit.

      4. SIH Debt Opportunities Fund II, LP; Committed amount up to $60 million; Date Closed: August 9, 2018. This investment is allocated to PSPRS Asset class: Private Credit.

      5. Vivo Capital Fund IX, LP; Committed amount up to $50 million; Date Closed: August 20, 2018. This investment is allocated to PSPRS Asset class: Private Equity.

      6. OCP Asia Fund III, LP; Committed amount up to $50 million; Date Closed: August 24, 2018. This investment is allocated to PSPRS Asset class: Private Credit.

      7. Henderson Park Real Estate Fund I, LP; Committed amount up to $50 million; Date Closed: August 31, 2018. This investment is allocated to PSPRS Asset class: Real Estate.

No discussion was held.

Mr. Mark Steed
Chief Investment Officer
Mr. Owen Zhao

A brief presentation was provided regarding Qualitative and Quantitative Methods and Applications.
No discussion was held.

11. Investment Plan Update and Outlook.

Mr. Allan Martin
NEPC

A presentation was given regarding the PSPRS Investment Plan Update and Outlook.
No discussion was held.

12. Keynote Luncheon Speaker.

Mr. Jason Schechterle

Mr. Schechterle was introduced as a keynote speaker.
No discussion was held.

13. Annual report by Investment Department Staff and discussion regarding the Trust's Securities Lending Program as of June 30, 2018.

Mrs. Vaida Maleckaitė

(*Topic was tabled to day 2 of the agenda)

This program lends securities on a temporary basis to qualified buyers with cash collateral. The PSPRS service provider performs all of the work for the program, including risk management and compliance. Review of the program included information regarding cash collateral investment, risk management techniques and performance of the portfolio. For the AZ PSPRS Trust, average monthly earnings are $385,436, with an average lending pool of $2,885,511,715 and an average return on available assets of 16.03 basis points.

14. Panel Discussion on Economics, Private Equity, Hedge Funds, Private Credit and Real Estate.

Mr. James Ko
Senior Portfolio Manager
Mr. Ed Schwartz, ORG
Mr. Jay Rose, StepStone
Mr. Jon Claisse, Albourne
Mr. Allan Martin, NEPC

Each member gave a summary of their Fund. Mr. Ko asked the panel questions as follows: Actuaries get a lot of data from consultants when making projections; how do you come up with your projections for domestic equities, international equities, fixed income, real estate and other major asset classes? Earlier this month, the blood testing company called Theranos, announced that it would formally dissolve. The company raised hundreds of millions of dollars and valuation peaked at $9 billion. How common are situations like this in your space and how do we feel comfortable that your diligence process will avoid these types of investments?

Other questions to the panel included: What happens to our economy when we have significant inflation? What is the ripple effect?

Discussion was held regarding these issues.
15. Discussion and appropriate Action regarding Board of Trustee member requests to participate in training, educational and due diligence opportunities.  

Mr. Brian Tobin  
No requests made.

16. Call to the public.

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No reply to the call to the public.

The first day of the Annual Meeting recessed at 4:44 p.m. on Thursday, September 28, 2017; and resumed on Friday, September 29, 2017 at 9:00 a.m.

17. Reconvene Meeting; Call to Order, Pledge of Allegiance, Roll Call, Call to the Public and Remarks.

Mr. Brian Tobin  
Day two was called to order by Chairman Tobin at 9:09 a.m.

A second Call to the Public was announced to which there was no reply.


Jennifer Carlino, Esq.  
Chief Investment Counsel  
Tom Hickey, Esq., Foley Lardner  
Michael P. Calabrese, Foley Lardner  
Marc Lieberman, Esq., Kutak Rock  

A presentation was given regarding fiduciary duties, effective governance, decision making processes and Risk Management Practices. Mr. Lieberman discussed the ethical and core duties as well as general principals of Trustees.

No other discussion was held.

19. DC Committee Update.

Mr. William T. Buivid  
Vice Chairman  
DC Committee Chairman  

A brief update was given regarding the DC Committee. The presentation included DC Service Providers, current assets, education updates and plans for going forward in FY19.

No discussion was held.

20. Advisory Committee Update.

Mr. Ken Strobeck
A written report on behalf of Mr. Ken Strobeck, Advisory Committee Chairman; was presented to the members.

No discussion was held.

21. Roundtable discussion on Macroeconomic Developments by certain investment Partners.

Mr. Bill Thatcher
Mr. Oskar Lewnoswki, Orion Resource Partners
Mr. Seth Birnbaum, Bridgewater Associates
Mr. Frank Kung, Vivo Capital

Each Investment Manager gave a summary of their firm and their investment strategies that they run for us. Questions about their investment strategies and the economy were asked. Discussion was held between three investment consultants who work alongside PSPRS as to how they achieve the objectives for the portfolio set by the Board for the Trust. Macroeconomic discussion topics included the question on investment strategies, 15 or 20 years ago; hedge funds returns looked good, what happened? Why are they lagging so badly? Since China has opened their markets, Beijing has been dogged by accusations that it forces US firms to transfer technology to their Chinese business partners, in return to access to the countries 4.4 billion citizens, this causes trade wars and we would like to know if this is an issue with firms you are working with currently?

Discussion was held regarding these issues.

22. 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 23.

MOTION:3-9/28/2018
Motion: At 1:21 P.M.
To direct the Administrator to present a plan to the Board of Trustees at the next meeting to implement the recommendations specified for the assistance request of the Attorney General Opinion in reference to senate bill 1609, and that the Administrator immediately implement those recommendations specified at the systems request for the Attorney General opinion, which are capable of being immediately implemented, and that the Administrator take all action as appropriate in a timely manner, to introduce legislation prepared by the systems counsel to cure the unconstitutional statutes specified in the systems request for Attorney General opinion and any other unconstitutional infirmities identified by counsel with the systems enabling legislation or that of EORP or CORP as well.

Moved by: Mr. Buividas
Seconded by: Mr. Papp
Discussion by: None.
Voted In Favor: Mr. Tobin, Mr. Buividas, Mr. Papp, Mr. Scheidt, Mr. Scheinert,
Voted Against: None. Messrs. Raines, McNeill, Smith and Davis were excused/absent.
Motion: Passes Unanimously.
23. 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 13, 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), (7).

b. Update and discussion on personnel matters, as authorized by A.R.S § 38-431.03 (A) (1).

| MOTION:2-9/28/2018 | At 12:39 P.M. |
| Moved by:         | Mr. Smith    |
| Seconded by:      | Mr. Scheidt  |
| Discussion by:    | None         |
| Voted In Favor:   | Mr. Tobin, Mr. Buvidas, Mr. Papp, Mr. Scheidt, Mr. Scheinert, Mr. Smith. |
| Voted Against:    | None. Messrs. Raines, McNeill and Davis were excused/absent. |
| Motion:           | Passes Unanimously. |

Open session resumed at 1:15 P.M

24. Possible Action on future meeting dates (Next meeting scheduled for November 1, 2018)

25. Adjournment.

The meeting was adjourned at 1:26 p.m.
Brian P. Tobin, Trustee, Chairman

William T. Buividas, Trustee, Vice Chairman

William C. Davis, Trustee

EXCUSED

Edward J. McNeill, Trustee

Harry A. Papp, Trustee

Bryan Raines, Trustee

Mike Scheidt, Trustee

EXCUSED

Dean M. Scheinert, Trustee

Donald A. Smith, Jr., Trustee