MINUTES

Members Present: Mr. William T. Buividas, Chairman, Trustee
Mr. Jared A. Smout, Vice Chairman, Administrator
Mr. Bryan J. Jeffries
Mr. Ryan McKinnon
Mr. Brian Moore
Mr. William Thatcher
Mr. Daren Wunderle

Others Present: Mr. Dave DeJonge, Deputy Administrator
Mr. Bret Parke, Assistant Administrator/General Counsel
Ms. Ivy Voss, Attorney
Ms. Chrystal Angotti, Senior Executive Assistant
Mr. John Briney, Enterprise Systems Architect
Mr. Timothy Jackson, Compliance Officer
Ms. Liz Rozzell, CFO
Mr. Phil Coleman, Employer Relations Manager
Mr. Don Mineer, Local Board Training Manager
Mr. Jim Keeler, Arizona Program Director, Nationwide Retirement Solutions
Mr. Mark Kordonsky, Principal & Chief Risk Officer, SageView
Mr. Jake O’Shaughnessy, Managing Director, SageView – Teleconference
Mr. Stuart Payment, SageView - Teleconference
Mr. Michael Galloway, CEO, Galloway Asset Management, LLC
Ms. Nanette Eberhardt, COO, Galloway Asset Management, LLC

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

Chairman Buividas called the meeting to order at 1:07 p.m.

2. Review, discussion and possible Approval of the PSPRS Defined Contribution Committee Minutes from August 20, 2018.

Mr. William T. Buividas

MOTION:1-11/27/2018

Motion: 1:10 p.m.
To approve the minutes of the Arizona PSPRS Defined Contribution Committee from the August 20, 2018 meeting as written

Moved by: Mr. Jeffries
Seconded by: Mr. Moore
Discussion: None
Voted In Favor: Mr. Buividas, Mr. Smout, Mr. Bill Thatcher, Mr. Jeffries, Mr. Moore, Mr. Wunderle, Mr. McKinnon

Voted against: None

Motion: Passes Unanimously
3. Introduction of Bret Parke, Assistant Administrator / General Counsel.

Bret Parke was introduced to the members of the DC Committee Meeting.

4. Nationwide Retirement Solutions (NRS) Quarterly Update.

The third quarter Nationwide Retirement Solutions assets for the supplemental plan as of September 30, 2018 is at $17,776,547.65 with 689 participants. The EODCRS Supplemental 401 (a) report shows a total of $5,093,073.48 with 197 participants. The PSPDCRP Plan shows an amount of $69,390,329.60 with 3,846 participants.

A brief discussion regarding Fee Savings was held. Fee savings with Defined Contribution Plan Invested at .61% annual fee vs 1.85% annual fee, equals a 7% assumed return. Fee savings with DROP account invested at .61% annual fee vs 1.85% annual fee, equals 7% assumed return.

5. SageView Advisory Group quarterly investment performance review of the PSPDCRP.

A regulatory overview, market overview and economic overview was presented by SageView Advisory Group as of first quarter; September 30, 2018. Economic growth in the U.S. accelerated in Q2 to 4.2% despite increasing trade war fears. The U.S. economic expansion (recovery), now at nine years, is the second longest in history and well above the average recovery length. Growth in other parts of the world has slowed, most noticeably in Europe and certain emerging market countries.

The Cyclically Adjusted P/E Ratio moved higher while the Trailing P/E Ratio has receded from recent highs. From a bottom-up perspective, S&P 500 total operating earnings are forecast to rise to $157 per share by the end of 2018, which is 26% above their levels in 2017.

The current bull market is now longest since the Crash of 1929. There is an old Wall Street adage that “bull markets do not die of old age” but rather from some type of an external shock such as a commodity spike, financial crisis or monetary policy missteps.

The fixed income market posted mixed results in Q3, with high yield bonds having a particularly strong quarter. The Federal Reserve increased short-term rates for the third time this year, as credit conditions have been turning less accommodative.

With the outlook for growth and inflation solidifying and the Fed conveying its intent for a sustained tightening cycle, 10- year Treasury yields rose to their highest levels since 2011. Inflation expectations remain similar to the average of the past several years, but real yields are at the upper end of their range since mid-2011, signifying a modest but sustained rise in inflation-adjusted borrowing costs.

The structure of the 401(a) plan was discussed. As of September 30, 2018, the supplemental 401 (a) shows a very healthy growth and holds $86,134,176.89. Elected Officials plan holds $5,093,073.48. The return of the plans are within the expectations and no further funds were discussed.
6. Update, discussion and possible Action on implementation progress with Public Safety Financial/Galloway.

Mr. Michael Galloway, CEO
Galloway Asset Management, LLC.

The Public Safety Financial Galloway Activity Report was presented as of January 1, 2018 through September 30, 2018. There were 84 seminars throughout Arizona State with a total of 875 members in attendance. Details regarding the surveys received are as follows: 99% of the members who attended found the seminar to be informative, 90% of the attendees were motivated to increase 457 personal savings, 89% of the members attended would review investment objectives asset allocations and 46% requested follow-up counseling. The Galloway portfolio program report shows 83 participants with $423,306.17 assets under management.

A brief presentation on the PSPRS Tier 3 Class Objectives was given.

7. Update, discussion and possible Recommendations on legislative changes that may or may not occur in regards to the DC Plan.

Mr. Jared A. Smout

No discussion was held.

8. Review, discussion and possible Action regarding FY18 DC Committee expense account.

Mr. William T. Buividas

The FY18 DC Committee expense account report, as of October 31, 2018; was presented. The total expenses for FY18 was $86,234. FY19 total expenses to date are $21,735.

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<tr>
<th>ACTION: 1-11/27/18</th>
<th>Request: To review the DC Committee expense account at each quarterly DC Committee Meeting.</th>
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<tr>
<td>Requested by:</td>
<td>Mr. Buividas</td>
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<td>Assigned to:</td>
<td>Liz Rozzell, CFO</td>
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Mr. William T. Buividas

A brief discussion was given on Security Benefits Annuity Education.

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<tr>
<th>ACTION: 2-11/27/18</th>
<th>Request: To invite Hans Gerressen, Regional Vice President of Security Benefit to the next DC Committee Meeting to give a presentation.</th>
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<tr>
<td>Requested by:</td>
<td>Mr. Buividas</td>
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<tr>
<td>Assigned to:</td>
<td>Chrystal Angotti</td>
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10. Review and discussion in regards to the DC Plan Member Demographics update.

Mr. Jared A. Smout

The PSPRS Tier 3 Member Elections as of 9/17/2018 was presented. As of January 1, 2018 to current date, there have been 1255 members enrolled. Out of the 1255; 897 members have defaulted to the DB Plan, 301 members have elected the DB Plan and 59 members have elected the DC Plan.
11. **Call to the Public**

   *Mr. William T. Buividas*

   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 reply to the Call to the Public.

12. **Schedule future meeting date(s).**

   No future meetings were scheduled at this time.

13. **Adjournment.**

   The meeting was adjourned at 3:23 p.m.

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Mr. William T. Buividas, Chairman