The Annual Meeting of the Board of Trustees of the Public Safety Personnel Retirement System (the “PSPRS” or “System”) will be held in the main public conference room of the administrative offices of PSPRS, 3010 East Camelback Road, Suite 200, Phoenix, Arizona 85016, commencing at 9:00 a.m. and will continue until 5:00 p.m. or until the matters set forth in this agenda are otherwise addressed. Members of the Board of Trustees will attend either in person or by telephonic conference call. The Board of Trustees may vote to hold an executive session, which will not be open to the public, to discuss certain matters. The Board of Trustees reserves the right to consider agenda items out of their listed order.

This meeting is available to the public through “Go to Meeting” over the Internet or in person. Please see www.psprs.com for the computer link to the meeting. All persons wishing to attend are invited.

1. Call to Order; Roll Call; Opening remarks

   Mr. Brian P. Tobin
   Chairman

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.

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.


   d. Acceptance of Elected Officials’ Retirement Plan of termination of normal retirement benefit of Lillian S. Fisher.
e. Acceptance of Transfer Between State Retirement Systems of Manuel A. Madrigal.
f. Acceptance of Transfer Between State Retirement Systems of William Wickers, Jr.
g. Acceptance of Transfer Between State Retirement Systems of George McElroy.
h. Acceptance of Transfer Between State Retirement Systems of Lynnette Pickering.
i. Acceptance of Transfer Between State Retirement Systems of Erin Ballos.
j. Acceptance of Transfer Between State Retirement Systems of Anjanette Bolinger.
k. Acceptance of Transfer Between State Retirement Systems of Jacob Peterson.
l. Acceptance of Transfer Between State Retirement Systems of Richard Allen.
m. Acceptance of Transfer Between State Retirement Systems of Tadd Cline.
n. Acceptance of Transfer Between State Retirement Systems of Grant Kelly.
o. Acceptance of Transfer Between State Retirement Systems of J. Richard Gama.
p. Acceptance of Transfer Between State Retirement Systems of Donald Garcia.
q. Acceptance of Transfer Between State Retirement Systems of Jay Walter.
r. Acceptance of Transfer Between State Retirement Systems of James Ray.
s. Acceptance of Transfer Between State Retirement Systems of John Day.
t. Acceptance of Transfer Between State Retirement Systems of Douglas Santiago.
u. Acceptance of Transfer Between State Retirement Systems of John Gonzales.
v. Acceptance of Transfer Between State Retirement Systems of Christopher Miller.
w. Acceptance of Transfer Between State Retirement Systems of Allyssa Rojo.
x. Acceptance of Transfer Between State Retirement Systems of Hector Gonzalez.
y. Acceptance of Transfer Between State Retirement Systems of Ramon Mechtel.

z. Acceptance of Transfer Between State Retirement Systems of Tommy Jensen.

aa. Acceptance of Transfer Between State Retirement Systems of William Randall.

4. Appropriate Action regarding the Minutes of the August 25 and August 26, 2015 Meetings of the PSPRS Board of Trustees.

   Mr. Brian P. Tobin

5. Update and possible discussion on the Auditor General's Performance Audit and Sunset Review.

   Mr. Jared A. Smout
   Administrator
   Mr. Mark Steed
   Deputy CIO and Chief of Staff

6. Round Table Discussion on Macro Economic Developments.

   Mr. Mark Steed
   Deputy CIO and Chief of Staff
   Manish Chande
   Senior Partner, Clearbell Capital, LLP
   Dan Clifton
   Partner and Head of Policy Research, Strategas
   Tom Kempner, Jr.
   Executive Managing Member, Davidson Kempner Capital Management
   Alan Waxman
   Partner and Chief Investment Officer, TPG Special Situations

7. Report by the System’s Internal Audit and Compliance Officer and discussion regarding investment compliance, holdings and transactions as of July 31, 2015.

   Ms. Bridget Feeley
   Internal Audit and Compliance Officer

8. Written report and possible discussion of monthly review of Management Fees.

   Ms. Bridget Feeley
   Internal Audit and Compliance Officer

9. Presentation by Albourne Consultants and discussion by Investment Department Staff and Consultants regarding the annual Overview and Strategic Plan for the Real Assets Portfolio.

   Mr. Martin Anderson
   Deputy Chief Investment Officer
   Mr. Lincoln Smith
   Albourne Consultants

10. Disclosure by Investment Department Staff of the following manager selection matters:
a. Disclosure of a potential investment of up to $80 million in the Davidson Kempner Special Situations Fund III subject to final Staff and legal due diligence. Asset Class: Credit Opportunities.

b. Disclosure of a potential investment of up to $50 million direct and $20 Million co-investments with Orion Co-Investments II, LP in the Orion Mine Finance Fund 1-A Pretium Fund, subject to final Staff and legal due diligence. Asset Class: Real Assets.

c. Disclosure of a potential investment of up to $80 million in the LSV Special Opportunities Fund V subject to final Staff and legal due diligence. Asset Class: Absolute Return.

11. Disclosure of closed transactions for the period August 12, 2015 through September 17, 2015:

   Jennifer Eichholz, Esq.
   In-House Investment Counsel

   a. Actis Atlantic Co-investment of $10 million; Asset Class: Real Assets; Closed August 13, 2015;

   b. Davidson Kempner Special Situations Fund III, investment of $80 million; Asset Class: Credit Opportunities; Date closed: August 24, 2015;

   c. Myriad Opportunities Offshore Fund Limited investment of $50 million; Asset Class: Absolute Return; Date closed: September 1, 2015;

   d. Orion Mine Finance Fund 1-A Pretium Fund, investment of $50 million direct, $20 million co-investment; Asset Class: Real Assets; Closed September 17, 2015;

   e. BPE Asia Real Estate Fund Project Alliance Co-Investment of $12 million; Asset Class: Real Estate; Closed September 17, 2015.


13. 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, 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
14. Discussion with Staff and counsel and possible Action regarding the renewal of the System’s consulting contract with New England Pension Consultants ("NEPC") to enable NEPC to continue to serve as the System’s general investment consultant as well as the specialty consultant for credit opportunities.

                       Mr. Ryan Parham
                       Chief Investment Officer

15. Review, discussion and possible Action regarding law firms' billings for legal services performed in August, 2015.

                       Mr. Jared A. Smout


                       Ms. Bridget Feeley

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

                       Mr. Brian P. Tobin

18. Discussion and possible Action regarding the use of legal counsel and their scope of work.

                       Mr. Jared A. Smout
                       Ivy N. Voss, Esq.
                       Assistant Attorney General
                       Jennifer Eichholz, Esq.

19. Election of Officers of the PSPRS Board of Trustees.

                       Mr. Brian P. Tobin

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

                       Mr. Brian P. Tobin

21. 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, 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 22.

22. 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 21, including but not limited to, those involving Anton Orlich, Andrew Carriker, Ken Fields, Mark Selfridge, Paul Corens, 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 negotiations and other personnel matters, as authorized by A.R.S § 38-431.03(A)(1) and (4).

c. Discussion and consultation with legal counsel for the purpose of receiving legal advice regarding the use of legal counsel, as authorized by A.R.S. § 38-431.03(A)(3).

23. Schedule future meeting date(s). (Currently scheduled for Wednesday, October 21, 2015.)


A copy of the agenda background material that is provided to the Board of Trustees (with the exception of materials relating to possible executive sessions and/or materials exempt by law from public inspection) is available for public inspection at the PSPRS offices located at 3010 East Camelback Road, Suite, 200, Phoenix, Arizona. The agenda is subject to revision up to 24 hours prior to the meeting.

Persons with a disability may request a reasonable accommodation, such as a sign language interpreter, by contacting Michelle Pechan, Paralegal, at (602) 255-5575. Requests should be made as early as possible to arrange the accommodation.
PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM
BOARD OF TRUSTEES SPECIAL MEETING
August 25, 2015
MINUTES

Present: Mr. Brian Tobin, Chairman, Trustee
Mr. Gregory Ferguson, Vice Chairman, Trustee – Telephonic
Mr. Jeff McHenry, Trustee
Ms. Randie Stein, Trustee – Tardy - Excused
Mr. Richard Petrenka, Trustee
Mr. Lauren W. Kingry, Trustee
Mr. William Davis, Trustee – Absent - Excused

Others Present: Mr. Jared Smout, Deputy Administrator
Ivy Voss, Esq., Assistant Attorney General
Mr. Mark Steed, Lead Portfolio Manager
Ms. Bridget Feeley, Internal Audit & Compliance Officer
Mr. Don Mineer, Local Board Training Specialist
Ms. Rose Crutcher, Investments Paralegal

The Board of Trustees of Public Service Personnel Retirement System (“PSPRS”) held a special meeting on August 25, 2015 in the Board Room, PSPRS, 3010 E. Camelback Road, Suite 200, Phoenix, AZ. The following matters were discussed, considered and decided at the meeting:

1. Call to Order; Roll Call; Opening remarks.

Chairman Tobin called the meeting to order at 3:00 p.m. Public access to communications by Board Members participating in the meeting through telephonic conference were provided via speaker phone.

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.

Chairman Tobin announced a Call to the Public. No response was received.

3. The Committee 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)(2) regarding records exempt by law from public inspection, including the receipt and discussion of information or testimony that is required to be maintained as confidential by A.R.S. § 41-1279.05, specifically, the preliminary draft report of the performance audit and sunset review of the PSPRS, and consultation with the Board of Trustees’ Attorney regarding the same pursuant to A.R.S. § 38-431.03(A)(3).

Minutes of the Board of Trustees' Meetings, Committee Meetings, and Work Study Sessions are prepared in accordance with the provisions of Arizona Revised Statutes. These Minutes are intended to be an accurate reflection of action taken and direction given by the Board of Trustees and are not verbatim transcripts. Digital recordings of the meetings are available on file with the Administrator’s office.
a. Discussion regarding the preliminary report draft prepared by the Office of the Auditor General in connection with their performance audit and sunset review of the PSPRS, which report consists of records made confidential pursuant to A.R.S. § 41-1279.05, and authorized by A.R.S. § 38-431.03(A)(2).

b. Discussion and consultation with the Board of Trustees' Attorney regarding responsibilities of the Board of Trustees in implementing the recommendations of the Auditor General's draft report of the performance audit and sunset review of the PSPRS, as authorized by A.R.S. § 38-431.03(A)(3).

Mr. Brian P. Tobin

<table>
<thead>
<tr>
<th>MOTION: 1-8/25/15</th>
<th>At 3:05 p.m.</th>
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</thead>
<tbody>
<tr>
<td>Motion:</td>
<td>To recess Open Session and enter Executive Session pursuant to A.R.S. § 38-341.03(A)(2) regarding Agenda Item 3(a) and A.R.S. § 38-341.03(A)(3) regarding Agenda Item 3(b).</td>
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<tr>
<td>Moved by:</td>
<td>Mr. Petrenka</td>
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<td>Seconded by:</td>
<td>Mr. Kingry</td>
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<tr>
<td>Discussion:</td>
<td>None</td>
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<tr>
<td>In Favor:</td>
<td>Unanimous; Mr. Davis - Excused</td>
</tr>
<tr>
<td>Motion:</td>
<td>Passes</td>
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</tbody>
</table>

Ms. Stein arrived at 3:38 p.m. Public Session was resumed at 4:11 p.m. No action was taken.

5. Adjournment.

The meeting was adjourned at 4:11 p.m.

Brian P. Tobin, Chairman

Gregory Ferguson, Trustee, Vice Chairman

Randie A. Stein, Trustee

Jeff Allen McHenry, Trustee

Richard J. Petrenka, Trustee

Lauren W. Kingry, Trustee

William C. Davis, Trustee

Excused
The Board of Trustees of Public Service Personnel Retirement System ("PSPRS") held a meeting on August 26, 2015 in the board room, PSPRS, 3010 E. Camelback Road, Suite 200, Phoenix, AZ. The following matters were discussed, considered and decided at the meeting:

1. **Call to Order; Roll Call; Opening remarks.**

   **Mr. Brian P. Tobin**  
   **Chairman**

   Chairman Tobin called the meeting to order at 1:00 p.m. During the meeting, public access to communications by Board Members participating through telephonic conference was provided via speaker phone.

2. **Call to the Public.**

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1 Minutes of the Board of Trustees' Meetings, Committee Meetings, and Work Study Sessions are prepared in accordance with the provisions of Arizona Revised Statutes. These Minutes are intended to be an accurate reflection of action taken and direction given by the Board of Trustees and are not verbatim transcripts. Digital recordings of the meetings are available on file with the Administrator's office.

2 At 3:10 p.m., Ms. Stein departed, attending the remainder of the meeting via telephone conference.
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. Jim Baker of Unite Here, spoke recommending against investing in Walton Street Capital.

Mr. James Simkins, an employee of Rivers Casino, spoke recommending against investing in Walton Street Capital.

Ms. Stacie Steenson, an employee of Rivers Casino, spoke recommending against investing in Walton Street Capital.

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.

a. Acceptance of Elected Officials’ Retirement Plan of normal retirement benefit of Rebecca W. Berch.

b. Acceptance of Elected Officials’ Retirement Plan of normal retirement benefit of A. Craig Blakely II.


d. Acceptance of Elected Officials’ Retirement Plan of normal retirement benefit of Peter Cahill.

e. Acceptance of Elected Officials’ Retirement Plan of normal retirement benefit of Boyd Dunn.


g. Acceptance of Elected Officials’ Retirement Plan of normal retirement benefit of Marlin F. Gillespie.

h. Acceptance of Elected Officials’ Retirement Plan of survivor benefit of Joni Gillespie.

i. Acceptance of Elected Officials’ Retirement Plan of termination of survivor benefit of Stella Glenn.

j. Acceptance of Elected Officials’ Retirement Plan of normal retirement benefit of Bethany G. Hicks.


l. Acceptance of Elected Officials’ Retirement Plan of termination of normal retirement benefit of Lowell Huggins.

m. Acceptance of Elected Officials’ Retirement Plan of survivor benefit of Mary Ann Huggins.

n. Acceptance of Elected Officials’ Retirement Plan of termination normal retirement benefit of Michael Irwin.
o. Acceptance of Elected Officials’ Retirement Plan of survivor benefit of Phyllis Irwin.
q. Acceptance of Elected Officials’ Retirement Plan of normal retirement benefit of Julie P. Newell.
r. Acceptance of Elected Officials’ Retirement Plan of termination of normal retirement benefit of Freddie C. Ramos.
s. Acceptance of Elected Officials’ Retirement Plan of normal retirement benefit of Anne F. Segal.
t. Acceptance of Elected Officials’ Retirement Plan of termination of normal retirement benefit of Billy F. Walker.
u. Acceptance of Transfer Between State Retirement Systems of David Chrispen.
v. Acceptance of Transfer Between State Retirement Systems of James Kline.
w. Acceptance of Transfer Between State Retirement Systems of Timothy Maloney.
x. Acceptance of Transfer Between State Retirement Systems of Carlos Rodriguez.
y. Acceptance of Transfer Between State Retirement Systems of John Armstrong.
z. Acceptance of Transfer Between State Retirement Systems of Danny Harrison.
aa. Acceptance of Transfer Between State Retirement Systems of Louis Szilagi.
bb. Acceptance of Transfer Between State Retirement Systems of Lynn Howe.
c. Acceptance of Transfer Between State Retirement Systems of Jilber Altounian.
cc. Acceptance of Transfer Between State Retirement Systems of Craig Blakey.
dd. Acceptance of Transfer Between State Retirement Systems of Scott Mueller.
e. Acceptance of Transfer Between State Retirement Systems of Sean Hall.
ff. Acceptance of Transfer Between State Retirement Systems of Robert Lenz.
h. Acceptance of Transfer Between State Retirement Systems of Troy Navarro.
ii. Acceptance of Transfer Between State Retirement Systems of Steven Copp.
jj. Acceptance of Transfer Between State Retirement Systems of Michelle Lassila.
ll. Acceptance of Transfer Between State Retirement Systems of Raymond O’Neill.
mm. Acceptance of Transfer Between State Retirement Systems of Kenneth Leikem.
nn. Acceptance of Transfer Between State Retirement Systems of Deborah Machin.
oo. Acceptance of Transfer Between State Retirement Systems of Suzanne Gust.
pp. Acceptance of Transfer Between State Retirement Systems of Marc Goldberg.
qq. Acceptance of Transfer Between State Retirement Systems of Sean Hall.
rr. Acceptance of Transfer Between State Retirement Systems of Emery Hudson.
s. Acceptance of Transfer Between State Retirement Systems of Kippy Compton.
tt. Acceptance of Transfer Between State Retirement Systems of Kevin Nonaka.
uu. Acceptance of Transfer Between State Retirement Systems of Paul D. Matson.
vv. Acceptance of Transfer Between State Retirement Systems of Anthony Mennella.
ww. Acceptance of Transfer Between State Retirement Systems of Mary Walsh-Navarro.
xx. Acceptance of Transfer Between State Retirement Systems of Matthew Graner.
yy. Acceptance of Transfer Between State Retirement Systems of Jilber Altounian.
zz. Acceptance of Transfer Between State Retirement Systems of Scott Miller.
aaa. Acceptance of Transfer Between State Retirement Systems of Steve Martos.
bbb. Acceptance of Transfer Between State Retirement Systems of Michael Cornelius.
cccc. Acceptance of Transfer Between State Retirement Systems of John Meyer.
4. **Appropriate Action regarding the Minutes of the June 17, 2015 Meeting; and Minutes of the August 13, 2015 Special Meeting of the PSPRS Board of Trustees.**  

   *Mr. Brian P. Tobin*

   **MOTION:1-8/26/15**  
   At 1:10 p.m.  
   **Motion:** To approve the Consent Agenda in entirety as presented by Staff.  
   **Moved by:** Mr. Ferguson  
   **Seconded by:** Mr. Kingry  
   **Discussion:** None  
   **In Favor:** Unanimous  
   **Motion:** Passes

5. **Written report and possible discussion of monthly review of Management Fees.**  

   *Ms. Bridget Feeley*  
   *Internal Audit and Compliance Officer*

   This written report was presented during the Investment Committee meeting and there were no questions.

6. **Report by the System’s Internal Audit and Compliance Officer and discussion regarding investment compliance, holdings and transactions as of June 30, 2015.**  

   *Ms. Bridget Feeley*

   Nothing remarkable was noted regarding this report.

7. **Report by Investment Department Staff regarding Portfolio Risk as of Fiscal Year Q4 2015.**  

   *Mr. Mark Steed*  
   *Lead Portfolio Manager and Chief of Staff*  
   *Mr. Owen Zhao*  
   *Portfolio Analyst - Risk*
A formal introduction of Mr. Zhao to the Board was given prior to the discussion of current market conditions and volatility as of June 30, 2015. Three major changes in VAR in asset class risk occurred. International Equity risk was up 1.77%, Private Equity was up 1.58% and U.S. Equity was up and remains the highest contributor to VAR. Risk Parity and Fixed Income portfolios decreased in risk.

The PSPRS Trust portfolio is now in the top-quartile in return performance since July, 2014. Since 2009, the Trust has been in the top-decile in terms of risk and, in terms of efficiency, it has been in the top-quartile since 2010. Discussion was held regarding the influences on our global economy due to the financial environment in China. Our portfolios are positioned conservatively due to risk adverse strategies. Because of the risk-adverse strategy, it is expected that our volatility will increase less compared to other pension plans.

8. Presentation and discussion by NEPC representative(s) on the Fourth Fiscal Quarter (Second Calendar Quarter) investment performance and the 2015 Fiscal Year investment performance for the Arizona PSPRS Trust.

Return for the year was 4.2%, which did not meet the required assumed rate of return of 7.85%; however, due to the Trust’s low risk strategy performance, it was higher than the returns of most funds. Three-year and five-year return were above the 7.85 assumed rate of return. Over the last five years, PSPRS has earned $3.1 billion in investment returns. In a mature plan, payout is more than the retirement money paid, which has been $752 million over the last five years.

For the one-year period, three funds earned greater than a 4% return: San Bernardino – 4.6%; New Mexico RS – 4.03% and PSPRS – 4.21%. The challenges are how to get back up to 7.85% when markets, going forward, are not going to be as attractive as they have been in the last five years.

9. Presentation by Alborne Consultants and discussion by Investment Department Staff and Consultants regarding the annual Overview and Strategic Plan for the Absolute Return portfolio.

Mr. Smith outlined that the target weight for the Absolute Return portfolio is 5% of the Trust portfolio. The goal is to exceed the benchmark of T-bills +2% per year and the target is 7.85%, our assumed rate of return. We look for consistent returns over the market cycle. Discussion was held regarding the use of the absolute return hedge fund managers to generate return and preserve capital. Strategy of this sub-portfolio was discussed, including framework, areas of specialization, performance of the six managers, make-up of the manager firms and amount each manager represents of the total portfolio.

Mr. Smith discussed the sell strategy in regard to the Trust’s thesis playing out in relationship to the managers’ performances. What changes to look for include signs of investors or staff leaving the absolute return managers. If there are such changes, think...
carefully about redeeming that fund. The Absolute Return portfolio is meeting its objectives. The one year performance was 7.6%.

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

a. Disclosure of a potential investment of up to $50 million with Ridgewood Energy Oil & Gas Fund III, LP or its affiliates in the Ridgewood Energy Oil & Gas Fund, subject to final Staff and legal due diligence.

b. Disclosure of a potential investment of up to $101 million with Melody Telecom Land Fund GP, LLC, or its affiliates in the Melody Telecom Land Onshore Fund, subject to final Staff and legal due diligence.

c. Disclosure of a potential investment of up to €35,000,000 with Patron Capital GP V, LP, or its affiliates, in the Patron Capital Feeder V Fund, subject to final Staff and legal due diligence.

d. Disclosure of a potential investment of up to $100 million with Crestline CS 3000 Fund or its affiliates in the Crestline CS 3000 Fund, subject to final Staff and legal due diligence.

e. Disclosure of a potential investment of up to $80 million in the Myriad Opportunities Fund, subject to final Staff and legal due diligence.

Mr. Martin Anderson
Deputy Chief Investment Officer

There were no questions from the Board.

11. Disclosure of closed transactions for the period June 11, 2015 through August 12, 2015:

a. Ridgewood Energy Oil & Gas Fund III., LP; Date Closed: June 30, 2015;

b. Melody Telecom Land Onshore Fund; Dated Closed: June 30, 2015;

c. Sterling Group Partners IV., LP Fund; Date Closed: June 30, 2015;

d. Patron Capital Feeder V Fund; Date Closed: July 9, 2015;

e. Blackrock Mortgage Offshore Investors; Redemption complete July 15, 2015;

f. Crestline CS 3000 Fund; Date Closed: July 30, 2015.

Following review by the Investment Committee meeting, there were no comments.

12. Disclosure of terminated transactions for the period June 11, 2015 to August 12, 2015:

a. Potential transaction with a Systematic Trading Strategy was terminated due to removal of legal language which prevented PSPRS entering into the investment and as transaction became structurally unworkable for PSPRS.

Jennifer Eichholz, Esq.
In-House Investment Counsel

There were no questions regarding terminated transactions.
13. **Updated report by Investment Department Staff and discussion regarding (i) the Month-End and Fiscal Year-End performance for the PSPRS Trust as of June 30th, 2015; and (ii) updated written report regarding the asset allocation and performance of the Firefighters and Peace Officers Cancer Insurance Program for the same period.**

*Ms. Vaida Maleckaite  
Sr. Investment Operations Analyst*

The Trust's asset value at Fiscal Year-End is $8,337,393,236. This is $46 million greater than the previous quarter and $200 million greater than June, 2014. The fiscal year performance was 4.21%. The Trust outperformed the benchmark by 8 basis points for the second quarter of the calendar year. Private Equity, Credit Opportunity, and Absolute Return outperformed their benchmarks. Asset classes GTAA and Risk Parity underperformed. The Firefighters and Peace Officers Cancer Insurance Program underperformed for the Trust, since it is made up of 50/50 bond/equity split.

14. **Nationwide Retirement Solutions (NRS) Quarterly Administrative Review of the PSPRS Supplemental and Elected Officials Defined Contribution System (EODCRS) 401(a) Plans.**

*Mr. Jim Keeler, Program Director  
Nationwide*

Mr. Keeler reported the PSPRS Supplemental 401(a) total assets are $12,335,000. The EODCRS 401(a) plan has assets of $158,428. At the end of June, the federal “Defending the Public Safety and Employers Retirement Act” was enacted. Currently a public safety employee who retires at the age of 55 can begin a monthly withdrawal from the qualified pension plan (no longer subject to the 59 ½ provision for a 10% early withdrawal penalty). The Federal government was trying to rectify items regarding Federal firefighters and extended such changes to all. Defending the Public Safety Retirement Act lowers such age to 50, effective January, 2016.

Presentation by Mr. Gregory Ferguson, Chairman of the Operations, Governance Policy and Audit Committee, regarding agenda items 15. through 21., which were discussed at the Operations, Governance Policy and Audit Committee meeting held today, August 26, 2015, on or after 11:00 a.m., and possible Action on the Committee’s recommendations to the Board regarding same.

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

*Mr. John Hendricks  
Manager of Finance and Accounting*

PSPRS ended the fiscal year 1.18% under budget due to a couple of vacant personnel positions for the majority of the year. Adding in litigation, PSPRS would be 1.7% over budget and adding in both litigation and investment due diligence, we would be 6.7 % over budget.
16. **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**

   In addition to the written report, an upcoming training session via webinar or in person scheduled for September 16, 2015 has almost 100 people signed up to participate.

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

   *Mr. Jared A. Smout*
   
   **Deputy Administrator**

   There was one remaining request for which the disability application has subsequently been withdrawn by the member.

18. **Review and discussion regarding law firms’ billings for legal services performed in June and July, 2015.**

   *Mr. Jared A. Smout*

   The Operations, Governance Policy and Investment Committee approved payments of June legal bills of $157,031.78 and July legal bills of $83,168.21.

19. **Report and possible Action on the FY 2015 and FY 2016 Compliance and Internal Audit Plan.**

   *Ms. Bridget Feeley*

   Ms. Feeley reported that the Implementation Log has been updated. The open items on the list include one item due on the accounts payable review and there is one item to review regarding building security. Review of the IRS compliance letters has been completed and PSPRS has acted to rectify issues that were raised and has implemented all promised actions. Risk assessment for 2016 has been finished, review of the Auditor General’s report is complete and we have met with the Auditor General’s staff. Recommendations by the Auditor General are being implemented into the 2016 plan.

20. **Discussion and possible Action regarding the various interest and other rates utilized by the PSPRS, CORP and EORP in a variety of situations and establishing a policy to periodically review and revise as necessary.**

   *Mr. Jared A. Smout*

   Mr. Smout has compiled a chart showing various interest and other rates that have been set either by PSPRS or by statute.

21. **Discussion and possible Action regarding future proposed legislation.**

   *Mr. Jared A. Smout*

   Mr. Doug Cole of Public Policy Partners presented an update regarding future proposed legislation. He updated the Board on the status of meetings attended with Mr. Smout, Ms. McAllister and members of the Arizona legislature. The goal is to meet with all 90 members. He indicated that the Trust has begun conversations with members of the
Committee of Reference which will hear our Sunset Review in October and are discussing the Sunset Review process. Mr. Smout has attended every meeting regarding pension reform. These meetings are high level and have been going well.

Last week, at the annual meeting of League of Cities and Towns, Mr. McCarty presented a well-attended breakout session with information about PSPRS. The Reason Foundation (a national organization focused on assisting legislators and systems with pension reform across the country) is assisting Senator Lesko and was brought into the pension reform discussion. Their representative spoke about what they have done across the country regarding pension reform.

Mr. Smout spoke about possible legislation regarding Fire District Local Board issues and the Fire Chief issue. Mr. Cole explained Maricopa County’s desire to pay down their pension liability as related to the expenditure limitation and the need to clarify the state statute regarding the same. We are looking into solving the unfunded liability problem, drafting a Pension Reform bill including what needs to be accomplished by statute change and what must be sent to the voters for constitutional change.

22. **Discussion and possible Action regarding the use of legal counsel and their scope of work.**

   Mr. Jared A. Smout
   Ivy N. Voss, Esq.
   Assistant Attorney General
   Jennifer Eichholz, Esq.

   The Board has reviewed a second revision of a flow chart regarding use of legal counsel and their scope of work. This agenda item was discussed and the Board tabled it to be completed at a subsequent meeting.

23. **Discussion and possible Action regarding the interpretation of total return as used in ARS § 38-856.**

   Mr. Jared A. Smout

   This item was tabled.

24. **Discussion and possible Action regarding selection of a PSPRS Administrator and potential selection of a job search firm to conduct a national search for a PSPRS Administrator.**

   Mr. Brian P. Tobin

   Refer to the agenda item #25 below.

25. **Update, discussion and possible Action on the System Administrator position and other personnel matters.**

   Mr. Brian P. Tobin
26. Discussion and appropriate Action regarding Board of Trustee member requests to participate in training, educational and due diligence opportunities.  

Mr. Brian P. Tobin

There were no requests.

27. 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 28.

28. 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 24, including but not limited to, those involving Anton Orlich, Andrew Carriker, 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. Discussion and consultation with legal counsel for the purpose of receiving legal advice regarding the use of legal counsel, as authorized by A.R.S. § 38-431.03(A)(3).

c. Discussion with legal counsel regarding the interpretation of total return as used in ARS § 38-856, as authorized by A.R.S. § 38-431.03(A) (3).
d. Update and discussion on the System Administrator position and other personnel matters, as authorized by A.R.S § 38-431.03(A)(1).

e. Discussion regarding selection of a PSPRS Administrator and potential selection of a job search firm to conduct a national search for a PSPRS Administrator, as authorized by A.R.S. § 38-431.03(A)(1), (3) and(4).

<table>
<thead>
<tr>
<th>MOTION:3-8/26/15</th>
<th>At 1:49 p.m.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motion:</td>
<td>To recess Open Session and enter Executive Session.</td>
</tr>
<tr>
<td>Moved by:</td>
<td>Mr. McHenry</td>
</tr>
<tr>
<td>Seconded by:</td>
<td>Mr. Kingry</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>

Open Session resumed at 2:50 p.m.

29. Schedule future meeting date(s). (Currently scheduled for Wednesday, September 30, 2015.)

The next meeting is scheduled for Wednesday, September 30, 2015.

30. Adjournment.

The meeting was adjourned at 5:00 p.m.
The attachments for the Auditor General Reports and Responses are protected and could not be directly uploaded into AgendaQuick. Scanning them for upload made the files too large for efficient retrieval.

Therefore, please click the links below to access the necessary documents directly from the Auditor General’s website:

**Auditor General Performance Audit – Report Highlights**

**Auditor General Performance Audit – Report**

**Auditor General Performance Audit – Response**

**Auditor General Performance Audit – Independent Operational Review of Investments – Report**

**Auditor General Performance Audit – Independent Operational Review of Investments – Response**
Public Safety Personnel Retirement Systems

Compliance Report as of July 31, 2015

Portfolio Compliance:

We reviewed the PSPRS portfolio as of July 31, 2015 for compliance with the Amended and Restated Statement of Investment Policies (Investment Policies) as adopted by the Board of Trustees. The portfolio is in compliance with the Investment Policies.

_____________________________
Bridget Feeley, Internal Audit and Compliance Officer

Bridget Feeley, Internal Audit and Compliance Officer
<table>
<thead>
<tr>
<th>Description</th>
<th>Asset Allocation</th>
<th>Description</th>
<th>Market Values ($)</th>
<th>%</th>
<th>7/1/2014</th>
<th>Performance %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arizona PSPRS Trust - Total Fund</td>
<td>$8,337,393,236</td>
<td>100.00%</td>
<td>-0.77%</td>
<td>0.62%</td>
<td>3.68%</td>
<td>3.28%</td>
</tr>
<tr>
<td>Target Fund Benchmark</td>
<td>-0.80%</td>
<td>0.69%</td>
<td>2.70%</td>
<td>2.25%</td>
<td>2.70%</td>
<td>8.77%</td>
</tr>
<tr>
<td>Total Equity</td>
<td>$2,494,075,876</td>
<td>29.91%</td>
<td>30%</td>
<td>21-39%</td>
<td>-1.91%</td>
<td>0.33%</td>
</tr>
<tr>
<td>Target Equity Benchmark</td>
<td>-2.19%</td>
<td>0.36%</td>
<td>1.36%</td>
<td>2.96%</td>
<td>1.36%</td>
<td>13.96%</td>
</tr>
<tr>
<td>U.S. Equity</td>
<td>$1,301,747,313</td>
<td>15.61%</td>
<td>16%</td>
<td>11-21%</td>
<td>-1.37%</td>
<td>-0.13%</td>
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<tr>
<td>Russell 3000</td>
<td>-1.67%</td>
<td>0.14%</td>
<td>7.29%</td>
<td>1.94%</td>
<td>1.94%</td>
<td>17.73%</td>
</tr>
<tr>
<td>Non-U.S. Equity</td>
<td>$1,192,328,563</td>
<td>14.30%</td>
<td>14%</td>
<td>10-18%</td>
<td>-2.49%</td>
<td>0.84%</td>
</tr>
<tr>
<td>MSCI ACWI Ex-US Net</td>
<td>-2.79%</td>
<td>0.53%</td>
<td>-5.26%</td>
<td>4.03%</td>
<td>-5.26%</td>
<td>9.52%</td>
</tr>
<tr>
<td>Private Equity</td>
<td>$1,197,644,896</td>
<td>14.36%</td>
<td>11%</td>
<td>7-15%</td>
<td>3.13%</td>
<td>6.80%</td>
</tr>
<tr>
<td>Russell 3000 + 100 bps</td>
<td>-1.59%</td>
<td>0.47%</td>
<td>8.29%</td>
<td>2.44%</td>
<td>8.29%</td>
<td>18.74%</td>
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<tr>
<td>Fixed Income</td>
<td>$633,708,501</td>
<td>7.60%</td>
<td>7%</td>
<td>3-11%</td>
<td>-0.47%</td>
<td>-0.50%</td>
</tr>
<tr>
<td>BC Global Aggregate</td>
<td>-0.44%</td>
<td>-1.18%</td>
<td>-7.09%</td>
<td>-3.08%</td>
<td>-7.09%</td>
<td>-0.81%</td>
</tr>
<tr>
<td>Credit Opportunities</td>
<td>$732,403,103</td>
<td>8.78%</td>
<td>13%</td>
<td>7-16%</td>
<td>0.31%</td>
<td>1.50%</td>
</tr>
<tr>
<td>50% BofA ML US High Yield BB-B Constrained, 50% CSFB Fixed Income Arbitrage</td>
<td>-0.82%</td>
<td>0.46%</td>
<td>1.23%</td>
<td>1.73%</td>
<td>1.23%</td>
<td>5.89%</td>
</tr>
<tr>
<td>Absolute Return</td>
<td>$339,244,209</td>
<td>4.07%</td>
<td>4%</td>
<td>0-8%</td>
<td>1.06%</td>
<td>1.86%</td>
</tr>
<tr>
<td>BofA ML 3-Month T-Bill + 200 bps</td>
<td>0.17%</td>
<td>0.51%</td>
<td>2.02%</td>
<td>1.02%</td>
<td>2.02%</td>
<td>2.06%</td>
</tr>
<tr>
<td>GTAA</td>
<td>$811,612,857</td>
<td>9.73%</td>
<td>10%</td>
<td>6-14%</td>
<td>-2.83%</td>
<td>-2.65%</td>
</tr>
<tr>
<td>3-Month LIBOR + 300 bps</td>
<td>0.27%</td>
<td>0.82%</td>
<td>3.25%</td>
<td>1.64%</td>
<td>3.25%</td>
<td>3.27%</td>
</tr>
<tr>
<td>Real Assets</td>
<td>$666,171,993</td>
<td>7.99%</td>
<td>8%</td>
<td>5-11%</td>
<td>-0.88%</td>
<td>-1.00%</td>
</tr>
<tr>
<td>CPI + 200 bps</td>
<td>0.66%</td>
<td>1.30%</td>
<td>2.18%</td>
<td>1.78%</td>
<td>2.18%</td>
<td>3.34%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>$827,525,228</td>
<td>9.93%</td>
<td>11%</td>
<td>6-16%</td>
<td>-2.27%</td>
<td>-1.29%</td>
</tr>
<tr>
<td>NCREIF NPI *</td>
<td>1.04%</td>
<td>3.14%</td>
<td>12.98%</td>
<td>6.83%</td>
<td>12.98%</td>
<td>11.63%</td>
</tr>
<tr>
<td>Risk Parity</td>
<td>$313,828,529</td>
<td>3.76%</td>
<td>4%</td>
<td>0-8%</td>
<td>-2.25%</td>
<td>-2.79%</td>
</tr>
<tr>
<td>60% BC Global Aggregate, 30% MSCI AC World Net, 10% Bloomberg Commodity Index TR</td>
<td>-0.80%</td>
<td>-0.13%</td>
<td>-6.55%</td>
<td>-1.16%</td>
<td>-6.55%</td>
<td>2.41%</td>
</tr>
<tr>
<td>Short Term Investments</td>
<td>$321,178,044</td>
<td>3.85%</td>
<td>2%</td>
<td>0-6%</td>
<td>0.00%</td>
<td>0.06%</td>
</tr>
<tr>
<td>BofA ML 3-Month T-Bill</td>
<td>0.00%</td>
<td>0.01%</td>
<td>0.02%</td>
<td>0.01%</td>
<td>0.02%</td>
<td>0.06%</td>
</tr>
</tbody>
</table>

Please see Page 2 for additional notes regarding the benchmarks and effective dates.
Target Fund Benchmarks (Effective Dates)

July 1, 2014 to Present: 16% Russell 3000, 14% MSCI World Ex-US Net, 11% Russell 3000 + 100 bps, 7% BC Global Aggregate, 13% Credit Opportunities Benchmark, 4% BofA ML 3-Month T-Bill + 200 bps, 10% 3-Month LIBOR + 300 bps, 8% CPI + 200 bps, 11% NCREIF NPI, 4% Risk Parity Benchmark and 2% BofA ML 3-Month T-Bill

July 1, 2013-June 30, 2014: 17% Russell 3000, 14% MSCI ACWI Ex-US Net, 10% Russell 3000 + 100 bps, 8% BC Global Aggregate, 12% Credit Opportunities Benchmark, 4% BofA ML 3-Month T-Bill + 200 bps, 10% 3-Month LIBOR + 300 bps, 8% CPI + 200 bps, 11% NCREIF NPI, 4% Risk Parity Benchmark and 2% BofA ML 3-Month T-Bill

July 1, 2012 - June 30, 2013: 18% Russell 3000, 14% MSCI World Ex-US Net, 9% Russell 3000 + 100 bps, 12% BC Global Aggregate, 12% Credit Opportunities Benchmark, 4% BofA ML 3-Month T-Bill + 200 bps, 8% 3-Month LIBOR + 300 bps, 7% CPI + 200 bps, 10% NCREIF NPI, 4% Risk Parity Benchmark and 2% BofA ML 3-Month T-Bill

July 1, 2010 - June 30, 2012: 20% Russell 3000, 15% MSCI World Ex-US Net, 8% 3-Month LIBOR + 300 bps, 20% BC US Aggregate, 4% BofA ML 3-Month T-Bill + 200 bps, 9% BofA ML US High Yield BB-B Constrained, 8% Russell 3000 + 100 bps, 6% CPI + 200 bps, 8% NCREIF NPI and 2% BofA ML 3-Month T-Bill

April 1, 2009 - June 30, 2010: 30% Russell 3000, 20% MSCI World Ex-US Net, 20% BC US Aggregate, 8% NCREIF NPI, 8% Russell 3000 + 100 bps, 8% BofA ML US High Yield BB-B Constrained, 5% CPI + 200 bps and 1% BofA ML 3-Month T-Bill

July 1, 2007 - March 31, 2009: 46% Wilshire 5000, 21% MSCI World Ex-US Net, 20% BC Gov/Cred, 6% NCREIF NPI, 6% Wilshire 5000 +300 bps and 1% BofA ML 3-Month T-Bill

July 1, 2006 - June 30, 2007: 30% Russell 3000, 20% MSCI World Ex-US Net, 20% BC US Aggregate, 8% NCREIF NPI, 6% Wilshire 5000 +300 bps and 1% BofA ML 3-Month T-Bill

July 1, 2002 - June 30, 2006: 45% S&P 500, 45% BC Gov/Cred and 10% BofA 3-Month T-Bill

* The NCREIF NPI index return is published on a quarterly basis approximately six weeks after the end of the quarter and will be updated as soon as it is available. The monthly returns shown above are based on geometric smoothing of the quarterly data.

Target Equity Benchmarks (Effective Dates)

July 1, 2014 to Present: 53.33% Russell 3000 and 46.67% MSCI World Ex-US Net

July 1, 2013 to June 30, 2014: 54.84% Russell 3000 and 45.16% MSCI ACWI Ex-US Net

July 1, 2012 - June 30, 2013: 56.25% Russell 3000 and 43.75% MSCI World Ex-US Net

July 1, 2010 - June 30, 2012: 57.14% Russell 3000 and 42.86% MSCI World Ex-US Net

April 1, 2009 - June 30, 2010: 60% Russell 3000 and 40% MSCI World Ex-US Net

July 1, 2007 - March 31, 2009: 67.69% Wilshire 5000 and 32.31% MSCI World Ex-US Net

July 1, 2006 - June 30, 2007: 76.92% S&P 500, 15.39% S&P 400 and 7.69% S&P 600

July 1, 2002 - June 30, 2006: 100% S&P 500
### Arizona PSPRS Trust - Performance as of 7/31/2015 (Gross of Fees)

<table>
<thead>
<tr>
<th>Description</th>
<th>Asset Allocation</th>
<th>7/1/2015</th>
<th>Performance %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Market Values ($)</strong></td>
<td><strong>Range (%)</strong></td>
<td><strong>Target (%)</strong></td>
<td><strong>Month Ending</strong></td>
</tr>
<tr>
<td>Arizona PSPRS Trust - Total Fund</td>
<td>$8,422,326,335</td>
<td>100.00%</td>
<td>0.13%</td>
</tr>
<tr>
<td>Target Fund Benchmark</td>
<td>0.58%</td>
<td>0.60%</td>
<td>0.58%</td>
</tr>
<tr>
<td>Total Equity</td>
<td>$2,550,416,089</td>
<td>30.28%</td>
<td>30%</td>
</tr>
<tr>
<td>Target Equity Benchmark</td>
<td>0.58%</td>
<td>0.00%</td>
<td>0.58%</td>
</tr>
<tr>
<td>U.S. Equity</td>
<td>$1,359,964,801</td>
<td>16.15%</td>
<td>16%</td>
</tr>
<tr>
<td>Target Equity Benchmark</td>
<td>1.67%</td>
<td>1.35%</td>
<td>1.67%</td>
</tr>
<tr>
<td>Non-U.S. Equity</td>
<td>$1,190,451,288</td>
<td>14.13%</td>
<td>14%</td>
</tr>
<tr>
<td>Target Equity Benchmark</td>
<td>0.76%</td>
<td>-1.44%</td>
<td>0.76%</td>
</tr>
<tr>
<td>U.S. Equity</td>
<td>$1,359,964,801</td>
<td>16.15%</td>
<td>16%</td>
</tr>
<tr>
<td>Russell 3000</td>
<td>1.67%</td>
<td>1.35%</td>
<td>1.67%</td>
</tr>
<tr>
<td>Russell 3000 + 100 bps</td>
<td>$1,220,141,417</td>
<td>14.49%</td>
<td>11%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>$637,872,866</td>
<td>7.57%</td>
<td>7%</td>
</tr>
<tr>
<td>BC Global Aggregate</td>
<td>0.22%</td>
<td>-2.00%</td>
<td>0.22%</td>
</tr>
<tr>
<td>Credit Opportunities</td>
<td>$769,526,803</td>
<td>9.14%</td>
<td>13%</td>
</tr>
<tr>
<td>50% BofA ML US High Yield BB-B Constrained, 50% CSFB Fixed Income Arbitrage</td>
<td>-0.01%</td>
<td>-0.41%</td>
<td>-0.01%</td>
</tr>
<tr>
<td>Absolute Return</td>
<td>$332,039,633</td>
<td>3.94%</td>
<td>5%</td>
</tr>
<tr>
<td>BofA ML 3-Month T-Bill + 200 bps</td>
<td>0.16%</td>
<td>0.50%</td>
<td>0.16%</td>
</tr>
<tr>
<td>GTAA</td>
<td>$822,256,324</td>
<td>9.76%</td>
<td>10%</td>
</tr>
<tr>
<td>3-Month LIBOR + 300 bps</td>
<td>0.27%</td>
<td>0.81%</td>
<td>0.27%</td>
</tr>
<tr>
<td>Real Assets</td>
<td>$662,056,771</td>
<td>7.86%</td>
<td>8%</td>
</tr>
<tr>
<td>CPI + 200 bps</td>
<td>0.37%</td>
<td>1.51%</td>
<td>0.37%</td>
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<tr>
<td>Real Estate</td>
<td>$820,016,250</td>
<td>9.74%</td>
<td>10%</td>
</tr>
<tr>
<td>NCREIF NPI</td>
<td>1.04%</td>
<td>1.41%</td>
<td>1.04%</td>
</tr>
<tr>
<td>Risk Parity</td>
<td>$312,894,067</td>
<td>3.72%</td>
<td>4%</td>
</tr>
<tr>
<td>60% BC Global Aggregate, 30% MSCI AC World Net, 10% Bloomberg Commodity Index TR</td>
<td>-0.67%</td>
<td>-2.82%</td>
<td>-0.67%</td>
</tr>
<tr>
<td>Short Term Investments</td>
<td>$295,106,115</td>
<td>3.50%</td>
<td>2%</td>
</tr>
<tr>
<td>BofA ML 3-Month T-Bill</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

Please see Page 2 for additional notes regarding the benchmarks and effective dates.
Target Fund Benchmarks (Effective Dates)

July 1, 2015 to Present: 16% Russell 3000, 14% MSCI World Ex-US Net, 11% Russell 3000 + 100 bps, 7% BC Global Aggregate, 13% Credit Opportunities Benchmark, 5% BofA ML 3-Month T-Bill + 200 bps, 10% 3-Month LIBOR + 300 bps, 8% CPI + 200 bps, 10% NCREIF NPI, 4% Risk Parity Benchmark and 2% BofA ML 3-Month T-Bill

July 1, 2014 to Present: 16% Russell 3000, 14% MSCI World Ex-US Net, 11% Russell 3000 + 100 bps, 7% BC Global Aggregate, 13% Credit Opportunities Benchmark, 4% BofA ML 3-Month T-Bill + 200 bps, 10% 3-Month LIBOR + 300 bps, 8% CPI + 200 bps, 11% NCREIF NPI, 4% Risk Parity Benchmark and 2% BofA ML 3-Month T-Bill

July 1, 2013-June 30, 2014: 17% Russell 3000, 14% MSCI ACWI Ex-US Net, 10% Russell 3000 + 100 bps, 8% BC Global Aggregate, 12% Credit Opportunities Benchmark, 4% BofA ML 3-Month T-Bill + 200 bps, 10% 3-Month LIBOR + 300 bps, 8% CPI + 200 bps, 11% NCREIF NPI, 4% Risk Parity Benchmark and 2% BofA ML 3-Month T-Bill

July 1, 2012 - June 30, 2013: 18% Russell 3000, 14% MSCI World Ex-US Net, 11% Russell 3000 + 100 bps, 7% BC Global Aggregate, 13% Credit Opportunities Benchmark, 5% BofA ML 3-Month T-Bill + 200 bps, 10% 3-Month LIBOR + 300 bps, 8% CPI + 200 bps, 10% NCREIF NPI, 4% Risk Parity Benchmark and 2% BofA ML 3-Month T-Bill

July 1, 2010 - June 30, 2012: 20% Russell 3000, 15% MSCI World Ex-US Net, 8% 3-Month LIBOR + 300 bps, 20% BC US Aggregate, 4% BofA ML 3-Month T-Bill + 200 bps, 9% BofA ML US High Yield BB-B Constrained, 8% Russell 3000 + 100 bps, 6% CPI + 200 bps, 8% NCREIF NPI and 2% BofA ML 3-Month T-Bill

April 1, 2009 - June 30, 2010: 30% Russell 3000, 20% MSCI World Ex-US Net, 20% BC US Aggregate, 8% NCREIF NPI, 8% Russell 3000 + 100 bps, 8% BofA ML US High Yield BB-B Constrained, 5% CPI + 200 bps and 1% BofA ML 3-Month T-Bill

July 1, 2007 - March 31, 2009: 46% Wilshire 5000, 21% MSCI World Ex-US Net, 20% BC Gov/Cred, 6% NCREIF NPI, 6% Wilshire 5000 +300 bps and 1% BofA ML 3-Month T-Bill

July 1, 2006 - June 30, 2007: 76.92% S&P 500, 15.39% S&P 400 and 7.69% S&P 600

July 1, 2002 - June 30, 2006: 100% S&P 500

* The NCREIF NPI index return is published on a quarterly basis approximately six weeks after the end of the quarter and will be updated as soon as it is available. The monthly returns shown above are based on geometric smoothing of the quarterly data.

Target Equity Benchmarks (Effective Dates)

July 1, 2014 to Present: 53.33% Russell 3000 and 46.67% MSCI World Ex-US Net

July 1, 2013 to June 30, 2014: 54.84% Russell 3000 and 45.16% MSCI ACWI Ex-US Net

July 1, 2012 - June 30, 2013: 56.25% Russell 3000 and 43.75% MSCI World Ex-US Net

July 1, 2010 - June 30, 2012: 57.14% Russell 3000 and 42.86% MSCI World Ex-US Net

April 1, 2009 - June 30, 2010: 60% Russell 3000 and 40% MSCI World Ex-US Net

July 1, 2007 - March 31, 2009: 67.69% Wilshire 5000 and 32.31% MSCI World Ex-US Net

July 1, 2006 - June 30, 2007: 76.92% S&P 500, 15.39% S&P 400 and 7.69% S&P 600

July 1, 2002 - June 30, 2006: 100% S&P 500
## Supplemental Cancer Insurance Plan (CIP) - Performance as of 7/31/2015 (Net of Fees)

<table>
<thead>
<tr>
<th>Description</th>
<th>Asset Allocation</th>
<th>Performance %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Market Values ($)</td>
<td>Target (%)</td>
</tr>
<tr>
<td>CIP - Total Fund</td>
<td>$23,160,212</td>
<td>100.00%</td>
</tr>
<tr>
<td>Target Fund Benchmark</td>
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<tr>
<td>U.S. Equity</td>
<td>$5,691,788</td>
<td>24.58%</td>
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<tr>
<td>Russell 3000</td>
<td></td>
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<tr>
<td>Non-U.S. Equity</td>
<td>$5,615,114</td>
<td>24.24%</td>
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<tr>
<td>MSCI ACWI Ex-US Net</td>
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<tr>
<td>Fixed Income</td>
<td>$6,776,675</td>
<td>29.26%</td>
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<tr>
<td>Barclays Global Aggregate Index</td>
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<tr>
<td>Inflation-Linked Securities</td>
<td>$2,221,909</td>
<td>9.59%</td>
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<tr>
<td>Barclays U.S. TIPS Index</td>
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<tr>
<td>Commodities</td>
<td>$1,073,442</td>
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<tr>
<td>SPDR * Gold Trust Index (GLD)</td>
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<tr>
<td>Short Term Investments</td>
<td>$1,781,285</td>
<td>7.69%</td>
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<tr>
<td>BofA ML 3-Month T-Bill</td>
<td></td>
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</tr>
</tbody>
</table>

**Target Fund Benchmarks (Effective Dates):**

July 1, 2014 to Present: 25% Russell 3000, 25% MSCI ACWI Ex-US Net, 30% BC Global Aggregate, 10% Barclays U.S. TIPS, 5% GLD Index, 5% BofA ML 3-Month T-Bill.

July 1, 2009 - June 30, 2014: 30% Russell 3000, 30% MSCI ACWI Ex-US Net, 35% BC Aggregate, 5% BofA ML 3-Month T-bill.

July 1, 2005 - June 30, 2009: 60% Russell 3000, 35% BC Aggregate, 5% BofA ML 3-Month T-Bill.
## SUMMARY BY VENDOR and TYPE

<table>
<thead>
<tr>
<th>VENDOR</th>
<th>AMOUNT DUE (March 2015)</th>
<th>FYTD 2015 (Fees &amp; Costs)</th>
<th>Deals in Process</th>
<th>Committed Capital</th>
<th>Legal fees as % of Investment</th>
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<tr>
<td><strong>KUTAK ROCK</strong></td>
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<tr>
<td>Litigation</td>
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<tr>
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<td>Investment</td>
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<td>24,524.00</td>
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<tr>
<td>Investment</td>
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<td><strong>ROPES &amp; GRAY TOTAL</strong></td>
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<td><strong>JACKSON WALKER</strong></td>
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<td>Charles W. Whetstone</td>
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<td>Lewis Roca Rethgerber</td>
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<td>Special Counsel</td>
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<tr>
<th></th>
<th>Administration</th>
<th>Litigation</th>
<th>Total</th>
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<tbody>
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<td></td>
<td>4,820.00</td>
<td>26,865.19</td>
<td>32,685.19</td>
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<td></td>
<td>58,289.80</td>
<td>150,862.44</td>
<td>209,152.24</td>
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GRAND TOTAL

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<tr>
<th></th>
<th>Administration</th>
<th>Litigation</th>
<th>Investment</th>
<th>Total</th>
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<tbody>
<tr>
<td></td>
<td>89,974.99</td>
<td>219,429.52</td>
<td>354,700,000</td>
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</table>

Internal deals in progress

*Credit for Olineck Visa fees.
Public Safety Personnel Retirement System

Review of the IRS Voluntary Compliance Program

September 18, 2015

Review FY15.08
Voluntary Correction Program (VCP) – General Description

In September, 2011 PSPRS received Voluntary Compliance Statements from the IRS based on Voluntary Compliance Program filings earlier that year by PSPRS. The IRS describes their Voluntary Compliance Statements as constituting “an enforcement resolution solely with respect to certain failures of an employee retirement plan that is intended to satisfy the requirements of the Internal Revenue Code.”

The IRS website describes the Program as follows:

“If the retirement plan that you sponsor is not currently being audited by the IRS, you can apply under the Voluntary Correction Program (VCP) for IRS approval of the correction methods you propose to use to correct errors in the plan document or its operations that, if not corrected, could result in the plan losing its tax-favored status. You must mail the IRS a written submission and pay a compliance fee to use the VCP.

Correction through the VCP preserves the plan’s tax-favored status. Retirement plans that are not tax-favored or “qualified” have significant costs that directly affect the plan and its participants.

A tax-favored retirement plan or other qualified plan will generally lose its tax-favored status if “failures” occur, meaning that the plan sponsor does not take certain actions, which include the following:

- Maintaining a valid, up-to-date plan document,
- Following the terms of the plan document while operating the plan, and
- Following the requirements of federal tax laws while operating the plan.”

The PSPRS VCP submissions were accepted by the IRS, September 7, 2011. The IRS correspondence also contained the following statement: “At a later date, you may be required to verify that the correction of the failures and any modification of administrative procedures (upon which your enforcement resolution is conditioned) have been made timely.” The purpose of this review was to determine the status of corrective actions taken by PSPRS.

Procedures

The reviewer obtained and read VCP submissions for PSPRS, Corp and EORP which include the Methods of Correction and Revisions to Administrative Procedures proposed and put into practice by PSPRS.

Interviewed:

- Ivy Voss, Attorney, Office of the Arizona Attorney General
- Bonnie Brown, PSPRS Member Services-Retired Members Department Manager
- LaDawn Toger, PSPRS Member Services-Active Members Department Manager
The PSPRS Web site was reviewed for information related to compliance with the methods of correction and revisions to administrative procedures. Items reviewed included:

**PSPRS Summary of Benefits 11/2014**

**CORP Summary of Benefits 11/2014**

**EORP Summary of Benefits 11/2014**

Retirement Manuals-employees hired prior to 1/1/12

Training Materials and Power Point Presentations:
- 2013(02-13) PSPRS Member Benefits Overview
- CORP(02-12) Active Members-Forms, Benefits, Services

Other Items reviewed:

EPIC System - contribution and benefit reporting

IRS website

IRS correspondence

Arizona Revised Statutes (Chapter 38)

38.858 Credit for military service

38-853.01(C); 38-922(F)-Rollover Contributions

38-842(6), (37); 38-846.01-Deferred Annuity

38-842(43) - Benefit Accruals; no age limitation

38-847 – Local Boards

38-801(7) –EORP Transferred Service

HB 2110–effective 9/30/2009 contains various technical changes to EORP, CORP, and PSPRS to conform the plans to federal law.

**Results**

The results of the procedures previously described were that no items of non-compliance were noted in the review of the Methods of Correction and Revisions to Administrative Procedures described in the VCP submission accepted by the IRS and put into operation by PSPRS.

**Conclusion**

The Methods of Correction and Revisions to Administrative Procedures put into place by PSPRS in regard to the Voluntary Compliance Program resolution are currently operating and were implemented on a timely basis.
### Compliance and Internal Audit

**August 2015**

**Bridget Feeley**
Internal Audit and Compliance Officer

**David Pliskin**
Internal Auditor

#### August

<table>
<thead>
<tr>
<th>Compliance Projects</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly Investment Compliance Review</td>
<td>3%</td>
</tr>
<tr>
<td>Approval of Capital calls</td>
<td>10%</td>
</tr>
<tr>
<td>New Accounts at BNY</td>
<td>2%</td>
</tr>
<tr>
<td>Confirmation of Investment Management Selection approvals</td>
<td>4%</td>
</tr>
<tr>
<td></td>
<td>18%</td>
</tr>
</tbody>
</table>

**Internal Audit**

| Benefits: Continuous Auditing                                                       | 9%         |
| Review of Management Fees                                                           | 15%        |
| Review of Contributions                                                             | 10%        |
| Audit Plan/Identification of Audit Universe                                         | 9%         |
| Review of IRS Voluntary Compliance Program                                           | 17%        |
| Issue Tracking-follow up, review and report                                         | 5%         |
|                                                                                     | 64%        |

**Other Projects**

| FOIA/Discovery requests                                                             | 2%         |
| Auditor General Meetings/Requests                                                   | 2%         |
|                                                                                     | 4%         |

**Administration**

| Executive/Department Meetings                                                      | 4%         |
| Board of Trustees Meetings including prep                                          | 4%         |
| Other-ACL training; other training; admin. Items; prof. assoc. meetings             | 6%         |
|                                                                                     | 13%        |