PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM
BOARD OF TRUSTEES MEETING

April 26, 2017

MINUTES

Present: Mr. Brian Tobin, Chairman, Trustee
         Mr. William T. Buividas, Vice Chairman, Trustee
         Mr. William C. Davis, Trustee
         Mr. Edward J. McNeill, Trustee
         Mr. Bryan Raines, Trustee
         Mr. Mike Scheidt, Trustee
         Mr. Dean M. Scheinert, Trustee
         Mr. Donald A. Smith, Jr., Trustee

Others Present: Mr. Jared Smout, Administrator
                Mr. Dave DeJonge, Deputy Administrator
                Mr. Ryan Parham, Chief Investment Officer - Excused
                Mr. Mark Steed, Deputy Chief Investment Officer
                Ms. Ivy N. Voss, Esq., Assistant Attorney General – Excused
                Ms. Karen Hartman-Tellez, Assistant Attorney General
                Ms. Rose Crutcher, Investment Paralegal
                Mr. Paul Hemmes, Information Technology
                Mr. Christian Palmer, Communications Director
                Mr. Larry Lopez, Membership
                Ms. Lisa Sweeting, Continuous Improvement Administrator
                Mr. John Briney, Enterprise Systems Architect
                Ms. Patricia Shaner, Human Resources Manager
                Ms. Diane McAllister, Public Policy Partners
                Mr. Doug Cole, HighGround
                Ms. Courtney McKinstry, HighGround
                Mr. Allan Martin, NEPC, LLC.
                Mr. Ed Schwartz, ORG
                Mr. Andre Do, Albourne
                Mr. Mark White, Albourne
                Mr. Jim Keeler, Nationwide Retirement Solutions

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

   The meeting was called to order by Chairman Tobin at 12:38 P.M. The Pledge of Allegiance was recited and the roll was called. Ms. Patricia Shaner the new Human Resources Manager was introduced.

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.

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 Frank Fontes.
b. Acceptance of Elected Officials’ Retirement Plan of termination of normal retirement benefit of Roy W. Hudson.
c. Acceptance of Elected Officials’ Retirement Plan of termination of normal retirement benefit of John Olsen.
e. Acceptance of Transfer Between State Retirement Systems of Lisa Whittaker.
f. Acceptance of Transfer Between State Retirement Systems of Patricia Brescia.
g. Acceptance of Transfer Between State Retirement Systems of Ralph Lucas.
h. Acceptance of Transfer Between State Retirement Systems of Timothy Clark.
i. Acceptance of Transfer Between State Retirement Systems of Seth Turken.
j. Acceptance of Transfer Between State Retirement Systems of Bryan Jeffries.
k. Acceptance of Transfer Between State Retirement Systems of George Manera.
l. Acceptance of Transfer Between State Retirement Systems of John Armstrong.
m. Acceptance of Transfer Between State Retirement Systems of Barbara Ann Hendricks.
n. Acceptance of Transfer Between State Retirement Systems of Nicholas Holladay.
o. Acceptance of Transfer Between State Retirement Systems of Giovanni Filipelli.
p. Acceptance of Transfer Between State Retirement Systems of Lillian Melander.
q. Acceptance of Transfer Between State Retirement Systems of Stanley Mondragon.
r. Acceptance of Transfer Between State Retirement Systems of Lainn Caldwell.
s. Acceptance of Transfer Between State Retirement Systems of Robert Welch.
t. Acceptance of Transfer Between State Retirement Systems of Emilio Rivera.
u. Approval of the Minutes of the March 28, Special Work Study Session Meeting and March 29, Meeting of the PSPRS Board of Trustees.

*Mr. Brian P. Tobin*

<table>
<thead>
<tr>
<th>MOTION:1-4/26/17</th>
<th>At 12:54 P.M.</th>
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<tbody>
<tr>
<td>Motion:</td>
<td>To accept the Consent Agenda as presented.</td>
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<tr>
<td>Moved by:</td>
<td>Mr. McNeill</td>
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<tr>
<td>Seconded by:</td>
<td>Mr. Buividas</td>
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<tr>
<td>Discussion:</td>
<td>None</td>
</tr>
<tr>
<td>In Favor:</td>
<td>Unanimous</td>
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<tr>
<td>Motion:</td>
<td>Passes</td>
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4. Retirement Solutions (NRS) Quarterly Administrative Review of the PSPRS Supplemental and EODCRS 401(a) Plans.

*Mr. Jim Keeler*

Program Director

*Nationwide Retirement Solutions*

The investment review for the first quarter included information regarding the PSPRS Supplemental and EODCRS 401(a) Plans. Available investment options for participants were briefly discussed as was the performance of the investment options including fees, expenses and performance of asset classes.
Report by Mr. William Davis, Chairman of the Investment Committee, regarding agenda items 5 through 9, which were discussed at the Investment Committee meeting held today, April 26, 2017, on or after 9:00 a.m., and possible Action on the Committee's recommendations to the Board regarding same.

5. Written report by Investment Department Staff regarding Portfolio Risk as of February 28, 2017.

   Mr. Owen Zhao
   Portfolio Analyst - Risk

   No discussion was held.

6. Written report by Investment Department Staff and discussion regarding (i) the Month-End and Fiscal Year-to-Date performance for the PSPRS Trust as of February 28, 2017; and (ii) written report regarding the asset allocation and performance of the Firefighters and Peace Officers Cancer Insurance Program.

   Ms. Vaida Maleckaite
   Director of Investment Services

   No discussion was held.

7. Presentation and discussion by Investment Department Staff and Consultants regarding the annual Overview and Strategic Plan for the Real Assets portfolio.

   Mr. Shan Chen, Lead Portfolio Manager
   Mr. Mark White, Albourne
   Mr. Allan Martin, NEPC
   Mr. Ed Schwartz, ORG

   The Real Assets portfolio was introduced in 2009, which is relatively new, in order to add value by beating inflation, lowering risk and offering diversification. Discussion was held regarding vintage years, strategies for commodities, infrastructure, performance, income and pacing. The internal rate of return is 6.84%. The return enhancement yield is higher without incurring more risk yielding active income. Discussion included cost effectiveness, approaches to this asset class, governance, regulatory environment and expertise to determine types of investments. This portfolio has kept pace with objectives with considering risk and volatility of the young portfolio. A discussion was held regarding the analysis process including a review of liquid and illiquid assets, risk, and the draw down pace of cash. Discussion was held regarding review of the benchmark.

8. Discussion of fees in alternative asset classes, the recovery of fees and the negotiation of fee structures.

   Mr. Ryan Parham
   Assistant Administrator and Chief Investment Officer
   Mr. Mark Steed
   Deputy Chief Investment Officer and Chief of Staff
   Mr. Allan Martin
   Mr. Ed Schwartz
   Mr. Mark White

   A diagram of how fees work was presented. If a transaction is successful, management fees are due back to us with very few exceptions. If a snapshot in time is taken, it can cause a lack of understanding and one must look at a longer time frame regarding recovery of fees. At a later date a discussion will be held regarding fee reporting and how to improve the CAFR.
9. Disclosure by Investment Department Staff of the following Manager Selection Matters:
   A. New and Potential Investments Considered During Prior Period:
      1. Disclosure of a potential investment of up to $50 million for purposes of direct
         investment with Comvest Capital IV, L.P., subject to final Staff and legal due
         diligence. This investment will be allocated to PSPRS Asset Class: Private
         Credit.
   B. Finalized and Executed Transactions During Prior Period:
      1. KKR Asian Fund III; Committed amount up to $40 million direct and a reserve
         allocation of up to $20 million for purposes of co-investment; Date Closed:
         March 31, 2017. This investment is allocated to PSPRS Asset class: Private
         Equity.
   C. Investments Completely Liquidated During Prior Period:
      1. Gracie Zona Fund; This investment was allocated to the PSPRS Asset Class:
         Fixed Income.
      2. Bridgewater Pure Alpha Major Markets Fund; This investment was allocated to
         PSPRS Asset Class: GTAA.

   New terminology has been added.

Presentation by Mr. Bryan Raines, Chairman of the Operations, Governance Policy and Audit
Committee, regarding agenda items 10 through 20, which were discussed at the Operations,
Governance Policy and Audit Committee meeting held today, April 26, 2017, on or after 10:30 a.m.,
and possible Action on the Committee's recommendations to the Board regarding same.

    Mr. Dave DeJonge
    Deputy Administrator
    The new PSPRS website is now live and a new Human Resources Manager has been hired.

11. Presentation of the Month-to-Date Budget Report for FY 2017 and possible Action on same. 
    Mr. John Hendricks
    Manager of Finance and Accounting
    Money has been saved due to staff vacancies and spending is occurring in IT for system changes
    and website development

12. Presentation of the Local Board & Employer Outreach Report and possible Action. 
    Mr. Don Mineer
    Local Board Training Coordinator
    Outreach has occurred in Tucson, Phoenix, and Flagstaff regarding Tiers 2 and 3 benefits.

13. Presentation of the Strategic Plan Progress Report and possible Action. 
    Mr. John Briney
    Enterprise Systems Architect
    The current focus with the development of the Strategic Plan has been on human resources
    management, work process improvements with an emphasis on electronics, training and outreach
    for members.
14. Presentation of the Requests for Local Board Rehearing Report for the current month and possible Action.

Ms. Michelle Pechan
Paralegal

There are two outstanding requests.

15. Presentation on PSPRS communication efforts and possible Action.

Mr. Christian Palmer
Communications Director

The new PSPRS website is live, the second video and a new brochure regarding Tier 2 DC Plan is going well.

16. Review and discussion regarding law firms' billings for legal services performed in March, 2017.

Ivy Voss, Esq.
Assistant Attorney General

The Operations, Governance Policy and Audit Committee approved the payment of law firms' billings for legal services performed in March, 2017 for the amount of $84,706.93.

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

Jared A. Smout

A summary of the current proposed legislation was presented by Ms. McAllister, Ms. McKinstry and Mr. Cole. CORP reform - SCR 1023 is on the legislative calendar for today. HB 2485 with an emergency clause is or will be on the governor’s desk very soon. SB 1063 regarding risk pooling with an emergency clause is encountering no opposition. HB 2485 is continuing through the legislative process, SB 1115 is on the governor’s desk, SB 1123 – PSPRS is exempt since there is an exemption to the procurement code.

18. Review, discussion and possible Action on compliance and internal audit roles.

Mr. Jared A. Smout
Mr. Dave DeJonge

Discussion was held regarding the roles of compliance officer and the internal audit officer. Additionally, the reporting structure was a topic of conversation.

MOTION: 2-4/26/17
Motion: At 2:20 P.M.
To accept the recommendation of the Operations, Governance Policy and Audit Committee to allow the internal auditor and the compliance officer to report to the Administrator by showing a solid line on the Organizational Chart from those positions to the Administrator, but showing a dotted line from those positions to the Board to show a secondary reporting responsibility to the Board of Trustees. Findings are expected to be reported directly to the Board, and Board members will be involved in the hiring and performance review process. Recommended by the Operations, Governance Policy and Audit Committee.

Moved by: Not applicable
Seconded by: None
Discussion: None
In Favor: Unanimous
Motion: Passes
19. Review, discussion and possible Action with respect to the FY2018 PSPRS Administrative Budget.

Mr. Jared A. Smout

**MOTION: 3-4/26/17**

Motion: At 2:26 P.M.

To accept the recommendation of the Operations, Governance Policy and Audit Committee to accept the Organization Chart for the 2017/18 budget.

Moved by: Recommended by the Operations, Governance Policy and Audit Committee

Seconded by: Not applicable

Discussion: Discussion was held regarding the Employer Relationship Manager. This is a team approach which is being asked in order to strengthen channel of communication.

In Favor: Unanimous

Motion: Passes

The committee considered whether or not to make the contracts with PSPRS for a specific period which was requested by a board member. The suggestion was for a three year contract to be renewable for two one year periods as good fiduciary practice. Differences in contractual legal fees were discussed and the reasons for this were explained to the board by staff members. A letter from Cortex recommended reviewing vendor performance regularly was prudent, but issuing an RFP every five years is too frequent. Mr. Parham stated regarding investment contracts that regular review with an RFP is of concern as a potential disruption for investments the institutional knowledge is important. The board felt one must look at other options that may be out there and we do not know until an RFP is issued. It was recommended the specialty consultants not be handled by the Administrator, but by the Board of Trustees. This topic is to be reviewed at a later date by the Operations, Governance Policy and Audit Committee and to be brought back to the Board of Trustees.


Mr. Dave DeJonge

Clarification of some details in the Governance Manual regarding travel reimbursement procedures were recommended. There were no changes to the Travel Policy and the responsibilities listed in the DC Committee Charter were explained.

**MOTION: 4-4/26/17**

Motion: At 2:44 P.M.

To accept the recommendation of the Operations, Governance Policy and Audit Committee to approve recommended changes to the Travel Expense Reimbursement Procedures and the Administrative and Investment Committee Charter for the DC Plans.

Moved by: Recommended by the Operations, Governance Policy and Audit Committee

Seconded by: Not applicable

Discussion: None

In Favor: Unanimous

Motion: Passes
21. Update and discussion on the progress of the PSPRS DC Committee in the contract for a third party administrator/record keeper, separate RFP for an education provider, and possible Action of delegating decision and contractual authority to the Committee and Committee Chair, respectively, for an education provider.

Mr. William T. Buividas
Vice Chairman

Chairman of the Arizona PSPRS Defined Contribution Committee

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<tr>
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<th>At 2:44 P.M.</th>
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<tr>
<td>Motion:</td>
<td>To delegate the decision and contractual authority to the DC Committee and the committee chairman respectively for the education provider RFP.</td>
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<tr>
<td>Moved by:</td>
<td>Mr. Smith</td>
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<tr>
<td>Seconded by:</td>
<td>Mr. Davis</td>
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<tr>
<td>Discussion:</td>
<td>None</td>
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<td>In Favor:</td>
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</tr>
<tr>
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22. Discussion and possible Action on expanding the PSPRS DC Committee's role to include oversight of the PSPRS DC Disability Program, PSPRS Supplemental Defined Contribution Plan, and the Elected Officials' Defined Contribution Retirement System and Disability Program.

This was completed with the changes to the Governance Policy.

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

Mr. Brian P. Tobin

To add National Association of State Retirement Administrators (NASRA) to the list of pre-approved training, educational and due diligence opportunities.

24. 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.

25. 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).

An Executive Session was not held.
26. Schedule future meeting date(s). (Currently scheduled for Wednesday, May 31, 2017.)

The next meeting will be held on Wednesday, May 31, 2017

27. Adjournment.

The meeting was adjourned at 2:57 p.m.

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Brian P. Tobin, Chairman

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William T. Buvidas, Trustee,  
Vice Chairman

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William C. Davis, Trustee

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Edward J. McNeill, Trustee

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Bryan Raines, Trustee

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Mike Scheidt, Trustee

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Dean M. Scheinert, Trustee

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Donald A. Smith, Jr., Trustee