1. Call to Order; Roll Call; Opening remarks  

Chairman Tobin called the meeting to order at 1:00 p.m. The Board of Trustees offered prayers for a speedy recovery to a DPS officer shot ten days ago who is not named due to the request of the family.

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.

Trustee Ferguson invited the public to attend the celebration of the 150th anniversary of Yuma County on November 7, 2014, 4 p.m. at the Yuma County Library. Pima, Mohave and Yavapai Counties are also celebrating their 150th anniversary.

3. Appropriate Action for approval of the items on the Consent Agenda (documentation concerning the matters on the consent agenda may be reviewed at the PSPRS office). Any matter on the Consent Agenda will be removed from the Consent Agenda and discussed as a regular agenda item upon the request of any member of the Board of Trustees.

   c. Acceptance of Elected Officials’ Retirement Plan of survivor benefit of Alice Crandell.
   d. Acceptance of Elected Officials’ Retirement Plan of termination of retirement benefit of Chester Crandell.
   e. Acceptance of Elected Officials’ Retirement Plan of termination of normal retirement benefit of Lawrence Howard.
   f. Acceptance of Elected Officials’ Retirement Plan of survivor benefit of Mary Howard.
   g. Acceptance of Elected Officials’ Retirement Plan of termination of normal retirement benefit of Haynes Moore.
   h. Acceptance of Elected Officials’ Retirement Plan of survivor benefit of Susan Moore.
   i. Acceptance of Elected Officials' Retirement Plan of normal retirement benefit of Janice Shelton.
   j. Acceptance of Transfer Between State Retirement Systems of William Pitman.
   k. Acceptance of Transfer Between State Retirement Systems of Judith O'Brien.
   l. Acceptance of Transfer Between State Retirement Systems of Alfredo Richard.
   m. Acceptance of Transfer Between State Retirement Systems of Scott Popatia.
   n. Acceptance of Transfer Between State Retirement Systems of Regina Milkovich.
   o. Acceptance of Transfer Between State Retirement Systems of Jeffrey Brown.
   q. Acceptance of Transfer Between State Retirement Systems of Luis A. Davila.
   r. Acceptance of Transfer Between State Retirement Systems of Brad Guzman.
   s. Acceptance of Transfer Between State Retirement Systems of Cesar Dominguez.
   t. Acceptance of Transfer Between State Retirement Systems of Dennis Cunningham.
   u. Acceptance of Transfer Between State Retirement Systems of Nathan Knight.
   v. Acceptance of Transfer Between State Retirement Systems of Mark Johnson.
   w. Acceptance of Transfer Between State Retirement Systems of Eric Wyckoff.
   x. Acceptance of Transfer Between State Retirement Systems of Richard Lines.
   y. Acceptance of Transfer Between State Retirement Systems of Ramon Maya.
   z. Acceptance of Transfer Between State Retirement Systems of Bryan Welsh.
   aa. Acceptance of Transfer Between State Retirement Systems of Tim Wiedemann.
MOTION: 1 – 10/22/14
Motion: To approve the Consent Agenda as presented.
Moved by: Mr. Ferguson
Seconded by: Mr. McHenry
Discussion: None
In Favor: Unanimous
Motion: Passes

4. Appropriate Action regarding the Minutes of the September 24 and 25, 2014 Meeting of the PSPRS Board of Trustees.

Mr. Brian P. Tobin

MOTION: 2 – 10/22/14
Motion: To approve the Minutes of the September 24 and 25 Meeting of the PSPRS Board of Trustees as presented.
Moved by: Mr. Ferguson
Seconded by: Mr. McHenry
Discussion: None
In Favor: Unanimous
Motion: Passes

Report by Mr. Lauren Kingry, Chairman of the Investment Committee, regarding agenda items 5 through 11, which were discussed at the Investment Committee meeting held today, October 22, 2014, on or after 10:00 a.m., and possible Action on the Committee’s recommendations to the Board regarding same.

5. Report by Investment Department Staff and discussion regarding (i) the Month-End and Fiscal Year-to-Date performance for the PSPRS Trust as of August 31, 2014; and (ii) written report regarding the asset allocation and performance of the Firefighters and Peace Officers Cancer Insurance Program.

Mr. Mark Steed

For the Month-End the Trust was up 1.73% versus the benchmark which was up 1.55%. For the Fiscal Year-to-Date the Trust was up 1.05% as compared to the benchmark which was up .87%. The performance for the Firefighters and Peace Officers Cancer Insurance Program was up 2% as compared to the benchmark which was up 1.41%.

The main detractor from the positive increase for the Trust was the gap between Private Equity portfolio and the Russell 3000 and the market retreat since the end of August. We have been liquidating FireEye and Alibaba shares as the opportunity arises.


Since the last month a number of market developments have affected the Trust portfolio. Some stock indices have dipped into correction territory, some corporate yield spreads and 10 year bond yields are dropping and volatility has reached six year highs. Value at risk portfolio contributions remain stable compared to last month and value at risk contributions for alternative asset classes continues to diversify while delivering returns above the assumed rate of return. Our investment in public stocks is light compared to peers, but the influence is definitely there. We are aware of our exposure to bond
markets, small cap stocks, inflation and the price of energy. There is little change from last month in exposure to historically observed crises conditions. PSPRS is consistently one of the least risky public defined benefit plans amount all public trusts and it is one of the most efficient public defined benefit plans in the nation.

Mr. Mark Lundin  
Deputy Chief Investment Officer – Risk

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

Mr. Ryan Parham  
Deputy Administrator and CIO
Mr. Mark Lundin  
Deputy Chief Investment Officer
Mr. Chris Hill; Mr. Anthony Ferrara  
NEPC, LLC
Mr. Lincoln Smith  
Albourne America LLC

Mr. Parham explained that the GTAA portfolio is designed to be global and tactical regarding exposures to regions on a global basis. The purpose is to seek an absolute return regarding the markets through a hedge fund or manager regardless of what the market does. Mr. Hill of NEPC stated NEPC looks around the globe for investment opportunities in different markets. This portfolio has a 10% allocation of the Trust and it has performed well in the past. Mr. Smith of Albourne America added that GTAA is event driven, has low market exposure and he discussed sub strategies and super strategies.

Prudent, qualified managers are selected with up to date databases. They exploit short term pricing of global assets. The benchmark is 3 month LIBOR rate + 300 basis points. Portfolio performance was discussed.

Mr. Lieberman and Ms. Eichholz stated drafts of the GTAA and Absolute Return policies have been reviewed by Staff, NEPC and legal and they approved the edits. The Investment Committee reviewed the drafts this morning and discussed the benchmarks which the committee felt were too low. Both policies are not fixed in stone. Benchmark review will be held each year and will be addressed after the beginning of this New Year. The investment committee recommended adopting both Appendix X and XIV.


Marc Lieberman, Esq.  
Kutak Rock LLP
Jennifer Eichholz, Esq.  
In-House Investment Counsel
MOTION: 3 – 10/22/14

Motion: At 3:22 p.m.
To approve Appendix X for GTAA strategy for the Public Safety Personnel Retirement System Amended and Restated Statement of Investment Policies as recommended by the Investment Committee.

Moved by: Mr. Lauren Kingry
Seconded by: As recommended by the Investment Committee
Discussion: None
In Favor: Unanimous
Motion: Passes

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

   Mr. Mark Lundin
   Deputy Chief Investment Officer
   Mr. Ryan Parham
   Chief Investment Officer
   Mr. Lincoln Smith
   Albourne America LLC
   Mr. Chris Hill
   NEPC, LLC

This asset class is comprised of 4% of the Trust portfolio. It relies on consultants for support. The strategy is to use market dislocations for investment returns. It is less risky than equities and delivers returns unrelated to other asset classes. Performance of this asset class was discussed. It performs above the assumed earnings rate of 7.85% and the performance since inception is excellent and consistent.


   Marc Lieberman, Esq.
   Kutak Rock LLP
   Jennifer Eichholz, Esq.
   In-House Investment Counsel

Mr. Lieberman and Ms. Eichholz stated drafts of the GTAA and Absolute Return policies have been reviewed by Staff, NEPC and legal and approved all following the edits. The Investment Committee reviewed the drafts this morning and discussed the benchmarks which the committee felt were too low. Both policies are not fixed in stone. Benchmark review will be held each year and will be addressed after the beginning of this New Year. The investment committee recommended adopting both Appendix X and XIV for the Public Safety Personnel Retirement System Amended and Restated Statement of Investment Policies as written with an annual review.
**MOTION: 4 – 10/22/14**

<table>
<thead>
<tr>
<th>Motion:</th>
<th>To approve Appendix XIV regarding Absolute Return strategy in the Public Safety Personnel Retirement System Amended and Restated Statement of Investment Policies.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moved by:</td>
<td>Mr. Kingry</td>
</tr>
<tr>
<td>Seconded by:</td>
<td>As recommended by the Investment Committee</td>
</tr>
<tr>
<td>Discussion:</td>
<td>To review that benchmark</td>
</tr>
<tr>
<td>In Favor:</td>
<td>Unanimous</td>
</tr>
<tr>
<td>Motion:</td>
<td>Passes</td>
</tr>
</tbody>
</table>


   *Mr. Chris Hill*
   *Mr. Anthony Ferrara*
   *NEPC, LLC*

U.S. equities underperformed by 290 basis points for the Fiscal Year ending June 30, 2014, but on an absolute return basis it was up 22%. Mr. Hill stated we hesitate to make manager changes based on a one year performance. We will look at the structure of the portfolio. Discussion was held as to how to review a manager and it was said that Staff, NEPC constantly monitor managers’ performance. U.S. equities for the prior five years outperformed until this last year. Causes were discussed.

Non U.S. equities underperformed by 120 basis points for the Fiscal Year ending June 30, 2014 but it was up 21% on an absolute return basis. Causes were discussed.

The U.S. equities portfolio has completed redemptions to reduce small cap exposure and will, if necessary, consider further redemptions. The non U.S. equity portfolio has changed allocation from one strategy to another. The structure and performance of equities were reviewed.

10. Upon the request of any member of the Committee, presentation by staff and possible discussion with the members of the Committee about the following manager selection matters.

   a. Manager Selection Report by Investment Department Staff and possible discussion regarding a potential investment of up to $20 million direct, and $20 million co-investment, with Centerbridge Capital Partners, L.P., or its affiliates in the Centerbridge III Parallel Fund, subject to final Staff and legal due diligence.

       *Mr. Shan Chen*
       *Lead Portfolio Manager*

   b. Manager Selection Report by Investment Department Staff and possible discussion regarding a potential investment of up to $75 million direct, and up to $15 million for co-investments, with Crestline Investors, Inc., or its affiliates in the Crestline Direct Lending Fund, subject to final Staff and legal due diligence.

       *Mr. Mark Steed*
       *Lead Portfolio Manager*
The Investment Committee was comfortable with the Manager Selection Reports and there were no questions from the Board.


   Jennifer Eichholz, Esq.  
   In-House Investment Counsel

   a. Crestline Direct Lending Master Fund, L.P.; Date Closed: October 10, 2014
   b. Rockbridge Hospitality Fund VI, L.P.; Date Closed: October 7, 2014
   c. Iron Point Real Estate Partners III, L.P.; Date Closed: September 5, 2014
   d. Melody Capital Partners Onshore Credit Fund, L.P.; Date Closed: September 4, 2014
   e. Baring Asia Private Equity Fund VI; Date Closed: September 10, 2014

The Closed Transaction Report has increased in the details and now includes costs. The Investment Committee was comfortable with its presentation and all details are available for the full board.

12. Report by the System's Internal Audit and Compliance Officer and discussion regarding investment compliance, holdings and transactions as of August 31, 2014.  

   Ms. Bridget Feeley  
   Internal Audit and Compliance Officer

   As of August 31, 2014 the PSPRS holdings and transactions are in compliance.

Presentation by Mr. Gregory Ferguson, Chairman of the Operations, Governance Policy and Audit Committee, regarding agenda items 13. through 25., which were discussed at the Operations, Governance Policy and Audit Committee meeting held today, October 22, 2014, on or after 10:00 a.m., and possible Action on the Committee’s recommendations to the Board regarding same.

13. Presentation of the Month-to-Date Budget Report for FY 2015 and possible Action on same.  

   Mr. John Hendricks  
   Manager of Finance and Accounting

   The forecast is for PSPRS to be 5.14% over budget this fiscal year. We have reduced legal fees 50% from August to September due to in-house investment legal counsel and a full time Assistant Attorney General.

14. 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

   This was written report and the Local Board Training staff is working to get three fire districts merged into one district.
15. Presentation of the "Requests for Local Board Rehearing" Report for the current month.

   *Mr. Jared A. Smout*
   
   Deputy Administrator

There are two requests, one of which has been resolved.

16. Review and discussion regarding law firms' billings for legal services performed in September 2014.

   *Mr. Jared A. Smout*

The Operations, Governance Policy and Audit Committee approved the law firms’ billings for legal services performed in September 2014 for the amount of $114,226.55.

17. Report and possible **Action** on FY 2015 Compliance and Internal Audit Plan.

   *Ms. Bridget Feeley*

The Operations, Governance Policy and Audit Committee recommended ratification of the proposed plan for internal audit and compliance. A few travel and entertainment issues were found which have been corrected with new processes and this will again be reviewed in a few months. We are on schedule with the audit plan stated Ms. Feeley. Service purchases will be reviewed by the audit staff and GRS and we are working on review of contributions. Review of management fees has been started. The written description of the process to review management fees has been ratified.

18. Written update on external communications efforts.

   *Mr. Marco Ceglie*
   
   *Mr. Christian Palmer*
   
   Avant Strategies

Mr. Smout reported he meets weekly with Avant Strategies and they have improved our communications with the media, constituents and employer groups. A full report was given to the Operations, Governance Policy and Audit Committee. Mr. Ceglie and Mr. Palmer work every day to take our story to the public, to clarify, and to tell some of the good news that does not get reported.

19. Presentation and discussion about the Purpose and History of the Public Safety Personnel Retirement System.

   *Mr. Jared A. Smout*

This agenda item was tabled.

20. Discussion and possible **Action** regarding changes to the governing statements (mission, vision and values) of the System.

   *Mr. Jared A. Smout*

No action was taken.

21. Discussion and possible **Action** regarding the use of legal counsel.

   *Mr. Jared A. Smout*

This agenda item was discussed in Executive Session.
22. Discussion and possible **Action** regarding the use of Employment Agreements.  
*Mr. Gregory Ferguson*

The review process has begun and a proposal will be brought to the board at a later date.

23. Discussion and possible **Action** regarding proposed legislation.  
*Mr. Jared A. Smout*

Ms. Dianne McAllister of Public Policy Partners stated we are moving forward with at least one bill regarding the IRS regulation tax bill for all three Systems. Since all three Systems need an IRS bill a discussion will be held at a later time as to whether there will be one or three bills.

24. Update and discussion on the progress of efforts with the ADOA in relation to the MOU.  
*Mr. Jared A. Smout*

The summary is in the information packet for the members of the board.

25. Update, discussion and possible **Action** on the RFP for fiscal 2015 external financial auditor.  
*Mr. Jared A. Smout*

The Operations, Governance Policy and Audit Committee sent out an RFP to three firms. Heinfeld Meech had the best response and with the new GASB rules, they have a history of working with PSPRS.

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MOTION: 6 – 10/22/14  At 5: 20 p.m.
Motion:  To accept the recommendation of the Operations, Governance Policy and Audit Committee to write a new contract for Heinfeld Meech for a one year in the amount of $148,135 and possible one year extensions.
Moved by:  Mr. Ferguson
Seconded by:  As recommended by the Operations, Governance Policy and Audit Committee.
Discussion:  None
In Favor:  Unanimous
Motion:  Passes
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26. Update, discussion and possible **Action** concerning the process to select the next System Administrator.  
*Mr. Lauren Kingry*

*Trustee and Administrator Selection Committee Chairman*

The committee meets bi-weekly and is making progress stated Mr. Kingry.
27. Presentation by Gabriel, Roeder, Smith & Company (GRS) representatives regarding the results of the FY 2014 actuarial valuations for the PSPRS, CORP and EORP.

Mr. Mark Buis, FSA, FCA, EA, MAAA
Senior Consultant

Mr. James D. Anderson, FSA, EA, MAAA
Senior Consultant

Mr. Francois Pieterse, A.S.A, M.A.A.A.
Consultant

Gabriel, Roeder, Smith & Company

The representatives of Gabriel, Roeder, Smith & Company presented the actuarial valuations as of June 30, 2014 of the three plans of the System. There was a discussion of the "hot topics" from the Conference of Consulting Actuaries 2014 White Paper titled “Actuarial Funding Policies and Practices for Public Pension Plans” that offers guidance, not prescriptive or proposed actuarial standards, to pay attention to some things that are happening. The goal is to advance actuarial practices by encouraging plan actuaries to make changes. This gives advice to actuaries and boards for setting funding policies and gives guidance in light of the new GASB changes. Elements of the funding policy are addressed for consistencies regarding the level cost allocation method were actuarial cost method, actuarial smoothing method, and amortization policy of unfunded liabilities.

The amortization of unfunded liability periods are becoming shorter and it is recommended to shorten the periods and to break up unfunded liability and to evaluate them over different and shorter periods. If PSPRS does this, it would be over time and it is nothing to work on right now, but look to transition over time. Current Board policy is an amortization period of 22 years, which is in the mainstream of amortization periods currently in use.

New Mortality Tables were published in 2014 due to longer expected lives and it is expected, in the future, continued life expansion going forward. These tables, however, are not based on the public sector. PSPRS will review mortality in the next experience study.

Highlights of the 6/30/14 valuation results reflect changes from last year. Changes in the plan provisions:

- The Fields case restores original PBI formula for members who were retired as of 7/1/11.
- Fiscal year 2015-16 employer contributions equal 33.3% of the sum of FY 14-15. Employee contributions plus aggregate FY 2015-16 employer contributions with the minimum of 7.65% of members’ compensation; a maximum of 11.65% of members compensation. The result for FY 2015-16 is 11.65% and Maintenance of Effort calculations continue to apply.
- Changes in assumptions and methods – the Board decision was to permit three year phase-in of contribution rate increases over the prior years, if necessary. Wage inflation assumptions decreased form 4.5% to 4.0%
- Segregation of health care assets from pension assets.
Highlights of the 6/30/14 actuarial valuation include the contribution rate changes since
the last actuarial valuation as a result of the Fields case with a much larger recognition
of liabilities related to PBI (Permanent Benefit Increases); the phase-in of prior
investment losses based on 7 year asset smoothing; segregation of assets for pensions
versus health care benefits; and contribution rate increases are somewhat offset by
liability gains from lower than expected pay increases. All possible future PBIs are
reflected in the development of the liabilities. If, in any year, there is a PBI greater than
the assumed PBI, the plan will have an actuarial loss.

The estimated annual compound PBI applied to benefit based on stochastic simulation
of 1000 trials for each of the next 20 years which may change due to portfolio valuation
and may change over time. This is why the Fields case is so expensive stated Mr. Buis.
The impetus behind SB 1609 was to try to manage costs better. This resulted in a huge
increase in contribution rates.

<table>
<thead>
<tr>
<th>Plan</th>
<th>Without SB 1609</th>
<th>With SB 1609</th>
</tr>
</thead>
<tbody>
<tr>
<td>PSPRS</td>
<td>2.00%</td>
<td>0.50%</td>
</tr>
<tr>
<td>CORP</td>
<td>2.25%</td>
<td>0.50%</td>
</tr>
<tr>
<td>EORP</td>
<td>3.00%</td>
<td>0.50%</td>
</tr>
</tbody>
</table>

PSPRS recommended contribution rates are based on: normal cost for benefits
accruing through the year and amortization of unfunded liabilities over 22 years. 2014
contribution rate before phase-in is 41.08% and after phase-in of 34.38%. With the
health rate contribution requirement the recommended contribution rate was 41.37%
before phase-in and 34.67% after phase-in. The impact of the PBI may vary significantly
by each employer. For PSPRS each member receives the average PBI (the same
amount applies to everyone). The PSPRS funding ratio before breaking out health
liabilities in 2013 was 58.7% and in 2014 is was 49.2% mainly due to the change of the
PBI. Health assets and liabilities in 2013 were 0.0% and in 2014 were 102.8% funded
after break out. Market return was 13.2%. 2015 is the last year before the losses of
2008 drop off due to a seven year smoothing period. The ratio of funding value to
market value is 101.4%.

CORP funding results as of 6/30/14 the recommended contribution rate was 17.99%
before phase-in and 14.82% after phase-in. With the total health contribution rate the
total recommended contribution rate comes to18.21% before phase-in and 15.04% after.
This varies significantly by employer. The funding ratio was 69.7% in 2013 and 57.3%
as of 2014. In order to pay a PBI, the 60% funding threshold ratio must be hit. The ratio
of funding value to market value is 100.9%.

The EORP contribution rate is based upon a statutory flat rate of 23.5% of combined DB
and DC payroll plus court fees and general fund contributions to cover EORP Defined
Benefits, EORP Defined Contribution Benefits and some ASRS benefits. 23.5% was
instituted before the Fields case and will no longer be sufficient. In 2013 the funding
ratio was 56.15% and in 2014 it was 39.4%. The statutory contribution results in
approximately $31 million. Contribution rates recommended without the statute would
have been in 2013 55.29% and in 2014 86.54%. The ratio of funding value to market
value is 101.8%. As of 2034 calculations indicate that PBIs will no longer be able to be
covered. The impact of the Fields case raised the contribution rate to 32% of payroll and
the Fields case could raise it to about 40% of payroll. Discussion was held regarding
changing the 23.5% contribution rate for EORP legislatively due to the contemplated
effects of Hall and Fields cases and a possible constitutional change.
The accounting results of GASB Statement 67 were presented to the Board.

(In $ millions)

<table>
<thead>
<tr>
<th>Measure</th>
<th>PSPRS</th>
<th>CORP</th>
<th>EORP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Blended Discount Rate</td>
<td>7.85%</td>
<td>7.85%</td>
<td>5.67%</td>
</tr>
<tr>
<td>Total Pension Liability</td>
<td>$12,233</td>
<td>$2,638</td>
<td>$985</td>
</tr>
<tr>
<td>Plan Fiduciary Net Position</td>
<td>5,935</td>
<td>1,497</td>
<td>314</td>
</tr>
<tr>
<td>Net Pension Liability</td>
<td>6,297</td>
<td>1,140</td>
<td>671</td>
</tr>
<tr>
<td>Funded Status</td>
<td>48.52%</td>
<td>56.77%</td>
<td>31.91%</td>
</tr>
</tbody>
</table>

Regarding EORP blended discount rate, GASB projections result in asset depletion date of 2034.

Discussion was held regarding timing of accounting results for the three plans due to GASB requirements. Looking ahead, it is expected that employer rates will rise next year due to recognition of the 2008-9 asset losses. The Hall case resolution in favor of plaintiffs will also increase contributions. Asset smoothing helps reduce volatility of employer contributions. Benefit changes for new hires, after January 1, 2012 will help lower the Plan’s liabilities in the long term.

A question and answer period was held and one question was at what point should we be concerned about the employers and their ability to pay their portion. Also a question was raised about constitutional action regarding contribution rates within the state. GRS is in the process of studying these questions.

28. Discussion and possible Action relating to employer defaults and withdrawals and legislation to address same.

   Mr. Jared A. Smout

   No action was necessary.

29. 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 training requests.

30. 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, internal investigations (including those arising from UNITE HERE!’s allegations concerning ORG Portfolio Management) 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 Rappleeya and Everson, active police officers Parker, Griego, Manganiello and Robles, Jack Cross, Anton Orlich, the Pivotal Group, the Seldins, Stroh Ranch Development, Timberwest, Jennifer Wright, Desert Troon Companies, the Arizona Republic, Judicial Watch, Crain Publications (Pensions and Investments Magazine), Mark Selfridge, Paul Corens, Stacy Alcott, and Michele Weigand, as well as claims raised by the survivors of deceased fire fighters John Percin, Jr., Sean Misner and
Garret Zuppiger. 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 31.

31. 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 setting policies in regards to the use of employment agreements, as authorized by A.R.S. §§ 38-431.03 (A) (3) and (4).

b. Update and discussion concerning the process to select the next System Administrator, as authorized by A.R.S §§ 38-431.03(A)(1) and (3).

c. Discussion regarding an Agreement with the Arizona Department of Administration, as authorized by A.R.S. §§ 38-431.03(A)(1), (3) and (4).

d. Status report from Steptoe & Johnson LLP regarding the four (4) lawsuits challenging provisions of Senate Bill 1609, which lawsuits involve judges Thompson and Hall, retired judges Fields and Lankford, retired police officers Rappleyea and Everson, and police officers Parker, Griego, Manganiello and Robles, as authorized by A.R.S. § 38-431.03(A)(4).

e. Discussion with legal counsel (and possible recommendation to the Board of Trustees) regarding IRS determination letter requests and legal developments, claims and issues (including settlement discussions) involving investment-related public record requests as well as the Trust and Plans’ contracts and investments, including legal matters concerning the Trust’s custodians, lenders, securities lending agents, investment contracts, vendors, advisors, investment managers or joint venturers (as well as any investments managed by the Trust’s investment managers or joint venturers), as authorized by A.R.S. §§ 38-431.03(A) (2), (3), (4) & (7). Matters discussed may include claims or potential claims by, against or involving (or issues concerning) Stroh Ranch Development, Timbervest, the Pivotal Group, Desert Troon Companies, Judicial Watch, Crain Publications (Pensions and Investments Magazine), the Arizona Republic, and/or Millard and Scott Seldin. Discussion may also include the Trust’s negotiations regarding disposition of its joint venture real estate portfolios, as authorized by A.R.S. §38-431.03(A)(7).

f. Discussion and consultation with legal counsel and Staff regarding internal investigations (including those arising from UNITE HERE!’s allegations concerning ORG Portfolio Management), public record requests, and ongoing or threatened legal action involving the Plans or Trust not otherwise referenced above, including claims involving employee bonuses and plan valuations, Jack Cross, Anton Orlich, Ken Fields, Jennifer Wright, Mark Selfridge, Paul Corens, Stacy Alcott, and Michele Weigand, as well as claims raised by the survivors of deceased fire fighters John Percin, Jr., Sean Misner, and Garret Zuppiger, all as authorized by A.R.S. §§ 38-431.03(A) (2), (3) and (4).
g. Discussion with legal counsel and staff relating to employer defaults and withdrawals and legislation to address same, as authorized by A.R.S. 38-431.03(A)(3).

h. Discussion regarding proposed legislation, as authorized by A.R.S. 38-431.03(A)(3).

i. Discussion regarding the use of legal counsel, as authorized by A.R.S. 38-431.03(A)(3).

<table>
<thead>
<tr>
<th>MOTION: 5 – 10/22/14</th>
<th>At 4:00 p.m.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motion:</td>
<td>To recess Open Session and enter Executive Session regarding agenda items 31 a - i.</td>
</tr>
<tr>
<td>Moved by:</td>
<td>Mr. Kingry</td>
</tr>
<tr>
<td>Seconded by:</td>
<td>Mr. Ferguson</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 – Mr. Pasternak, Ms. Stein attended by phone</td>
</tr>
</tbody>
</table>

At 5:14 the Board returned to Open Session.

32. Set the next meeting date. (*Currently scheduled for Wednesday, November 19, 2014.*)

The next meeting will be held on Wednesday, November 19, 2014.

33. Adjournment.
The meeting was adjourned at 5:23 p.m.

Brian P. Tobin, Chairman

Gregory Ferguson, Trustee, Vice Chairman

Randie A. Stein, Trustee

Jeff Allen McHenry, Trustee

Richard J. Petrenka, Trustee

Lauren Kingry, Trustee

William C. Davis, Trustee