Call to Order, Roll Call, Opening remarks............................Mr. Richard J. Petrenka
............................................................................................................Committee Chairman

The meeting was called to order by Chairman Petrenka at 10:05 a.m.

Presentation by Investment Department Staff and the Compliance Officer and discussion regarding investment management fees and possible Recommendation concerning amendment of the PSPRS Amended and Restated Statement of Investment Policies to clarify that, to promote uniformity among the Trust's investments, all policies set forth in the Amended and Restated Statement of Investment Policy, whenever adopted, shall apply retroactively to all existing investments, including those authorized before the date such policies became effective, unless the trustees direct otherwise.....Mr. Ryan Parham
........................................................................................................................Ms. Bridget Feeley
........................................................................................................................Internal Audit and Compliance Officer

It was reported by Ms. Feeley that two areas have been consistently out of compliance in the last eight months. One is the security mutual bond which is larger than the maximum allowable percentage in the asset class of fixed income and the other is in the real estate allocation where the money invested exceeds the upper boundary of 12%. Mr. Parham stated the security mutual bond periodically causes the fixed income area to go over the percentage set for this asset class due to the increase in value. It has good
credit and once we get a good price offer, we will sell off part of it which will end this compliance issue. Staff recommends we continue to tolerate the exception in the fixed income area and in February the fixed income policies will be reviewed. Regarding the over allocation to real estate, at the time of reasonable pricing, we will sell property in order to move closer to our target and include some leeway in that asset class.

3. Review, discussion and possible approval of Investment Committee Minutes from November 30, 2011……………………………………………………………………….Mr. Richard J. Petrenka

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<thead>
<tr>
<th>MOTION: 1-27-12</th>
<th>At 10:12 a.m.</th>
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<tr>
<td>Motion:</td>
<td>To approve the Investment Committee Minutes from November 30, 2011.</td>
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<tr>
<td>Moved by:</td>
<td>Mr. Tobin</td>
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<tr>
<td>Seconded by:</td>
<td>Mr. Kingry</td>
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<td>Discussion:</td>
<td>None</td>
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<td>In Favor:</td>
<td>Unanimous</td>
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<tr>
<td>Motion:</td>
<td>Passes</td>
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4. Report by Investment Department Staff and discussion regarding the Month Ended and Fiscal Year-to-Date performance/portfolio……………………………………….Mr. Anton Orlich ……………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………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Small Cap Growth Strategy, legal counsel and Staff completed their separate due diligence processes. Discussion was held regarding the cost analysis of transactions and comparisons to other small cap growth funds.

Messrs. Pepin and Boksen stated that Eagle is part of Raymond James which is located in St. Petersburg, Florida. They are proud of their consistent performance over a five year rolling period. All stocks are screened for acceleration of earnings. They focus on risk management. They are able to diversify and they are fundamentals driven. Their staff has a low turnover rate. They outperform in difficult markets, and they do not follow fads or cyclical investments.

6. Presentation by Investment Department Staff, Albourne America, LLC and Parallel Resource Partners, LLC representatives and discussion and possible Recommendation regarding an investment of up to $30 million in Energy Recapitalization and Restructuring Fund. L.P., or appropriate feeders, blockers, or associated or parallel funds of same.................................Mr. Paul Corens
.................................................................................................Senior Investment Analyst
........................................................................................................Mr. Tom Cawkwell
........................................................................................................Albourne America, LLC
...........................................................................................................Mr. Ron Hulme
............................................................................................................CEO, Parallel Resource Partners, LLC

Mr. Corens said that a fundamental analysis has been conducted regarding this possible investment in order to diversify within the energy space into our portfolio. The targets of the Energy Recapitalization and Restructuring Fund are small producing oil and gas companies that are in distress due to economic conditions, or are experiencing commercial and financial distress or their businesses are simply out of favor. The IRR target is 18% and they have significant upside potential with 20% of the U.S. markets.

Mr. Cawkwell added that their absolute return expectations are good; their alpha is good, and they have good diversification and good inflation protection. He also noted that the U.S. cycle of energy markets have a long way to develop. The Energy Recapitalization and Restructuring Fund explores potential reserves using their geologists and technical experts. There is an issue in the cyclical space and part of their strategy is to monitor these cycles relying on the abilities that have created an exceptional record in tracking these cycles. Their downside protection is good using wells as collateral.

Additionally, Mr. Hulme said this newly formed private equity firm, Parallel Resources Partners specializing in upstream oil and gas, is comprised of Bluescape Resources and Carlson Capital. The teams have been merged in order to complement each other.
MOTION: 1-29-12  At 12:12 p.m.
Motion: To Recommend to the Board of Trustees an investment of up to $30 million in the Energy Recapitalization and Restructuring Fund, L.P., or appropriate feeders, blockers, or associated or parallel funds of same.
Moved by: Mr. Tobin
Seconded by: Mr. Kingry
Discussion: None
In Favor: Unanimous
Motion: Passes

7. Presentation by Investment Department Staff and discussion and possible Recommendation to reduce the remaining unfunded capital commitment of the Trust to Apex Capital Fund 1, LLC from $190,373,756 and Apex Capital Fund 2, LLC from $129,289,821 to a total of $10 million for the combined assets.………..Mr. Ryan Parham

Mr. Parham recommended extinguishing the $190,373,756 and leave a total of $10 million for these assets as legal cleanup.

MOTION: 1-30-12  At 12:14 p.m.
Motion: To Recommend that the Board of Trustees reduce the remaining unfunded capital commitment of the Trust to Apex Capital Fund 1, LLC from $190,373,756 and Apex Capital Fund 2, LLC from $129,289,821 to a total of $10 million for the combined assets.
Moved by: Mr. Tobin
Seconded by: Mr. Kingry
Discussion: None
In Favor: Unanimous
Motion: Passes

8. Presentation by Investment Department Staff and discussion and possible Recommendation regarding amending the Limited Partnership Agreement of ORG AZ Secondary Opportunity Fund to allow that Fund to invest in co-investments as well as secondary opportunities in Real Estate and Real Assets……………..Mr. Ryan Parham…………………………………………………………………………Chief Investment Officer………………………………………………………………..Mr. Marty Anderson………………………………………………………………………..Deputy Chief Investment Officer

A recommendation was made by Mr. Parham to expand ORG’s authority in order to invest capital into co-investments as well as secondary opportunities in Real Estate and Real Assets for better risk adjusted returns with known management.
9. Presentation by Investment Department Staff and Albourne America, LLC and discussion and possible Recommendation regarding the possible redemption of assets (liquidation of its Capital Account and other partnership interests) from Waterstone Market Neutral Offshore Fund Ltd……………….……………………

Mr. Mark Steed
…………………………………………………………….…………
Mr. Mark Steed
…………………………………………………………………………Mr. Tom Cawkwell

A statement was made to the committee by Mr. Steed that due to underperformance on a relative basis and due to the fact the opportunity set has moved, Staff recommends that we redeem our assets. Additionally, Mr. Cawkwell said that the upside expected for this investment did not develop. Even though Waterstone Market Neutral Offshore Fund Ltd. has done okay, we would recommend moving the capital elsewhere to avail ourselves of better opportunities.

10. Presentation by Investment Department Staff and the Compliance Officer and discussion regarding investment management fees and possible Recommendation concerning amendment of the PSPRS Amended and Restated Statement of Investment Policies to clarify that, to promote uniformity among the Trust's investments, all policies set forth in the Amended and Restated Statement of Investment Policy, whenever adopted, shall apply retroactively to all existing investments, including those authorized before the date such policies became effective, unless the trustees direct otherwise…..Mr. Ryan Parham

Ms. Bridget Feeley

Internal Audit and Compliance Officer

MOTION: 1-31-12 At 12:18 p.m.

Motion: To Recommend that the Board of Trustees amend the Limited Partnership Agreement of ORG AZ Secondary Opportunity Fund to allow that Fund to invest in co-investments as well as secondary opportunities in Real Estate and Real Assets.

Moved by: Mr. Tobin
Seconded by: Mr. Kingry
Discussion: None

In Favor: Unanimous
Motion: Passes

MOTION: 1-32-12 At 12:20 p.m.

Motion: To Recommend that the Board of Trustees approve the redemption of assets (liquidation of PSPRS Capital Account and other partnership interests) from Waterstone Market Neutral Offshore Fund Ltd.

Moved by: Mr. Tobin
Seconded by: Mr. Kingry
Discussion: None

In Favor: Unanimous
Motion: Passes
Mr. Parham indicated that there has been a disconnect between the way capital was allocated and what was approved. We have struggled with the issue of where to allocate investment management fees. The updated investment policy did not state how to treat policies that antedated the change and so now we need to clarify those past transactions. It is recommended that we specifically state that the policy applies either retroactively or only prospectively at the time of making a change to the investment policy.

It was recommended that outside legal counsel and the compliance officer work on the wording for presentation at today’s afternoon Board of Trustees meeting.

11. Report by Investment Department Staff and/or legal counsel, and discussion by them with the Committee (and possible recommendation by the Committee to the Board of Trustees) about recent legal developments and issues (including settlement discussions) involving the investments of the Arizona PSPRS Trust, the System or the System’s sister plans (EORP or CORP) (collectively, the “Plans”). Such discussion (and recommendations) may include legal issues (and disputes involving) the Plans’ custodians, lenders, securities lending agents, investment contracts, vendors, advisors, investment managers or joint venture partners (as well as any investments managed by the Plans’ investment managers or joint venture partners). The Committee may vote to discuss these matters, including public record requests, in Executive Session pursuant to A.R.S. §§ 38-431.03(A)(2),(3), (4), and (7) as set forth in item 11. Matters discussed may include claims or potential claims by or against or issues concerning Bank of America, BNY Mellon, Stroh Ranch Development, The Pivotal Group, APEX Capital, U.S. Bank and/or Millard and Scott Seldin.

Mr. Parham stated that any matters appropriate for Executive Session be discussed in Executive Session during the Board of Trustees meeting this afternoon.

12. Executive Session for Legal Matters. Discussion with legal counsel (and possible recommendation to the Board of Trustees) about legal developments and issues (including settlement discussions) involving public record requests and the Plans’ investments, including legal matters concerning the Plans’ custodians, lenders, securities lending agents, investment contracts, vendors, advisors, investment managers or joint venture partners (as well as any investments managed by the Plans’ investment managers or joint venture partners). The Investment Committee may vote to discuss these matters, wholly or in part, in Executive Session pursuant to A.R.S. §§ 38-431.03(A)(2),(3),(4), and (7). Matters discussed may include claims or potential claims by or against or issues concerning Bank of America, BNY Mellon, Stroh Ranch Development, The Pivotal Group, APEX Capital, U.S. Bank and/or Millard and Scott Seldin.

13. Schedule next meeting. (Calendared for February 29, 2012)

14. Call to the Public:

This is the time for the public to comment. Members of the Committee may not discuss items that are not specifically identified on the agenda. Therefore, pursuant to A.R.S. § 38-431.01(H), action taken as a result of public comment will be limited to directing staff to study the matter, responding to any criticism, or scheduling the matter for a later date.
for further consideration and possible recommendations to the Board of Trustees.

Members of the public did not come forward to speak.

15. Adjournment

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<tr>
<td>Motion:</td>
<td>To adjourn the meeting.</td>
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<tr>
<td>Moved by:</td>
<td>Mr. Tobin</td>
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<td>Motion:</td>
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________________________________                  ______________________
Mr. Richard J. Petrenka, Chair, Trustee             Mr. Lauren Kingry, Trustee

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Mr. Brian Tobin, Trustee