PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM
BOARD OF TRUSTEES INVESTMENT COMMITTEE MEETING

April 4, 2012

MINUTES

Mr. Richard J. Petrenka, Chair, Trustee
Mr. Lauren Kingry, Trustee
Mr. Brian Tobin, Trustee
Mr. William Davis, Observer
Mr. Ryan Parham, Assistant Administrator / Chief Investment Officer attended at 10:18 a.m.
Mr. Marty Anderson, Deputy Chief Investment Officer
Mr. Pascal Stalder, Deputy Chief Investment Officer – Risk
Mr. Paul Corens, Senior Investment Analyst
Mr. Shan Chen, Senior Investment Analyst
Mr. Mark Steed, Lead Investment Analyst
Mr. Mark Selfridge, Senior Investment Analyst
Ms. Michele Weigand, Senior Contracts Specialist
Mr. Don Stracke, Senior Consultant, NEPC, LLC
Mr. Lincoln Smith, Albourne America, LLC
Messrs. Luis Lopes and Luiz Maia, Managing Partners, Brookfield Asset Management Private
Institutional Capital Advisors Latam Ltd. and Eric Bronner
Messrs. Anup Agarwal, Portfolio Manager and Michael Roth, Founding Principal, Stark
Onshore Management LLC

1. Call to Order, Roll Call, Opening remarks…………………………..Mr. Richard J. Petrenka
………………..Committee Chairman
The meeting was called to order at 10:06 a.m. by Chairman Petrenka.

2. Review, discussion and possible approval of Investment Committee Minutes from
February 29, 2012…………………………………………………………………..Mr. Richard J. Petrenka

MOTION: 4-37-12 At 10:07 a.m.

Motion: To approve the Investment Committee Minutes from February 29, 2012 as
presented.

Moved by: Mr. Tobin
Seconded by: Mr. Kingry
Discussion: None
In Favor: Unanimous
Motion: Passes

3. Report by Investment Department Staff and discussion regarding the Month Ended and
Fiscal Year-to-Date performance/portfolio……………………………………Mr. Ryan Parham
…………………………………………………………………………………………Chief Investment Officer

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Mr. Marty Anderson reported that the return for the Trust for month ended February 29, 2012 was 1.91% which trailed the benchmark by 36 basis points. The NCRIEF trailing numbers will be reported later. The strong areas include Alternatives, Absolute Return, and GTAA -- all of which provide diversification. For the Year-to-Date, the portfolio is up 48 basis points, but this is 100 basis points below the index. Hopefully, we can make up the shortfall in the coming months. We are adding long/short managers to provide protection and insulation in declining markets.

There was a suggestion from the Board to disaggregate equity return performance in order to review the performance of the State Street component and the long/short manager component.

Mr. Parham stated that the Staff has tried to keep the underweight in the liquid markets in order to have cash to make capital calls and to spread the underweight between bonds and equities. We remain overweight in real estate because of the JV legacy properties. Unfortunately, we cannot rebalance to neutral due to the 5% overweight in real estate unless a fire sale of some of those assets was held. We feel is not a good idea at this time.

4. Presentation by Investment Department Staff, Albourne America LLC and Brookfield Asset Management Private Institutional Capital Advisors Latam Ltd. representatives and discussion and possible Recommendation regarding an investment of up to $20 million in Brookfield Brazilian Capital Partners, L.P. or appropriate feeders, blockers, or associated or parallel funds of same………………………………………..Mr. Paul Corens ……………………………………………………………………………………………………………………Senior Investment Analyst ……………………………………………………………………………………………………………………Mr. Lincoln Smith ……………………………………………………………………………………………………………………..Albourne America, LLC ……………………………………………………………………………………………………………………..Messrs. Luis Lopes and Luiz Maia, Managing Partners ………………… Brookfield Asset Management Private Institutional Capital Advisors Latam Ltd

Mr. Corens introduced this potential investment which, if approved, would be placed in the Real Assets portfolio and will provide diversification, given the heavy exposure to the U.S. real assets in the portfolio. Both Albourne America and StepStone have met with this global alternative investment company. Three talking points were presented regarding this possible investment which included Global Brookfield Asset Management, Brookfield’s history in Brazil, and Brookfield Brazilian Capital Partners. Brookfield Asset Management Private Institutional Capital Advisors Latam always contributes capital to their funds. They invest in developing and emerging market infrastructure, timber, agriculture, power generation, power transmission, and special credit opportunities related to hard assets. Brookfield has been in Brazil for over 110 years.

Mr. Smith, of Albourne America, reiterated Brookfield’s long exposure to investing in real assets in Brazil and their alignment of interest with their investment in their funds. The focus of the fund is tilted towards real assets, but they own companies involved in buying real asset supply chains and focus on efficiency. 70% of their investments are in equity and credit opportunities comprised of agriculture and food, logistics and storage, and oil and gas. The remaining 30% is in value opportunity. 80% of the investments are in Brazil and 20% in other South American locations.
Additionally, Messrs. Lopes and Maia stated they target the middle market control opportunities in growth sectors and purchase and build through disciplined investment processes. Brazil’s household income is growing; credit markets are expanding; and government programs encourage expansion of infrastructure, agriculture/timberlands, and capital markets. The strategy, focus areas, targets, and track record of Brookfield Capital Partners were presented and are good.

5. Presentation by Investment Department Staff, NEPC, LLC and Stark Onshore Management LLC representatives and discussion and possible Recommendation regarding an investment of up to $40 million in Stark Mortgage Opportunities Fund L.P., or appropriate feeders, blockers, or associated or parallel funds of same……………………………………… …………………….. …….………....Mr. Mark Steed…………………………………………………………….……………Lead Investment Analyst………………………….. …………………………………………. ……… …….Mr. Allan Martin…………………………………………………………………………………. …Stark Onshore Management LLC……… ..Messrs. Anup Agarwal, Portfolio Manager and Michael Roth, Founding Principle……………………………………………………………. …Stark Onshore Management LLC

Mr. Steed said that this is a possible investment by PSPRS and possibly one other investor in attractively priced mortgage backed securities. Stark Mortgage Opportunities Fund has a good track record and management team whose goal is to take advantage of pricing inefficiencies in the mortgage market. Should this be approved, it will go into the Credit Opportunity portfolio. NEPC supports the decision of Staff to present this opportunity.

Messrs. Roth and Agarwal discussed the dislocation in the market, their staff of analysts, and their technical and fundamental processes.

MOTION:  4-38-12 At 11:08 a.m.
Motion: To Recommend to the full Board a possible investment of up to $20 million in Brookfield Brazilian Capital Partners, 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

MOTION:  4-39-12 At 11:33 a.m.
Motion: To Recommend to the full Board a possible investment of up to $40 million in Stark Mortgage Opportunities 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
6. **Presentation by Investment Department Staff and discussion and possible Recommendation** regarding approval for opening a Business Market Rate savings account at Wells Fargo Bank, N.A. with a balance not to exceed $100 million to manage monthly cash flows.  

Mr. Selfridge informed Committee members this is an opportunity for a greater rate of interest and the excess cash will be placed to assist in the management of monthly cash flow to enhance investment returns. There may be a need to look into obtaining collateralized security pledges in case Wells Fargo Bank encounters financial difficulties.

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<thead>
<tr>
<th>MOTION: 4-40-12</th>
<th>At 11:41 a.m.</th>
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<tr>
<td>Motion:</td>
<td>To <strong>Recommend</strong> to the full Board possible approval for opening a Business Market Rate savings account at Wells Fargo Bank, N.A. with a balance not to exceed $100 million to manage monthly cash flows.</td>
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<tr>
<td>Moved by:</td>
<td>Mr. Kingry</td>
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<td>Seconded by:</td>
<td>Mr. Tobin</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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<td>Motion:</td>
<td>Passes</td>
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7. **Presentation by Investment Department Staff and NEPC, LLC representatives and discussion and possible Recommendation** regarding the approval of certain proposed revisions to the Asset Allocation targets, which are stated in Appendix I Asset Allocation Policy; and replacing and superseding those targets.  

Mr. Parham and Mr. Martin

Tabled until the Board of Trustees Meeting at 1:00 p.m. today.

8. **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 9. 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.

9. **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.

10. Schedule next meeting. (Calendared for April 25, 2012)

11. 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.

The Call to the Public was unanswered.

12. Adjournment

The meeting was adjourned at 11:44 a.m.

Richard J. Petrenka, Chairman