PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM
BOARD OF TRUSTEES INVESTMENT COMMITTEE MEETING

April 27, 2011

MINUTES

Members Present:  Mr. Alan Maguire, Acting Chair
Mr. Richard Petrenka, Trustee

Others Present:  Mr. Lauren Kingry, Trustee (observer)
Mr. Ryan Parham, Chief Investment Officer
Mr. Pascal Stalder, Risk Officer
Mr. Mark Steed, Senior Analyst
Mr. Shan Chen, Investment Analyst
Mr. Mark Selfridge, Investment Analyst
Ms. Michele Weigand Investment Contracts Paralegal
Ms. Bridget Feeley, Internal Audit and Compliance Officer
Mr. Allan Martin, Partner, NEPC, Inc.
Mr. Don Stracke, NEPC, Inc.
Mr. Lincoln Smith, Consultant, Albourne America, LLC
Mr. John Shearman, Partner, Albourne America, LLC
Mr. David Hutchings, Partner, Albourne America, LLC
Mr. Marc Lieberman, Partner, Kutak Rock

1. Call to Order

Acting Chair Alan Maguire called the meeting to order at 10:15 a.m. Newly appointed Trustee Mr. Lauren Kingry was introduced. Mr. Maguire said that it was anticipated that Mr. Kingry would be formally appointed to this committee at the afternoon Board meeting; hence he was participating in this meeting as an observer.

2. Review, discussion and possible approval of Investment Committee Minutes from March 30, 2011.

This item was deferred by the Chair.

3. Report by Investment Department Staff and discussion regarding the Month Ended and Fiscal Year-to-Date performance/portfolio update.

Mr. Stalder distributed the finalized Performance Report as of 3/31/11 (Gross of Fees) noting that this final report included the NCREIF Index which was not available at the time the meeting materials were mailed. He said the Total Fund outperformed its benchmark by 50 basis points. He said the notable contributors to the outperformance were the Absolute Return and Credit Opportunities portfolios and the detractors were the Equity and Real Estate portfolios. He said that, year-to-date, the biggest contributors to outperformance have been the GTAA and Absolute Return portfolios. He said the Private Equity portfolio is still young so the disparity in return between the portfolio and the Russell 3000 is expected. He said the rest of the portfolio is doing quite well.

4. Presentation by Investment Department Staff and New England Pension Consultants (“NEPC”)
representatives and discussion and possible **Recommendation** regarding the approval of a revision to Appendix IV **INVESTMENT MANAGER REQUIREMENTS FOR INTERNALLY MANAGED FIXED INCOME PORTFOLIO** of the PSPRS Amended and Restated Statement of Investment Policies.

Mr. Parham referred to the Fixed Income Plan, a copy of which was distributed to the Trustees. He said that, as Staff moves forward in diversifying the portfolio according to the Plan, there was some friction between the current investment policy and implementation of the high-yield portion of the Plan. He said that Staff has been in discussions with NEPC to determine potential ways the Plan and the Policy might be aligned.

Mr. Martin commented that part of the Fixed Income Plan was a Board approved structure which involves a specific allocation to high-yield. He said that the Policy may restrict potential managers in terms of the percentage of non-investment grade (i.e. high yield) that they could hold. He said NEPC and Staff have worked to modify the Policy to permit the diversification in the Plan. He said that the proposed revisions to the policy, which were included in the meeting materials, will permit the allocation of assets to external managers. He said that the proposed change that is the most liberal is to allow 20% of the Fixed Income portfolio to be invested in high yield strategies and that the average credit quality of high yield funds selected shall be CCC or better. He said that he does not anticipate hiring managers that would be in variance with the proposed guidelines and that NEPC recommends this policy be adopted.

Mr. Parham commented that the intent of these policy changes is to maintain the internally managed portfolio in the constrained configuration that it is in today and not to inject additional risk into the total fixed income portfolio but to achieve additional diversification as contemplated by the overall fixed income plan.

Mr. Petrenka asked how the potential 20 percent high yield commitment compares to those of other plans. Mr. Martin responded that it is aggressive. Mr. Petrenka asked how many managers would we consider for this exposure. Mr. Martin responded that they looked at 12 to 15 of the best managers and the rational was to make sure the constraint did not impede their ability to generate alpha.

Mr. Petrenka asked if the average was a monthly mark. Mr. Parham stated that is part of Staff’s compliance and that the Compliance Officer is charge with reporting that compliance on a monthly basis.

Mr. Parham noted that the word “Internally” should be stricken from the policy title so that it refers comprehensively to the entire Fixed Income portfolio.

Mr. Maguire commented that, while he does have some concern about the 20 percent exposure and the grade level, he will support this change but that he wants to be clear that that limitation applies only to the high yield component of the portfolio. Mr. Parham concurred that his interpretation was that it applied to the high yield portion of the of the fixed income strategy only.

**Recommendation**

04-26-11

Recommendation: To recommend to the full Board the approval of the proposed revisions to Appendix IV **INVESTMENT MANAGER REQUIREMENTS FOR INTERNALLY MANAGED FIXED INCOME PORTFOLIO** of the PSPRS Amended and Restated Statement of Investment Policies and striking the word “internally” from the title.

Moved by: Richard Petrenka
Seconded by: Alan Maguire
Discussion: Unanimous
In Favor: Unanimous
Motion Passes: Passes

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5. Presentation by Investment Department Staff, Albourne America LLC and EQT VI Limited representatives, and discussion and possible Recommendation regarding a possible investment of up to $40 million in the EQT VI (NO. 1) L.P. or appropriate feeders, blockers, or associated or parallel funds of same.

Mr. Chen presented EQT Partners, which is a Nordic-based industrial holding company founded in 1994 by Investor AB and controlled by the Wallenberg family. He said they leverage their industrial and operational heritage, investing in and improving middle market businesses. He added that the firm has generated good returns since 1995. He said four out five of EQT’s prior funds are in the top quartile when compared to other European buy-out firms. He said both StepStone and Albourne have favorable opinions of EQT. He requested the Board approve Staff’s recommendation to invest up to $40 million in EQT VI.

David Hutchings, Albourne America, said he has known EQT since 1995 and has watch it grow, develop, institutionalize and expand from the Nordic region down in the Germanic speaking regions of Europe. He said he has had clients committed to every EQT fund since 1998. He said Albourne’s London team has conducted full investment and operational due diligence on this team and they found them to be very satisfactory. He said very recently there have been some announcements of improvements to the terms and new exits. He said he has no hesitation in recommending this opportunity.

Mr. Sumeet Gulati, Partner (Munich Office) and Mr. James Wilson, Director of Investment Relations (North America) both of EQT described the EQT VI buy-out fund. Mr. Gulati said that the firm has been active in the Northern European region for some time and that they have been able to achieve a 58% gross IRR, 4.5 x multiple of cost. He said they have had no write-offs in the history of EQT’s buy-out funds which have invested in 54 companies and exited 32 companies. He said there are three elements that they feel makes them distinct in their investment approach: their industrial focus, their team which is very entrepreneurial, and their consistent investment strategy which has remained largely unchanged since the foundation of the firm. He said the Northern European region comprises the more economically healthy part of Europe: Sweden, Germany, Norway, Denmark, Finland and Poland. He said these countries had positive GDP growth in 2010 and a strong expectation for positive growth in 2011. They also have strong export orientation, low levels of national debt, flexible labor markets and political stability. He gave an overview of their industrial heritage, Investment strategy, investment criteria and investment team.

Mr. Gulati said they always steer the companies they invest in by making sure that the Board of Directors is chaired by an industrialist; that the majority of the Board members are also industrialists; and that EQT has a seat on the Board. He said there is communication between the CEO, the Chairman and the EQT Partner in charge on a weekly basis. He said everyone is invested in the deal and there is a strong alignment of interest. He said there is a clear delineation of responsibilities and full focus on creating the best value in the deal. He said that this emphasis has helped to create strong performance culture in the deals and companies they have acquired.

Mr. Petrenka asked what their average holding period is. Mr. Gulati responded that it has consistently averaged about 4.5 years.
6. Presentation by Investment Department Staff, NEPC and Golden Tree Asset Management L.P. representatives and discussion and possible Recommendation regarding a possible investment of up to $50 million in the Golden Tree High Yield Value Master Unit Trust Fund or appropriate feeders, blockers, or associated or parallel funds of same.

Mr. Steed said the Investment Staff is trying to build out the fixed income portfolio consistent with the Board’s approved Plan. He said that, as Staff looked to allocate to high-yield, they recognized that the market was segmenting assets into risky and non-risky categories and that the risky assets were doing quite well. He said it is a momentum market and that Staff is not only concerned about the direction of the market but also about some of the systemic risks globally with monetary policy tightening and questionable fiscal situations in some of the developed economies. He said that, as Staff looked at high-yield, they looked for managers that had a top-down perspective with respect to the market and have the credit expertise to identify idiosyncratic opportunities that exist for capital appreciation. He said several managers in the high-yield space have been interviewed over the past several months. He said he felt Golden Tree was an appropriate investment because the firm runs its portfolio with an absolute return perspective and a top down approach.

Mr. Stracke referenced NEPC’s investment summary which was included in the meeting material. He briefly reviewed the Fixed Income Plan and said this investment will help to fill out the high yield allocation along with Gracie Capital (See below). He said that one of the reasons why they focused on filling out the high yield exposure first was a belief that there are some opportunities now in that market and it is less efficient; so we could find an opportunity to add value. He said that rates have tightened over the last 12 to 18 months and are about 100 basis points below average; however, there is still about a 450 basis points spread over treasuries which is still pretty attractive, especially in a market where treasuries are at about 320 basis points so the spread is 2x. He added that defaults have come down pretty dramatically.

Mr. Stracke discussed the search process conducted by NEPC in conjunction with Staff. He said the search started with NEPC’s Focused Placement List of 11 high yield bond managers. Through extensive analysis, those were narrowed down to 4 managers who Staff and NEPC viewed as offering the best combination of alpha generation potential and fit within the PSPRS structure. On-site due diligence meetings were performed with all four and Staff and NEPC concluded that Golden Tree was the preferred choice for this mandate due to their deep credit skills, strong long-term track record, ability to invest selectively in different types of high yield instruments, and their proven willingness to partner with their clients.

Mr. Frank Benevento, Director of Client Development and Mr. Lee Kruter, Portfolio Manager, both of GoldenTree Asset Management, described the GoldenTree High-Yield Value Fund. Mr. Benevento said GoldenTree was founded in 2000 and has $13.5 billion in assets under management. They have 180 employees and over 40 of those are investment professionals. He said they apply a consistent investment process across all of their mandates based on downside protection and making sure that
asset value exceeds the value of the liabilities of their investments. He said they are a bottom-up credit investor and use a top-down macroeconomic approach to try to protect capital when they feel markets are vulnerable. He said Golden Tree is 100% employee owned with 22 equity partners and one shared compensation pool so employee interests are aligned with those of their investors.

Mr. Benevento described the Value Fund’s strategy as long only, absolute return. He said the strategy includes: opportunistic allocation, asset class flexibility across bank debt and bonds, no active hedging or outright shorts, no gross or net leverage, and average asset coverage greater than 1.5x debt. He said that the average position size will generally be 1 ½ to 3 % and that they do invest in the U.S. and Western Europe (generally between 20 to 25% European) with currency hedged to USD.

Mr. Maguire asked if there was an absolute limit on any particular holding. Mr. Kruter responded that there is no documented limit; however they do not feel comfortable being over more than 2 ½ to 3% in any one position.

Mr. Kruter gave an overview of their investment process. He said that the target total return for this fund is 10% plus and that they have a liquidity requirement. He added that they do not like to be more than 15 to 20% of an individual security across all of Golden Trees’ funds. He said that they do not rely on what the public markets or private equity sponsors say a company is worth but rather they rely on their own internal analysis by people who have covered this sector for 10 to 20 years. He said once they find something that meets all of their criteria, then it becomes a catalyst driven process which can push the total return. He said that they constantly reevaluate the portfolio to make sure they have the optimal position sizes for each individual name. He said they have three reasons to sell: if a name hits its target, if a name gets over its target weight or if a situation changes with the position. He said since they are long only in their strategy, they manage risk with their cash positions based on where they think the best opportunities are.

Mr. Petrenka asked Mr. Kruter to comment on their 2002, 2005 and 2009 track records and explain what was going on with the Fund’s relative performance verses the benchmark. Mr. Kruter said it is hard to point to specific things that were going on but generally in 2002 it was the ramping up of the Fund and getting fully invested at the specific point in time. Then in 2005, the situation was similar to today where you have a great environment given how they have their assets allocated and if rates start moving up they will be able to shift into floating rate assets. He said that in 2009 they were re-evolving the portfolio through active management as a result of the market volatility.

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<th>Recommendation 04-27-11</th>
<th>At 11:16 a.m.</th>
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<td><strong>Recommendation:</strong></td>
<td>To recommend to the full Board the approval of a possible investment of up to $50 million in the Golden Tree High Yield Value Master Unit Trust Fund or appropriate feeders, blockers, or associated or parallel funds of same.</td>
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<td><strong>Moved by:</strong></td>
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7. Presentation by Investment Department Staff, Albourne America LLC and Gracie Capital LLC representatives and discussion and possible Recommendation regarding a possible investment of up to $50 million in the Gracie Credit Opportunities Fund, L.P. or appropriate feeders, blockers, or associated or parallel funds of same.
Mr. Steed said the arguments for the investment in Golden Tree are the same as for an investment in this Fund, although Gracie pursues a different strategy which Albourne will describe. He said Gracie is a relative value hedge fund with a macro overlay. He said that, unlike Golden Tree, Gracie offers a hedge fund that can take short positions and hedge some of the macro systemic risks and that it complements GoldenTree very nicely. He said their long/short approach has caused the Fund to outperform long only high-yield and investment grade fixed income indices by solid margins over the long term with negative beta and reduce volatility. He said that is what held Staff’s interest and that is why Staff is recommending the Gracie investment to the Board today.

Mr. Lincoln Smith, from Albourne America said that Albourne conducted both back and front office due diligence on Gracie and on that basis can recommend this investment. He said Gracie is a relative value credit manager that builds its macro expectations on growth, default rates and interest rates and that, in turn, shapes the gross exposure of the fund. He said the fund is managed opportunistically with a focus on liquidity and looks to capture the price movement of the various credit instruments rather than specifically having beta and a play on carry. He said the fund invests mainly in North America but does have a sizeable portion in Europe and also some allocation to Asia and South America.

Mr. James Palmisciano, CIO and Mr. Marc Friedman, COO, both of Gracie Capital, described the Gracie Credit Opportunities Fund. Mr. Palmisciano said this Gracie fund is a long/short credit fund. He said the firm views the market as being in a five unit cycle in which for 2 of those years you want to be short and in 2 you want to be careful and in one, which tends to be a distressed period, you want to be long. He said their value proposition is that credit remains a very inefficient asset class and, being able to play through this cycle, they can produce returns that they think are very good. He said their compound return is 12% but annualized volatility is around 5. He said the fund is currently about $2.2 billion in size and has been up 71 months out of 81. He said they have a small negative correlation to high yield returns and hedge fund index returns and they have slight positive correlation to the VIX which is usual in a credit fund.

Mr. Palmisciano gave an overview of their investment strategy and said that they are single name focused and that they look for corporate ideas on the long side. But on the short side, it depends on where you are in the cycle that really determines where the best ideas develop. He said it is an organic process to determine where you are in the credit cycle but for idea generation they are agnostic about looking for the best idea and the best risk adjusted returns. He said they have an extreme focus on liquidity and they believe that in the credit markets liquidity is systemically underpriced so there are a lot of things that they do to manage the liquidity of their positions. He said that, in terms of their competitive advantage, they focus on capital appreciation. They buy or short a credit position hoping the spreads tighten for the price to go up or the spreads widen for the price to go down. He said they have one portfolio but that it is easier to think of it in two parts: the core credit activities are the bulk of the risk and the bulk of the P & L, generally consisting of 75 to 100 single names long and short and then there is the macro portfolio consisting of 10 to 15 positions mostly in discreet downside positions. He reviewed their performance and said that they prefer to be in names they can move in and out of very quickly.

Mr. Petrenka asked that Mr. Palmisciano expand on the credit cycle and where they think we are currently. He referred to the “Investment Strategy” page of their written material and responded that they think about default rates and where we are. He said that at the peak of the distress cycle defaults had bottomed, spreads are at their widest and you are going to rally. He said they think we are now way down, more towards the “Normalized” close to “Rich” part of the market. He said the reasons for that are: default rates are below 1% now, the average spread in high yield is about 475 and the historical average is about 550 in high yields and defaults around 4%. He said that it seems that default rates are unsustainably low and you are starting to see the yield and interest rates that people are willing to accept are, in some ways, reminiscent of 2006 with so much cash flowing into yield-related strategies at the expense of other strategies. He said what they care a lot about is the number of companies defaulting by the total universe of companies which has bottomed and is starting to tick up, which is a good forward indicator of things starting to change. He said the other important thing is that we are starting to see
leverage coming back into the system.

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8. Presentation by Investment Department Staff, Albourne America LLC and Goldman Sachs Asset Management (GSAM) representatives and discussion and possible Recommendation regarding a possible investment of up to $60 million in the GSAM Hedge Fund Seeding Strategy:2011 LLC or appropriate feeders, blockers, or associated or parallel funds of same.

Mr. Parham said that about 3 ½ years ago Staff recognized that there were unique opportunities in hedge fund seeding but the conversation was disrupted when the markets collapsed. Staff recognizes that this may now be a really unique time to engage in hedge fund seeding due to some dislocations taking place in the market. He said that obviously seeding young hedge funds has risk, as their strategies are unproven and they do not have institutional quality and back office support. However, in the current environment, we are seeing very good hedge funds that have been imbedded within large investment banks around the globe that have long track records, and an enormous amount of talented people running them. They have demonstrated their ability to add value and to control risk but they are now being forced into the street. He said Staff engaged in conversations with Goldman about a year ago and they also saw this potential opportunity and Staff has worked with them to create a vehicle that would allow us to invest in seeding these opportunities. He said the Staff believes Goldman is uniquely qualified to do this because they provide back office support, institutional quality, and the ability to attract other investors. He said Staff is recommending an investment of up to $60 million dollars in this seeding strategy and that Staff has negotiated terms which are particularly favorable.

Mr. Parham said that Albourne has to recues itself for a full review of the Goldman strategy as they represent other hedge funds but he would like Mr. Shearman to discuss “seeding” and to venture an opinion about this opportunity along with NEPC.

Mr. Shearman said that the reason they have to step aside on this is because their business model is such that they help investors monitor and manage their direct investments in hedge funds and some of their clients are fund of hedge funds so that puts them in a clear conflict of interest. He said they do have some remarks, however, on the opportunity and strategy. He said it is a very attractive environment for this type of investment and in the context of the System’s hedge fund program he does think it is definitely worth taking a serious look at the opportunity. He said the benefit of seeding is that it brings two potential sources of alpha: the first being emerging managers who it is hoped can be more nimble and who are fresh talent coming out of the investment banks as a result of the Volker Rule. The second source of alpha is the opportunity for participation in the revenue streams as the manager grows.

Mr. Martin said that NEPC knows Goldman well. In the industry, Goldman is either loved or hated and they are in a business which creates a potential for conflict. So we always want to make sure that we like them as partners because they are smart and able but we also want to make sure that the structure of the relationship is such that they are working for us and not against us.
Ms. Stephanie M. Ivy and Mr. Hugh Lawson, Vice Presidents of Goldman Sachs Asset Management introduced themselves and briefly described their roles at GSAM which began for both in 1997. They then presented the seeding strategy. Ms. Ivy said that they view the System as a partner and that this investment opportunity is one on which they have approached other investors only on a limited basis. She said this is a unique market opportunity for seeding funds and they are contemplating raising a fund that will consist of 10 to 15 managers in the seeding space. The team that will focus on this investment is their hedge funds management group which has a track record of doing the due diligence on managers going back to 1969. It is a team that consists of over 100 professionals, located in 30 countries, and this team has done the due diligence on over 4000 funds. She said they have an extensive due diligence process with a separate operational due diligence team that looks at the operations, trading, compliance, back office and all the things that are very important, particularly with hedge funds. She said they also have an independent risk management group that oversees the efforts of the hedge fund strategy team. She said the seeding fund offers the attractive economics of emerging managers who could potentially offer outsized returns; but there is also the revenue sharing opportunity and the monetization event at the end of the life of the fund.

Mr. Lawson said that the hedge fund industry survived the recent economic and financial market crisis better than many expected and that a well-structured hedge fund portfolio could actually served investors well. He said the industry now is back at about $1.9 trillion and they believe that probably in the next three to five years that number could easily be $3 to 4 trillion based on what they are seeing. He said about 80% of the net inflow into the hedge fund industry over the last 3 years was concentrated on the top 30 hedge funds which is an extraordinarily mismatched supply/demand balance and, at a certain point, size becomes a problem when it comes to managing a hedge fund. He said there are plenty of hedge funds that are modest in size with experienced people who are looking to grow their business in an appropriate way but who have not been the beneficiaries of the recent flows of capital into the industry. That is the type of hedge fund that they would like to focus on with this “seeding” strategy.

Mr. Lawson then reviewed their hedge fund seeding strategy and discussed the anatomy of a seed deal. He said that typically they would seed with at least $50 million, maybe a bit more, for a larger fund in exchange for 15 to 20% of all of the revenue that the manager generates for 5 to 6 years. They will negotiate a clean exit so that at the end of 5 to 6 years. He said their base case return profile for this investment is mid to high teens.

Mr. Lawson said that on the question of risk there are two important mitigants: the due diligence process and negotiated kick-out rights with each manager which will give the fund preferential liquidity rights and the ability to retract L.P. capital which Goldman believes gives them meaningful downside protection. He also discussed the proposed terms of the hedge fund seeding strategy.

Mr. Petrenka asked if the type of investment that the hedge fund would be making would be open-ended or would there be a defined area of focus. Mr. Lawson responded that part of the reason the fund will be looking to seed 10 to 15 managers is so there will be some diversification of style. They expect most hedge fund disciplines to be represented, including macro, event driven, credit and equity long/short.

Mr. Petrenka asked in which asset class this investment would be placed. Mr. Parham responded that this would be allocated to the Absolute Return portfolio and funded by funds which are being distributed by Goldman from a Credit Opportunities investment that we have. The cash is being reallocated from the Credit Opportunities portfolio which is slightly overweight to the Absolute Return portfolio which is slightly underweight and that will help to fill out an attractive and diversified Absolute Return portfolio.

Mr. Maguire requested that the Board receive a frequent update on this investment because he is concerned about the potential conflicts within this investment.
9. Report by Investment Department Staff regarding ABRY Partners VII, L.P. Mr. Ryan Parham

Mr. Parham reported that the Board had approved an investment in ABRY VII but that ABRY has notified Staff that PSPRS was given a zero allocation in this Fund VII. He said that the System does have an investment in a prior ABRY fund and at the time we consummated that transaction ABRY confirmed that the System would have a preference in terms of allocation to a subsequent fund. That is why the Staff is concerned by the fact that ABRY’s investment committee chose to give us a zero allocation. He said they were wildly oversubscribed and existing investors from prior funds had requested allocations to Fund VII that exceeded the Fund perhaps by a couple of times but, still, we are concerned that they did not live up to their earlier representation.

10. Report by Investment Department Staff regarding investments in Madrona Ventures Funds III and IV through the StepStone AZ Secondary Opportunities Fund.

Mr. Chen report that Staff conducted due diligence on Madrona and determined that this was a good opportunity to buy a top quartile venture capital fund at a considerable discount. Given the time constraints and the size of the investment it was determined that the StepStone AZ Secondary Opportunities Fund was the best vehicle to use for this opportunity, since the Opportunities Fund was created to sweep these smaller opportunities that are attractively priced into a larger piece that will be meaningful for the total portfolio. StepStone conducted their own diligence and came back with a favorable recommendation. The total size of this opportunity is $10 million, including a co-investment of $4 million.


Ms. Feeley reported that she reviewed the portfolio and there was nothing to report for the period ending February or March.

12. 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 venturers (as well as any investments managed by the Plans’ investment managers or joint venturers). The Committee may vote to discuss these matters in Executive Session pursuant to A.R.S. §§ 38-431.03(A)(2),(3),(4) and (7), as set forth in item 13.

There was no report for this item.
13. **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 the Plans’ investments, including legal matters concerning the Plans’ custodians, lenders, securities lending agents, investment contracts, vendors, advisors, investment managers or joint venturers (as well as any investments managed by the Plans’ investment managers or joint venturers). 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). (Estimated time: 5 minutes; 12:18 – 12:23 p.m.)

An Executive session was not convened.

14. Call to the Public

No members of the public came forward to speak.

15. Schedule next meeting

The next Investment Committee meeting was scheduled for May 25, 2011 at 10:00 a.m.

16. Adjournment

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<td>To adjourn</td>
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Mr. Alan Maguire, Trustee, Chair  
Mr. Richard Petrenka, Trustee