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

Chairman Petrenka called the meeting to order at 10:01 a.m.

1. Review, discussion and possible approval of Investment Committee Minutes from July 27, 2011.  ………………………………………….. Mr. Richard J. Petrenka

MOTION:  9-8-11
At 10:02 a.m.
Motion:  To approve the minutes as presented.
Moved by:  Mr. Tobin
Seconded by:  None
Discussion:  None
In Favor:  Unanimous – Mr. Kingry was excused and did not vote
Motion:  Passes
3. Report by Investment Department Staff and discussion regarding the Month Ended and Fiscal Year-to-Date performance/portfolio update ..........................Mr. Mark Selfridge
..................................................................................................................Senior Analyst

It was reported by Mr. Selfridge that at the end of the month the total fund performance was -2.1% as compared to the benchmark performance of -2.9%. For the fiscal year-to-date, performance of the total fund was -2.24% compared to the benchmark of -3.26%. The negative performance was driven by equities. For the calendar year-to-date, fund performance was 2.16% compared to the benchmark performance of 0.93%. Real estate and real assets made positive contributions to the total fund.

4. Presentation by Investment Department Staff and StepStone Group representatives and discussion and possible Recommendation regarding an investment of up to $30 million in Trustbridge Partners IV, L.P. or appropriate feeders, blockers, or associated or parallel funds of same managed by Trustbridge Partners or its affiliates.................................................................Mr. Shan Chen
..................................................................................................................Senior Analyst ..................................................................................................................Messrs. Jay Rose and Weichou Su
..................................................................................................................Partners, StepStone Group

The introduction to Trustbridge Partners IV, a mid-market growth fund, was given by Mr. Shan Chen. Since foreign investment in China is difficult, private equity funds are a good way to invest in the local market through a U.S. dollar vehicle. Mr. Weichou Su discussed the team, organization, track record, and strategy of his firm. They have a local team in China with deep roots, and institutional, operational and industry experience. Their core focuses are on healthcare, the economy and consumer products. Their deal flow is proprietary and in most deals they are the sole investor. They have a strong bond with entrepreneurs and negotiate down-side protection with a focus on the growth capital stage. This strategy has produced in all three of their funds top quartile of performance.

MOTION: 9-9-11 At 10:39 a.m.
Motion: To recommend to the Board of Trustees approval of an investment of up to $30 million in Trustbridge Partners IV, L.P. or appropriate feeders, blockers, or associated or parallel funds of same managed by Trustbridge Partners or its affiliates.
Moved by: Mr. Tobin
Seconded by: Mr. Petrenka
Discussion: None
In Favor: Unanimous – Mr. Kingry was excused and did not vote
Motion: Passes

5. Presentation by Investment Department Staff, StepStone Group and Vivo Ventures representatives and discussion and possible Recommendation regarding an investment of up to $30 million in Vivo Ventures Fund VII, L.P. or appropriate feeders, blockers, or associated or parallel funds of same..........................Mr. Shan Chen
..................................................................................................................Messrs Jay Rose and Weichou Su
..................................................................................................................Messrs. Ed Engleman and Albert Cha
..................................................................................................................Senior Managing Partners, Vivo Ventures
Mr. Chen presented Vivo Ventures, a late stage venture capital fund with a focus on scientific health care in the United States with some exposure in China. 60% of the investments are in the U.S. and 40% allocated in China. Mr. Su stated that this firm has a stable and experienced team with a long history of experience through seven funds. The professional background of the partners, who established and who invest in Vivo Ventures, includes degrees in medicine and electrical engineering. The investments are in the area of late stage therapeutic product companies that have the potential to provide income from patented products or inexpensive products. Their core strength is expertise on products requiring FDA approval in the U.S. and cross products that are U.S. FDA approved manufactured in China.

The two Senior Managing Partners, Mr. Ed Engleman and Mr. Albert Cha spoke to the Board. They presented their historical background and described their work in therapeutic products that get FDA approval. They began in China, the fastest growing healthcare market in the world and came to the U.S. to raise funds. In Vivo Ventures Fund VII, two thirds of the investment will be directly in the U.S. and one third in China, based upon the available opportunities. In the U.S., investments will be with companies in late stage development with products that have been tested. In China they will invest in companies already generating money due to the rapid growth of the middle class demanding innovative products from western markets. To date, there are 23 drugs and medical devices in their portfolio. Vivo Ventures has extensive liability insurance to cover clinical trials and products.

MOTION: 9-10-11  At 11:21 a.m.
Motion:  To recommend to the Board approval of an investment of up to $30 million in Vivo Ventures Fund VII, L.P. or appropriate feeders, blockers, or associated or parallel funds of same.
Moved by:  Mr. Tobin
Seconded by:  Mr. Petrenka
Discussion:  None
In Favor:  Unanimous – Mr. Kingry excused and did not vote
Motion:  Passes

6. Presentation by Investment Department Staff and Albourne America LLC representatives and discussion and possible Recommendation regarding an investment of up to $25 million in JPMorgan AIRQO India SideCar Fund US, LLC. or appropriate feeders, blockers, or associated or parallel funds of same managed by J.P. Morgan Investment Management Inc. or any of its affiliates…………………Mr. Paul Corens…………………………………………………………………………………………………………………………………..Senior Analyst……………………………………………………………………………..Messrs. Lincoln Smith and John Shearman……………………………………………………………………………………………………………..Albourne America, LLC

Mr. Marty Anderson reported that this is a co-investment that will be placed in the real asset allocation. It entails directly investing in infrastructure assets in emerging Asian markets with a focus on China, Korea, and India. There is a tilt towards India and we want exposure to their growth and their need to maintain their infrastructure. They have significant downside protection. Mr. Shearman stated that the firm’s team is solid with a good network in Asia. There is some risk, not with the team, but with emerging market problems, but they are being rewarded because the risk is balanced with return. Mr. Shearman added that the investment amount is appropriate and at this point the fund
has no failures due to a very experienced local partner which mitigates risk in this investment. Mr. Parham added the JPMorgan superstructure will monitor this and we have confidence in their capabilities, we are not overexposed to India and infrastructure. Additionally, the government of India is cooperative. Staff unequivocally recommends this investment.

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<tr>
<th>MOTION: 9-11-11</th>
<th>At 11:44 a.m.</th>
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<tr>
<td>Motion:</td>
<td>To recommend approval by the Board of an investment of up to $25 million in JPMorgan AIRRO India SideCar Fund US, LLC. or appropriate feeders, blockers, or associated or parallel funds of same managed by J.P. Morgan Investment Management Inc. or any of its affiliates.</td>
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<tr>
<td>Moved by:</td>
<td>Mr. Tobin</td>
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<td>Seconded by:</td>
<td>Mr. Petrenka</td>
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<tr>
<td>Discussion:</td>
<td>None</td>
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<tr>
<td>In Favor:</td>
<td>Unanimous – Mr. Kingry was excused and did not vote</td>
</tr>
<tr>
<td>Motion:</td>
<td>Passes</td>
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7. Presentation by Investment Department Staff and NEPC, LLC representatives and discussion regarding Risk Parity

An explanation of risk parity was given by Mr. Parham in order to have a prudent approach to portfolio management under a variety of economic regimes of high and low growth and high and low inflation. Risk parity means balancing risk across asset classes. The question is do we create performance with perfect balance between the four regimes? We cannot perfectly balance the portfolio, but we might create an allocation towards risk parity.

Mr. Martin of NEPC stated that we are moving towards a more risk balanced portfolio and today we will understand what risk managers do in order to have an equal amount of risk dependent upon the volatility of each asset class in order to maintain expected return with a portfolio that will do well in any economic regime.

Mr. Stracke stated that we meet return expectations while balancing risk exposure through prudent use of leverage. Leverage does not necessarily increase risk; it is a tool which only increases risk if that is what you use it for. It is important to understand how leverage is used and monitored. By modestly leveraging each of the portfolio allocations, the portfolio can be de-risked and the less risky part of the portfolio can be leveraged. The risk that cannot be managed, for example in equities, can be transferred to a risk that can be managed; but not for the total portfolio.

Mr. Parham added that in the next few months the portfolio’s asset allocation will be prudently adjusted and refined with the assistance of NEPC and the PSPRS Investment Staff in time for the January or February meeting and will include some inflation sensitive exposures.
8. Discussion regarding the System's asset allocation…………………….Mr. Ryan Parham
   Tabled until the Board of Trustees meeting at 1:00 p.m. today.

9. Report by Investment Department Staff representatives and discussion regarding Risk.
   ……………………………………………………………………………………..Mr. Pascal Stalder
   ……………………………………………………………………………………..Deputy Chief Investment Officer – Risk
   Tabled until the Board of Trustees meeting at 1:00 p.m. today.

10. Presentation by Investment Department Staff representatives and discussion regarding
    the Due Diligence process…………………………………………………..Mr. Marty Anderson
    ……………………………………………………………………………………..Deputy Chief Investment Officer
    Tabled until the Board of Trustees meeting at 1:00 p.m. today.

11. Report by Investment Department Staff on the fiscal health of the PSPRS Cancer
    Insurance Program……………………………………………………………..Mr. Ryan Parham
    ……………………………………………………………………………………..Mr. Mark Selfridge
    Tabled until the Board of Trustees meeting at 1:00 p.m. today.

12. Report by the System's Internal Audit and Compliance Officer and discussion regarding
    investment compliance, holdings and transactions as of August 31, 2011.
    ……………………………………………………………………………………..Ms. Bridget Feeley
    ……………………………………………………………………………………..Internal Audit and Compliance Officer
    Tabled until the Board of Trustees meeting at 1:00 p.m. today.

13. 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, 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 14. Matters discussed may include claims by Bank of America, Stroh Ranch Development, The Pivotal Group, U.S. Bank and/or Millard and Scott Seldin.

14. **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 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). Matters discussed may include claims by Bank of America, Stroh Ranch Development, The Pivotal Group, U.S. Bank and/or Millard and Scott Seldin.

15. Schedule next meeting. (**Calendared for October 26, 2011**)

16. 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.

17. Adjournment

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<tr>
<th>MOTION: 9-13-11</th>
<th>At 12:28 p.m.</th>
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<tr>
<td>Motion:</td>
<td>To approve</td>
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<tr>
<td>Moved by:</td>
<td>Mr. Tobin</td>
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<tr>
<td>Seconded by:</td>
<td>None</td>
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<tr>
<td>Discussion:</td>
<td>None</td>
</tr>
<tr>
<td>In Favor:</td>
<td>Unanimous – Mr. Kingry was excused and did not vote</td>
</tr>
<tr>
<td>Motion:</td>
<td>Passes</td>
</tr>
</tbody>
</table>

**Excused**

Mr. Richard J. Petrenka, Chair, Trustee

Mr. Lauren Kingry, Trustee

Mr. Brian Tobin, Trustee