Minutes of the Investment Committee Meeting
June 17, 2015

PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM
BOARD OF TRUSTEES INVESTMENT COMMITTEE MEETING
Held at PSPRS, 3010 E. Camelback Road, Suite 200, Phoenix, AZ

June 17, 2015

MINUTES

Present:          Mr. Lauren W. Kingry, Chairman, Trustee, Chairman
                 Mr. Richard Petrenka, Vice Chairman, Trustee
                 Mr. William Davis, Trustee

Others Present:  Mr. Ryan Parham, Chief Investment Officer
                 Mr. Marty Anderson, Deputy Investment Officer
                 Mr. Mark Steed, Lead Portfolio Manager and Chief of Staff
                 Mr. Shan Chen, Lead Portfolio Manager
                 Mr. Mark Lundin, Deputy Chief Investment Officer – Risk
                 Ms. Vaida Maleckaitė, Sr. Investment Operations Analyst
                 Ms. Jennifer Eichholz, Esq., In-House Investment Counsel
                 Ms. Rose Crutcher, Investment Paralegal
                 Ms. Yasmine Higbee, Intern
                 Mr. Mel Jordan, Intern
                 Mr. Marc Lieberman, Partner, Kutak Rock
                 Mr. Allan Martin, Partner, NEPC, LLC
                 Mr. Christian Palmer, Avant Strategies

The following matters were discussed, considered and decided at the meeting:

1. Call to Order, Roll Call, Opening remarks.

   The meeting was called to order by Chairman Kingry at 11:01 a.m.

2. Review, discussion and possible Action to approve Investment Committee Minutes from May 27, 2015.

   The motion was made and seconded as follows:

   MOTION: 1-6/17/15
   At 11:01 a.m.
   Motion: Move to approve the Investment Committee Minutes from May 27, 2015 as presented.
   Moved by: Mr. Petrenka
   Seconded by: Mr. Davis
   Discussion: None
   In Favor: Unanimous
   Motion: Passes

3. Written report and possible discussion of monthly review of Management Fees.

   The motion was made and seconded as follows:

   MOTION: 1-6/17/15
   At 11:01 a.m.
   Motion: Move to approve the written report of the monthly review of Management Fees.
   Moved by: Mr. Petrenka
   Seconded by: Mr. Davis
   Discussion: None
   In Favor: Unanimous
   Motion: Passes

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Mr. Lauren W. Kingry
Committee Chairman

Ms. Bridget Feeley
Internal Audit and Compliance Officer
Discussion was held regarding the layout of the monthly report of the review of Management Fees and about the meanings of several of the report’s headings. Mr. Parham explained and clarified certain of the category details and headings.

4. Report by the System’s Internal Audit and Compliance Officer and discussion regarding investment compliance, holdings and transactions as of April 30, 2015.

   Ms. Bridget Feeley

The written report indicated all is well. Mr. Kingry inquired if Ms. Feeley signs the report to attest to it or is it an understudy who reports or both. Mr. Parham stated he has never seen a signed document, but Ms. Feeley submits it. It was suggested it include a statement such as I (compliance officer) have reviewed this and attest to the report.

5. Disclosure by Staff of the following manager selection matters:

   a. Disclosure of a potential direct investment of up to $40 million and a reserve allocation of up to $20 million for co-investment purposes in Sterling Group Partners IV, L.P., subject to final Staff and legal due diligence.

   b. Disclosure of a potential direct investment of up to $90 million in the StepStone AZ China and Asia Opportunity Fund, subject to final Staff and legal due diligence.

Mr. Parham reported that following staff recommendations and review by specialized and general investment consultants and compliance, the manager selection report is presented to the Administrator. Once accepted and approved by them, it goes to legal for documents and closing. Now we use fewer managers and have larger investment amounts. Discussion regarding review of businesses in China/Asia was held and it was stated that 80% of foreign transactions have a Delaware based general partner to source deals in other countries with regard to foreign laws said Mr. Lieberman. In every deal we heavily negotiate as to the foreign laws. We are limited partners and base these transactions in countries where we have confidence in their rule of law. We can sue our specialist advisor in Delaware. Our specialists are reviewed by our general advisor.


   a. StepStone AZ China and Asia Opportunities Fund; Dated Closed: May 26, 2015;

      Marc Lieberman, Esq.
      Kutak Rock

Mr. Parham stated we were successful in achieving all of the terms we wanted.

7. Report by Investment Department Staff and discussion regarding (i) the Month-End and Fiscal Year-to-Date performance for the PSPRS Trust as of April 30, 2015; and (ii) written report regarding the asset allocation and performance of the Firefighters and Peace Officers Cancer Insurance Program.

   Ms. Vaida Maleckaitė
   Sr. Investment Operations Analyst
This written performance report will be updated and delivered orally in August. A question was asked about risk parity and our manager’s over performance. This was due to manager overweighting within the risk parity portfolio, with the portfolio itself remaining close to its target weight.

8. Discussion and possible Action regarding proposed changes to Asset Allocation by Staff and representatives of NEPC.

Mr. Ryan Parham  
Assistant Administrator and CIO  
Mr. Allan Martin, Partner  
NEPC, LLC

Each year asset allocation is reviewed by our specialist which, in 2015, is NEPC. Mr. Martin stated our goal is to achieve 7.85% with the least amount of risk and the greatest efficiency. In order to accomplish this we need efficiency of a portfolio designed to do this. Three small refinements are suggested as developed by staff and NEPC:

1. To reduce the allocation to Real Estate by 1%
2. To increase the allocation to Absolute Return by 1%
3. To reduce the allocation to Small Cap Equities by 1% and increase the allocation to Large Cap Equities by 1%

Review of past, present and future performance of asset allocations was presented. Assumed performances and expectations depending upon active or passive management and strategies were explained. Designing strategies for a diversified and efficient portfolio with a risk level staff and the Board are comfortable with a five to seven year horizon was described. Mr. Parham cleared up the perception that we are not trying to minimize the impact of PBI and the other misconception people have is that we did not design this portfolio to achieve 7.85%. We wanted to get the highest return possible at a level of risk with which we are comfortable. We will ask the assistance of the actuaries in advising PSPRS about the assumed rate of return based on multiple inputs regarding asset classes.

Page 14 of the NEPC presentation lists each asset class, policy target, range and benchmark. Discussion was held regarding same.

<table>
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<tr>
<th>MOTION:2-6/17/15</th>
<th>At 12:00 p.m.</th>
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<tbody>
<tr>
<td>Motion:</td>
<td>To recommend to the Board of Trustees to approve the asset allocation on page 14 of the NEPC report effective July 1, 2015.</td>
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<tr>
<td>Moved by:</td>
<td>Mr. Petrenka</td>
</tr>
<tr>
<td>Seconded by:</td>
<td>Mr. Davis</td>
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<tr>
<td>Discussion:</td>
<td>None</td>
</tr>
<tr>
<td>In Favor:</td>
<td>Unanimous</td>
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<tr>
<td>Motion:</td>
<td>Passes</td>
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9. Review, discussion and possible Action, recommendations to Board of Trustees regarding participation in securities class actions and other lawsuits, and proposed Resolution 2015-01.

Marc Lieberman, Esq.  
Kutak Rock
Mr. Lieberman presented the Resolution which was in the information packet for each Board of Trustee member. The origin of the recommendation is to facilitate document signings. European Union countries do not accept signing(s) by attorneys; they want one or more members of the Board of Trustees to sign documents. It is suggested the Board authorize one or more of the Trustees of the Investment Committee, when necessary and required for foreign action, to sign documentation for the Trust for lawsuits in foreign jurisdictions and in order to participate in securities class actions to be able to recover money; but only if it will not expose the System, Trust or the Investment Committee to any liability. By giving one or more of the members of the Investment Committee authorization to sign these documents will enable the Trust to recover money. We will not participate in these actions if it exposes the System or the committee members to personal liability.

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<th>MOTION:3-6/17/15</th>
<th>At 12:06 p.m.</th>
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<tr>
<td>Motion:</td>
<td>To recommend the Board of Trustees approve Resolution 2015-01.</td>
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<tr>
<td>Moved by:</td>
<td>Mr. Davis</td>
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<tr>
<td>Seconded by:</td>
<td>Mr. Petrenka</td>
</tr>
<tr>
<td>Discussion:</td>
<td>None</td>
</tr>
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<td>In Favor:</td>
<td>Unanimous</td>
</tr>
<tr>
<td>Motion:</td>
<td>Passes</td>
</tr>
</tbody>
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10. Schedule future meeting date(s). (Calendared for August 26, 2015.)

There will be no meeting in July. The next meeting will be held on August 26, 2015.

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.

There was no response to the Call to the Public.


The meeting was adjourned at 12:07 p.m.

/s/ Lauren W. Kingry
Mr. Lauren W. Kingry, Committee Chairman