The Investment Committee of the Board of Trustees of Public Service Personnel Retirement System (“PSPRS”) held a meeting on August 26, 2015 in the board room, PSPRS, 3010 E. Camelback Road, Suite 200, Phoenix, AZ. The following matters were discussed, considered and decided at the meeting:

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

   Chairman Kingry called the meeting to order at 11:05 p.m.

2. **Review, discussion and possible Action to approve Investment Committee Minutes from June 17, 2015.**

   Motion:
   
   At 11:06 a.m.
   
   Move to approve the Investment Committee Minutes from June 17, 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.**

   *Ms. Bridget Feeley*

   *Internal Audit and Compliance Officer*

   This written report was included in the information packet provided to the committee members. There were no questions. If there had been matters considered out of the ordinary, Ms. Feeley would have appeared before the committee to report on such items.

   Discussion was held as to recent news reports regarding CALPERS and potential fee complications, including the need for a policy regarding managers’ fees. The Board discussed the fact that PSPRS is aware of the terms and fees of their managers.

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

   *Ms. Bridget Feeley*

   This written report was included in the information packet provided to the committee members. There were no questions. If there had been matters considered out of the ordinary, Ms. Feeley would have appeared before the committee to report on such items.

5. **Report by Investment Department Staff regarding Portfolio Risk as of Fiscal Year Q4 2015.**

   *Mr. Mark Steed*

   *Lead Portfolio Manager and Chief of Staff*

   *Mr. Owen Zhao*

   *Portfolio Analyst - Risk*

   Since the departure of Mark Lundin, Mr. Zhao is now responsible for preparing and presenting Mr. Lundin’s Risk Report. Mr. Zhao informed the committee of the current market conditions, Value at Risk (VAR) and volatility. Also in the report is a detail regarding exposures to major market factors and conclusions. There has been little change in the monthly Value at Risk, with the exception of the Fixed Income sub-portfolio. The Fixed Income forecasted VAR in May was -1.7%, which fell to -0.9% in June. Total Trust volatility and VAR forecasts are the same as the prior report (2.0% - 3.3%). Equity risk remains the highest contributor to VAR, accounting for approximately 66%. Notable drivers of the global PSPRS portfolio are North American equity markets and changes in the 5-year bond prices.

   PSPRS is in the top-decile in risk terms since 2009, in the top-quartile in efficiency terms since 2010 and in the top-quartile in return performance terms since July 2014.

   Due to the extreme movement in the markets over the last week, a discussion was held regarding the related drag on the portfolio.
6. **Presentation and discussion by NEPC representative(s) on the Fourth Fiscal Quarter (Second Calendar Quarter) investment performance and the 2015 Fiscal Year investment performance for the Arizona PSPRS Trust.**

   Mr. Allan Martin  
   NEPC, LLC.

A more detailed report will be presented at the Board meeting this afternoon. For the period ending June 30, 2015, the S&P is down 7% since the NEPC report was compiled. Total fund returns exceeded our policy index for all time periods and for the three- and five-year periods, the return exceeded the assumed earnings rate of 7.85%. The managers have performed well. For one year ending June 30, 2015, annualized return was 4.2%; for three years it was 9.8%; and for five years, it was 9.2% in a risk adverse portfolio. Every asset class is within Board-approved range. Mr. Martin stated that PSPRS is well positioned in this market due to this risk adverse portfolio.

7. **Presentation by Albourne Consultants and discussion by Investment Department Staff and Consultants regarding the annual Overview and Strategic Plan for the Absolute Return portfolio.**

   Mr. Ryan Parham  
   Assistant Administrator and Chief Investment Officer  
   Mr. Lincoln Smith  
   Albourne Consultants

Mr. Smith stated this is a summary and that additional details were to be presented at this afternoon’s Board meeting. The target weight for this portfolio is 5% of the Trust; the benchmark is 3-month T-Bill Index plus 2% per year. The Trust has exceeded the actuarially-assumed rate of return of 7.85% per year. The goal is diversification of the portfolio in order to deliver returns which are uncorrelated to other asset classes. On an annualized basis, the return for three years is 11.6%. Discussion was held as to the make-up of the portfolio, its managers and their sphere of investment.

8. **Disclosure by Staff of the following manager selection matters:**

   a. Disclosure of a potential investment of up to $50 million with Ridgewood Energy Oil & Gas Fund III, LP or its affiliates in the Ridgewood Energy Oil & Gas Fund, subject to final Staff and legal due diligence.

   b. Disclosure of a potential investment of up to $101 million with Melody Telecom Land Fund GP, LLC, or its affiliates in the Melody Telecom Land Onshore Fund, subject to final Staff and legal due diligence.

   c. Disclosure of a potential investment of up to €35,000,000 with Patron Capital GP V, LP, or its affiliates, in the Patron Capital Feeder V Fund, subject to final Staff and legal due diligence.

   d. Disclosure of a potential investment of up to $100 million with Crestline CS 3000 Fund or its affiliates in the Crestline CS 3000 Fund, subject to final Staff and legal due diligence.
e. Disclosure of a potential investment of up to $80 million in the *Myriad Opportunities Fund*, subject to final Staff and legal due diligence.

   *Mr. Martin Anderson*
   *Deputy Chief Investment Officer*

The information was presented in advance to the Board. There were no questions.

9. Disclosure of closed transactions for the period June 11, 2015 through August 12, 2015:

   a. *Ridgewood Energy Oil & Gas Fund III., LP*; *Date Closed: June 30, 2015*;
   b. *Melody Telecom Land Onshore Fund*; *Dated Closed: June 30, 2015*;
   c. *Sterling Group Partners IV., LP Fund*; *Date Closed: June 30, 2015*;
   d. *Patron Capital Feeder V Fund*; *Date Closed: July 9, 2015*;
   e. *Blackrock Mortgage Offshore Investors*; *Redemption complete July 15, 2015*;
   f. *Crestline CS 3000 Fund*; *Date Closed: July 30, 2015*.

The information was presented in advance to the Board.

10. Disclosure of terminated transactions for the period June 11, 2015 through August 12, 2015:

   a. Potential transaction with a Systematic Trading Strategy was terminated due to removal of legal language which prevented PSPRS entering into the investment and as transaction became structurally unworkable for PSPRS.

   *Jennifer Eichholz, Esq.*

   This item was tabled until the Board of Trustees meeting.

11. Updated report by Investment Department Staff and discussion regarding (i) the Month-End and Fiscal Year-End performance for the PSPRS Trust as of June 30th, 2015; and (ii) updated written report regarding the asset allocation and performance of the Firefighters and Peace Officers Cancer Insurance Program for the same period.

   *Ms. Vaida Maleckaite*
   *Sr. Investment Operations Analyst*

   This will be presented at the Board of Trustees meeting.

12. Schedule future meeting date(s). (Calendared for September 30, 2015.)

   The meeting will be held on September 30, 2015.

13. **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.

14. **Adjournment**

The meeting was adjourned at 12:00 p.m.

Mr. Lauren W. Kingry, Chairman