PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM
BOARD OF TRUSTEES INVESTMENT COMMITTEE MEETING

May 27, 2015

MINUTES

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

Others Present: Mr. Ryan Parham, Chief Investment Officer - Excused
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 Maleckaite, Sr. Investment Operations Analyst
Ms. Jennifer Eichholz, Esq., In-House Investment Counsel
Ms. Rose Crutcher, Investment Paralegal
Mr. Allan Martin, Partner, NEPC, LLC

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

The meeting was called to order at approximately 10:00 a.m.

2. Review, discussion and possible Action to approve Investment Committee Minutes from April 22, 2015.

MOTION: 1-5/27/15 At 10:04 a.m.

Motion: Move to approve the Investment Committee Minutes from April 22, 2015.

Moved by: Mr. Davis
Seconded by: Mr. Petrenka
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

There was nothing outstanding to report.


Mr. Mark Lundin
Deputy Chief Investment Officer - Risk
The portfolio’s return for March was +0.83%; for the year-to-date the return was +2.76%; and for the Fiscal Year-to-Date the return was +3.42% due to the negative results for all investors because of the performance of non-U.S. Equities. PSPRS is in the top quartile of peer performance and has been in the top decile for the last five years.

Discussion was held regarding volatility which depends upon current market conditions, specific investments and type of investments in the portfolios. Mr. Lundin stated that risk modeling for real assets has been upgraded in order for more accurate forecasting of the international and United States public equity portfolios due to the volatility of these markets compared to the same period last year.

Stress testing of the portfolio shows little or no change from last month. Exposure to public equity markets is of greatest concern and needs to be watched. Certain hedge funds can trade long and short during periods of volatility. Discussion was held about public markets versus private equity markets and about the oil industry.

5. Presentation and discussion by Investment Department Staff and Consultants regarding the annual Overview and Strategic Plan for the GTAA portfolio.

Mr. Mark Lundin  
Deputy Chief Investment Officer - Risk  
NEPC, LLC  
Albourne America LLC

GTAA, Global Tactical Asset Allocation, is a top-down strategy utilized since March, 2010 in order to take advantage of market dislocations to deliver returns uncorrelated to other asset classes. This sub portfolio includes 10% of the global PSPRS portfolio and has the support of NEPC and Albourne America. Recently GTAA has slipped in absolute performance, but not in relative terms. This is not deemed excessive due to low volatility, portfolio efficiency and return. The focus is on assumed earning rates and as interest rates rise, this becomes a more important part of this sub portfolio. Discussion was held regarding a benchmark for GTAA which is difficult to determine.

Since inception, the gross return has been 8.8% per year outperforming the Trust’s return of 8.4% gross return. Since March, 2015 the past year’s gross return was 13.82%; for Fiscal Year-to-Date gross return was 9.22%. Since inception performance moved up during lower periods of Trust performance and GTAA has outperformed the assumed earnings rate of 7.85% by 0.95% per year. Currently seven strategies are in this sub-portfolio which we are constantly monitoring for efficiency, rebalancing and for adding value.

6. Report by Investment Department Staff and discussion regarding (i) the Month-End and Fiscal Year-to-Date performance for the PSPRS Trust as of the March 31, 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

For the first quarter of the calendar year ending March 31, 2015 the net asset value of the Trust was $8,291,500,000 which is $175 million more than the previous quarter. Performance for the Trust was up 2.76% as compared to the benchmark which was up
1.54%. On an absolute basis all asset classes had positive performances, but on a relative basis international and U.S. equities were weaker. The Risk Parity outperformed by 4.5%. For the Fiscal Year-to-Date the return was +3.42% versus the benchmark of +1.99%. The one year trailing was +6.64% which outperformed the benchmark by 1.5%.

7. Presentation and discussion by NEPC representative(s) on the Third Fiscal Quarter (First Calendar Quarter) investment performance for the PSPRS Trust.

Mr. Allan Martin, Partner
NEPC, LLC

The current economic environment was described by Mr. Martin. The PSPRS portfolio is engineered to not go down when equities do. Regarding the market outlook, NEPC is judicious with risk by using a risk adjusted approach which PSPRS has done. The market value of the Trust is at an all-time high of $8,291,463,916, but it fell short of surpassing the assumed earnings rate of 7.85% with a 6.6% rate of return. The Trust had an approximate increase of $383 million in market value from a year ago with a net investment gain of $478 million over that time. The portfolio stands in the 6th percentile on a risk adjusted basis. Performance over five years was +7.9%, ranking in the fourth quartile of the peer group universe and ranks highly for risk adjusted returns. Due to a low risk portfolio, PSPRS’s assets are steadier with less volatility and have done well. It is an efficient portfolio that cannot afford to go after a home run.

All asset classes are operating within policy range. Discussion was held regarding risk and return charts which show low risk and low volatility performance. Not very many public funds have as low a risk level as PSPRS. Attribution analysis was a topic as was the global equity portfolio for international and U.S. equities and the managers’ fees and strategies within that portfolio.

8. Disclosure by Staff regarding Manager selection matters:

Mr. Ryan Parham
Assistant Administrator and CIO

a. Disclosure of a potential investment of up to $40,000,000 direct and a reserve allocation of up to $20,000,000 for co-investment purposes in the Cortec Fund VI, subject to final Staff and legal due diligence;

b. Disclosure of a potential investment of up to $60,000,000 direct in the GSA Trend Risk Premia Fund Limited, subject to final Staff and legal due diligence;

Informational.

9. Disclosure by Staff and possible discussion with the members of the Committee regarding the full redemption of BlackRock Global Ascent Fund, under the Hedge Fund Redemption Policy.

Mr. Ryan Parham

Informational.
   Jennifer Eichholz, Esq.
   In-House Investment Counsel

   a. Cortec Fund VI; Date Closed: May 13, 2015

   This is a private equity fund and another transaction closed this week and will be in the report for next month.

11. Schedule next meeting. (Calendared for June 24, 2015)

12. 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.

13. Adjournment

   The meeting was adjourned at 11:30 a.m.

   /s/ Richard Petrenka

   Mr. Richard Petrenka, Trustee, Vice Chairman