Call to Order; Roll Call; Opening remarks.................................................................Mr. Brian Tobin
Board Chairman

Roll call was held and six of the seven members of the Board of Trustees were present with the exception of Mr. Petrenka who was excused. Mr. Tobin announced the retirement of three valued employees of the PSPRS staff, Ms. Tracey Peterson, Ms. Karen Lewis, and Ms. Gail Nova and thanked them for their assistance to the Board of Trustees.

1. Appropriate Action for approval of the Consent Agenda (documentation concerning the matters on the consent agenda may be reviewed at the PSPRS office). Any matter on the Consent Agenda will be removed from the Consent Agenda and discussed as a regular agenda item upon the request of any member of the Board of Trustees.

   a. Acceptance of Transfer Between State Retirement Systems of Dave Salgado.
b. Acceptance of Transfer Between State Retirement Systems of Jamie Buckler.
c. Acceptance of Transfer Between State Retirement Systems of Dale Fore.
d. Acceptance of Transfer Between State Retirement Systems of Alejandrina Burke.
e. Acceptance of Transfer Between State Retirement Systems of Allan Myers.
g. Acceptance of Transfer Between State Retirement Systems of Anthony Konesky.
h. Acceptance of Transfer Between State Retirement Systems of Francis Hand.
i. Acceptance of Transfer Between State Retirement Systems of Karmen Kortes.
j. Acceptance of Transfer Between State Retirement Systems of Steven Rackley.
k. Acceptance of Transfer Between State Retirement Systems of John McCarthy.
l. Acceptance of Transfer Between State Retirement Systems of Jose Torres.
m. Acceptance of Transfer Between State Retirement Systems of Christopher Newman.
n. Acceptance of Transfer Between State Retirement Systems of John Wals.
o. Acceptance of Transfer Between State Retirement Systems of Lisa Messina.
p. Acceptance of Transfer Between State Retirement Systems of James Harris.
q. Acceptance of Transfer Between State Retirement Systems of Carina Cost.
r. Acceptance of Transfer Between State Retirement Systems of Brenda Richey.
s. Acceptance of Transfer Between State Retirement Systems of Grace Marin-Woolsey.
t. Acceptance of Transfer Between State Retirement Systems of Patrick Magill.
u. Acceptance of Transfer Between State Retirement Systems of Vonda Moya.
v. Acceptance of Transfer Between State Retirement Systems of Paul Tracy.
w. Acceptance of Transfer Between State Retirement Systems of Jantell Cansler.
x. Acceptance of Transfer Between State Retirement Systems of Ross Diede.
y. Acceptance of Transfer Between State Retirement Systems of Samuel Almodova.
z. Acceptance of Transfer Between State Retirement Systems of Kenneth McCarthy.
aa. Acceptance of Transfer Between State Retirement Systems of Mark Smith.
bb. Acceptance of Transfer Between State Retirement Systems of Ruben Cajigas.
cc. Acceptance of Transfer Between State Retirement Systems of Eric Kriwer.
dd. Acceptance of Transfer Between State Retirement Systems of Caron Johnson.
e. Acceptance of Transfer Between State Retirement Systems of Terry Bense.
ff. Acceptance of Transfer Between State Retirement Systems of Paul Wobosel.
gg. Acceptance of Transfer Between State Retirement Systems of Brian Cole.
ii. Acceptance of Transfer Between State Retirement Systems of John Witney.
jj. Acceptance of Transfer Between State Retirement Systems of Mark Egger.
kk. Acceptance of Transfer Between State Retirement Systems of Thomas McCracken.
ll. Acceptance of Transfer Between State Retirement Systems of Thomas Jones.
mm. Acceptance of Transfer Between State Retirement Systems of Gilbert Cardenas.
nn. Acceptance of Transfer Between State Retirement Systems of Kyle Cooper.
oo. Acceptance of Transfer Between State Retirement Systems of Robert Pruitt.
pp. Acceptance of Transfer Between State Retirement Systems of Blake Tirman.
qq. Acceptance of Transfer Between State Retirement Systems of Andrew Lyman.
rr. Acceptance of Transfer Between State Retirement Systems of Kenneth Mentzer.
ss. Acceptance of Transfer Between State Retirement Systems of Elizabeth Trujillo.
tt. Acceptance of Transfer Between State Retirement Systems of Teresa Kuleff.
uu. Acceptance of Transfer Between State Retirement Systems of James Welch.
vv. Acceptance of Transfer Between State Retirement Systems of Eleanor Thomson.
ww. Acceptance of Transfer Between State Retirement Systems of Richard Leathers.
yy. Acceptance of Transfer Between State Retirement Systems of Jeffrey Jensen.
zz. Acceptance of Transfer Between State Retirement Systems of Denise Carroll.
aaa. Acceptance of Transfer Between State Retirement Systems of Erik Dahl.
bbb. Acceptance of Transfer Between State Retirement Systems of Geary Brase.
ccc. Acceptance of Transfer Between State Retirement Systems of Alex Morales
ddd. Acceptance of Transfer Between State Retirement Systems of Robert Candelaria
eee. Acceptance of Transfer Between State Retirement Systems of Thomas Barilla
fff. Acceptance of Elected Officials’ Retirement Plan of termination of active member Thomas Lindberg (died in office).
hhh. Acceptance of Elected Officials’ Retirement Plan of normal benefit of Jeanne Hicks.
iii. Acceptance of Elected Officials’ Retirement Plan of normal benefit of Diana Bowen.
jjj. Acceptance of Elected Officials’ Retirement Plan of termination of guardian benefit of Mary Dorgan.
kkk. Acceptance of Elected Officials’ Retirement Plan of guardian benefit of Thomas Dorgan.

MOTION: 5-151-11 At 1:03 p.m.
Motion: To approve the Consent Agenda.
Moved by: Mr. Maguire
Seconded by: Mr. Ferguson
Discussion: None
In Favor: Unanimous
Motion: Passes

2. Appropriate Action regarding the Joinder Agreement with Palominas Fire District....Mr. Brian Tobin

MOTION: 5-152-11 At 1:04 p.m.
Motion: To move approval of the Joinder Agreement with Palominas Fire District.
Moved by: Mr. Maguire
Seconded by: Mr. Ferguson
Discussion: None
In Favor: Unanimous
Motion: Passes

3. Appropriate Action regarding the Minutes of the March 30, 2011 Meeting of the PSPRS Board of Trustees.................................................................Mr. Brian Tobin

MOTION: 5-153-11 At 1:05 p.m.
Motion: To move approval of March 30, 2011 Board of Trustees Minutes as distributed.
Moved by: Mr. Maguire
Seconded by: Mr. Ferguson
Discussion: None
In Favor: Unanimous
Motion: Passes

4. Appropriate Action regarding the Minutes of the April 27, 2011 Meeting of the PSPRS Board of Trustees.................................................................Mr. Brian Tobin

Page 3 of 16
Board of Trustees Minutes
May 25, 2011
5. Report by Investment Department Staff and discussion regarding the Month Ended and Fiscal Year-to-Date performance/portfolio update. ………………………………………………………………………………………………………………………………………………………………………Mr. Pascal Stalder ……………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………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Mr. Lincoln Smith, Consultant with Albourne America introduced himself. He said Albourne has conducted extensive front and back office due diligence on the Fund and can support the proposed investment into it. He said this is a fundamental discretionary commodities fund. He said they use a bottom-up qualitative and quantitative fundamental approach based on internal research, various third party research and general market intelligence. He said the commodities market is very supply/demand driven and Louis Dreyfus is involved in all aspects of the supply chain. In addition, they have a very deep understanding of the supply/demand dynamics. He said in choppy trading environments as we saw last year, this Fund was able to produce solid returns and perform well. He said Albourne does think they have an edge and recommends the investment in this Fund.

Mr. Ian McIntosh, CIO, Louis Dreyfus Investment Group joined the meeting via teleconference. He gave an overview of Louis Dreyfus, a family owned and privately held company that has been in business since 1851. He said they trade in the agricultural product spectrum including grains, oilseeds, coffee, cotton, citrus, sugar, rice, biofuels, rubber, freight and metals. He said they are a fully vertically integrated producer, processor, merchant, distributor and trader. They are present in 53 countries and employ 36,000 people. He said they have very detailed understandings of the individual value chains in commodities which are supply/demand driven and this gives them unique insight into major drivers of commodity prices. He said they have invested very heavily over the years into their own proprietary research conduits and have a network of analysts globally to get an advance heads-up on what the production dynamics will be.

Mr. McIntosh gave an overview of their investment process and strategy and their risk allocation methodology. He said current and projected risk is measured daily by the risk manager, at all levels: portfolio, commodity, trade, geography (based on investment manager / administrator / prime brokers portfolio reconciliation). He said the Fund launched in 2008 with $100 million, $50 million of which was seed capital from Louis Dreyfus. He said they are now managing just over $2 billion.

**MOTION: 5-155-11** At 1:31 p.m.

**Motion:** To approve the investment of up to $25 million in the LD Commodities Alpha Master Fund LTD or appropriate feeders, blockers, or associated or parallel funds of same.

**Moved by:** Mr. Maguire

**Seconded by:** Mr. McHenry

**Discussion:** None

**In Favor:** Unanimous

**Motion:** Passes

7. Presentation by Investment Department Staff, Albourne America LLC and Stark Investments representatives and discussion and possible Action regarding a possible investment of up to $30 million in the Stark ABS Opportunities Fund or appropriate feeders, blockers, or associated or parallel funds of same…………………………………………………………………..

Mr. Steed presented an overview of the Stark ABS Opportunities Fund offering which he said will compliment the Credit Opportunities portfolio. He said the Fund seeks an attractive rate of return, relative to the level of risk assumed, by investing in protection on mortgage-centric structured products using Credit Default Swaps (CDS). He said a CDS is a contract between two parties referencing a specific security as it has to do with the security’s ability to pay principle and/or interest, much like an...
insurance policy. He said The Stark ABS Opportunities Ltd. Fund buys CDS on Residential Mortgage Backed Securities (or RMBS). Residential mortgage loans are obligations of borrowers. The rate of defaults and losses on residential mortgage loans will be affected by a number of factors, including general economic conditions and those in the geographic region where the mortgage property is located, the terms of the mortgage loan, the borrower’s “equity” in the mortgaged property and the financial circumstances of the borrower. The mortgages can be bundled or “securitized” by the hundreds into one security, which investors refer to as a mortgage-backed security (MBS). He said the thesis here is that Federal and State pressure on mortgage servicers not to foreclose on properties securing the payment obligation of borrowers has caused mortgage servicers’ liquidation rates to slow beyond what would be expected, given the breadth of the crisis. He said the Investment Staff and Albourne believe there will be eventual losses to tranches of residential mortgage-backed securities when the servicers ultimately liquidate such properties. The team at Stark Investments will seek to identify RMBS that are 1) likely to experience a credit event within the next twelve to twenty-four months and where 2) the price of credit protection does not account for these defaults and can be acquired at an attractive cost. Given that the single-name CDS market is small and illiquid, the Stark team can leverage their proprietary network and knowledge to gain an informational advantage and exploit the arbitrage.

Mr. Steed said the Stark ABS fund compliments the Credit Opportunities portfolio given the portfolio’s current long exposure to RMBS and whole loans. He said that even though it is not a perfect hedge, structural headwinds for one manager may provide abundant opportunity for the other. He said that, while Staff recognizes the immense complexities of the U.S. residential market, Staff believes the recommended commitment of $30 million is sized appropriately so as to mitigate downside losses.

Mr. Smith said that Albourne has not conducted back-office due diligence on this particular Fund but that they are very aware of Stark’s other funds and are very comfortable with Stark as an organization and this Fund as an investment. He said that Albourne concurs with Staff that the investment has been sized correctly, it is appropriately diversified, the fee structure is appropriate and advantageous and the investment does fit in the Credit Opportunities portfolio. He said that from that perspective Albourne has no problem supporting the investment.

Messrs. Michael Roth, Anup Agarwal, Peter W. Van Gelderen described their experience and roles in this investment space. Mr. Roth described the investment idea which grows out of the current dislocation which has created several anomalies. He said this is an identification of a subset of the mortgage universe where they believe with high certainty that there will be a very high percentage of defaults. He said that several years ago the money center banks bought insurance against groups of mortgages and it would pay them if the mortgages defaulted. He said Stark has an opportunity to own those insurance policies. He said they have detailed knowledge of the underlying mortgages, the servicers involved, where these things are in the process, what states they are in and what the judicial process looks like. He said regulation, in particular BASIL III, is driving this opportunity because banks will be required to reserve a much greater amount of capital to hold these trades. He said this is a very discreet trade and there is a lot more detail involved and the devil is in the execution.

Mr. Maguire asked that the Stark representatives discuss counterparty risk. Mr. Agarwal said the primary counterparty will be the large money center banks like JP Morgan Chase, Bank of America, and Goldman Sachs so they are looking at large financial institutions and not looking to the secondary or tertiary financial institutions as counterparties. He said that is what makes them more comfortable with respect to counterparty risk. Mr. Maguire asked if they balance their counterparties. Mr. Agarwal responded that for this Fund he expects to have six to seven large counterparties and their focus is to find that attractive slice rather than to try to pick and choose the counterparty risk. He said from his perspective the best scenario for investors is Stark’s picking the right securities which in their opinion will go to zero in a very short period of time. He said they monitor every position on a regular basis and
make sure the contracts are honored and that they have received payments.

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<thead>
<tr>
<th>MOTION: 5-156-11</th>
<th>At 1:57 p.m.</th>
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<tr>
<td>Motion:</td>
<td>To approve the investment of up to $30 million in the Stark ABS Opportunities Fund or appropriate feeders, blockers, or associated or parallel funds of same.</td>
</tr>
<tr>
<td>Moved by:</td>
<td>Mr. Maguire</td>
</tr>
<tr>
<td>Seconded by:</td>
<td>Ms. Stein</td>
</tr>
<tr>
<td>Discussion:</td>
<td>None</td>
</tr>
<tr>
<td>In Favor:</td>
<td>Unanimous</td>
</tr>
<tr>
<td>Motion:</td>
<td>Passes</td>
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8. Presentation by Investment Department Staff and StepStone Group and discussion and possible Action regarding a possible investment of up to $20 million in the Pátria – Brazilian Private Equity Fund IV, L.P. or appropriate feeders, blockers, or associated or parallel funds of same managed by Pátria Investimentos S.A.---------------------------------------- Mr. Shan Chen
.................................................................................................................. Mr. Jay Rose, Partner
.................................................................................................................. Mr. Jose Fernandez, Managing Director
.................................................................................................................. StepStone Group

Mr. Chen introduced himself and then presented a brief overview of the Pátria – Brazilian Private Equity Fund IV, L.P., which is a Brazil-focused, mid-market growth equity fund. He said that Staff is recommending a $20 million investment in the Fund to be held in the Private Equity portfolio. He said Staff has done due diligence on many emerging markets private equity funds, especially those in the BRIC countries, since the beginning of the year as Staff believes it is crucial for the System to continue to diversify the portfolio globally and capture returns from the emerging markets while managing the risk. He said Staff likes the fundamentals of the Brazilian economy especially their abundant natural resources and growing middle class. He said Patria was selected because they have demonstrated operating skill, have a good reputation in Brazil, a strong team and good track record. He said both StepStone and Albourne conducted due diligence on Patria and have confidence in this group.

Mr. Rose gave a brief overview of the Private Equity portfolio and then introduced Mr. Jose Fernandez. Mr. Fernandez gave a brief overview of the due diligence that StepStone has conducted in Brazil and stated that StepStone has found Patria to be the best opportunity in the market. He said one of the reasons they believe this is because Patria has the largest team in Brazil. They also have a very long tenure in Brazil and have been investing in private equity there since 1994. He said they have created a very strong internal culture which includes alignment of interest from an economic perspective that has prevented turnover of their investment professionals. He said the investment professionals are supported by an administrative team that includes accountants, legal and back office personnel who support the entire Patria platform.

Mr. Fernandez said that Patria has a very disciplined approach and focuses on buy and build opportunities where they take control of the company so that they can achieve meaningful change and drive that change. He said they always place at least one full-time person with the operating company at the CFO or Director level so that they are “guarding the purse”. He said Patria has raised three previous funds, two of which have ranked in the top quartile of their respective vintage years when compared to U.S. buyouts of the same vintage years. He said only two of Patria’s investments have lost capital and these investments were made 12 and 14 years ago when Patria was a much younger firm and Brazil’s macroeconomic issues were of more concern than they are today. He said StepStone believes that they have learned through those investments and that their disciplined approach is why they haven’t lost any capital since 1999. He said Patria has the best track record in Brazil among all private equity investors who have made more than 4 investments in Brazil. He said, with respect to
their structure, that Blackstone recently purchased a 40% stake in Patria’s management company and StepStone conducted extensive due diligence on this transaction and believe it to be a net positive for the Firm. As a result of the Blackstone investment, Patria will get access to all of Blackstone’s training programs for their personnel. Moreover, the capital received is all being reinvested into the Patria platform, and as the Patria partners explained, this was a way for them to unlock the value of the platform they have built and put that money to work back into their platform because they believe they can earn better returns from the investments they are going to make over the next 5 to 10 years than the original increase in value that the platform would have achieved.

Mr. Fernandez said that what StepStone thinks is really attractive in emerging markets, and in Brazil in particular, is taking advantage of the growth of the middle class and identifying the sectors that will prosper because of that like: health care, education, and lower end consumer goods. He said they are not opportunistic in the sense of taking advantage of something that presents itself. Instead, Patria examines a sector for at least a year before making an investment and is very thoughtful about which sectors Patria should be looking at, given the demographics and growth of the middle class. He said that they increased the amount they plan to raise in this Fund to $1.2 billion and that StepStone thinks this is appropriate because it will allow Patria to support their portfolio companies for a longer period. He said they anticipate the portfolio will hold 10 to 12 companies, which is in-line with their previous fund.

**MOTION: 5-157-11** At 2:20 p.m.
Motion: To approve the investment of up to $20 million in the Pátria – Brazilian Private Equity Fund IV, L.P. or appropriate feeders, blockers, or associated or parallel funds of same managed by Pátria Investimentos S.A.
Moved by: Mr. Maguire
Seconded by: Mr. Ferguson
Discussion: None
In Favor: Unanimous
Motion: Passes

9. Report by NEPC representative(s) on the Third Fiscal Quarter (First Calendar Quarter) Performance of the System…………………………………………………………………….Mr. Allan Martin

Mr. Maguire requested, in the interest of time, that Mr. Martin focus on the first quarter highlights. Mr. Martin referred to the written report, Investment Performance Analysis through March 31, 2011, which was included in the meeting material. He said that NEPC thinks that the expected returns for traditional stocks and bonds remains muted and that the markets have rushed ahead of the economy. He said the real opportunities to do better are in things like: increasing emerging market debt and equity exposure, taking on reasonable exposure to illiquidity, seeking active returns from strategies that can take advantage of macro-driven events and considering less directional approaches to portfolio structuring such as equity long/short as equity substitute. He reviewed the first quarter Plan highlights of the report. He said that the System has consciously chosen to underemphasize equities in its total allocation strategy to balance out risk. He said that all of the allocations are within the ranges the Board approved so Staff is operating the portfolio within Board approved ranges, the portfolio is very close to its long term targets with minor under and over weights and the total equity exposure is 35%. He reviewed the System’s exposure to public equities and the total fund asset allocation as compared to peer public funds.
10. Report by the System’s Compliance Auditor and discussion regarding investment compliance, holdings and transactions as of April 30, 2011………………………………………………Ms. Bridget Feeley  
……………………………………………………………………………………………………………………….Internal Audit and Compliance Auditor  
Mr. Feeley said that she performed her analysis based on the new fixed assets allocation approved last month by the Board. She said that as of April 30, 2011 there were no compliance issues.

Presentation by Mr. Brian Tobin, Committee Chairman of the Operations, Governance Policy and Audit Committee and possible Action regarding the recommendations made during the meeting held today, May 25, 2011 on or after 10:00 a.m. for agenda items 11 – 18.

11. Report with respect to legislation pertaining to PSPRS including SB 1609, SB1316, and SB1317……………………………………………………….…………… …………..Mr. Jim Hacking  
Mr. Doug Cole, Partner, HighGround  
Ms. Dianne McAllister, Public Policy Partners  
Mr. Doug Cole of HighGround informed the members of the Board that 1350 bills were introduced this past legislative session of which 386 were passed, 29 were vetoed and 357 were signed. Ms. Dianne McAllister of Public Policy Partners stated SB1316 was vetoed by Governor Brewer because it loosened the restrictions on the reporting requirements with respect to the prohibition of doing business with Iran and Sudan. There were no objections with the underlying bill. Mr. Cole stated that SB 1317 and SB 1609 passed. SB 1609 is very important for it kept the guidelines set by the PSPRS Board of Trustees early in the past legislative session.

Mr. Cole discussed the future and stated SB 1609 will be discussed throughout the next session. Ms. McAllister stated that the purpose of the Study Committee mandated by SB 1609 will be to review possible conversion to Defined Contribution Plans from the Defined Benefit Plans currently administered by ASRS and PSPRS. It will also consider the possible merging of all PSPRS and CORP local boards, and possibly establishing one committee for review of disabilities. Mr. Cole anticipates revisiting SB 1609 for correction of technical errors.

Mr. Tobin thanked HighGround and Public Policy Partners for the progress during the past legislative session.

12. The Board of Trustees may vote to go into Executive Session to discuss matters pursuant to A.R.S §§ 38-431.03(A) (2), (3), (4),and (7) including to obtain legal advice from the Board’s attorney on any matter listed on the agenda, including:

a. Discussion and consultation with legal counsel from Ballard Spahr and Staff regarding possible litigation involving the PSPRS Board of Trustees arising out of the enactment of SB 1609 pursuant to §§ A.R.S. 38-431.03 (A)(3) and (4).

b. Discussion and consultation with legal counsel form Steptoe & Johnson and Staff regarding possible litigation involving the PSPRS Board of Trustees arising out of the enactment of SB 1609 pursuant to §§ A.R.S. 38-431.03 (A)(3) and (4).
13. Discussion and possible Action regarding the Policy for Development and Implementation of the Legislative Agenda and Use of Lobbying Services……………………………Mr. Brian Tobin

Mr. Tobin stated Board members have until August 1, 2011 to suggest possible legislative changes or issues on the form provided in the Policy for Development and Implementation of Legislative Agenda which will permit time to form legislation prior to the beginning of the next session January 1, 2012. Mr. Maguire suggested that this written policy is too long and that it should be reviewed in order to shorten it.

14. Presentation of the Month-to-Date Budget Report for FY 2011 and possible Action…………………………………………………………………………………Ms. Karen Lewis Accounting Manager

Mr. Tobin summarized the report that was given to the Operations, Governance Policy and Audit Committee during its morning session. Cost overruns occurred due to Gabriel Roeder Smith’s activity resulting from the so-called pension reform legislation; these extra and unanticipated costs amounted to over $300,000. As a result, staff will be vigilant to keep the budget on track. Other areas of cost overruns were in fees charged by Mellon Bank, air conditioning replacements and fees for legal services.

15. Presentation of the proposed FY 2012 PSPRS budget and possible Action……………………………………………………………………………………………………Ms. Karen Lewis

Mr. Hacking reviewed the proposed FY 2012 budget for the understanding of the members of the Board of Trustees prior to action during the June, 2011 Board of Trustees Meeting. He continued by describing the budget process which began with the formulation of the strategic plan for FY’12. This was followed by having each unit manager develop the budget for his/her respective unit. These were then reviewed by Mr. Hacking and Ms Lewis in conjunction with the managers. The proposed budget was scaled back during these meetings with the unit managers. This recommended budget is 0.9% less than the actual projected FY 2011 budget which is at a lower level than the actual spending in the prior three fiscal years.

There will be four open staff positions in FY 2012. Mr. Hacking proposed one position be allocated for an in-house legal counsel, another two positions for the new proposed “call center”
and one to the IT Operations group due to, among other things, their taking full responsibility for the building, which is a function that was performed by Gail Nova before her retirement. The call center will relieve the Members Services Units’ staff of distractions that have become acute because call volume has increased greatly due to SB 1609 and the increase in the number of retirees.

Mr. Hacking informed the Board that due to the mandated Alternative Contribution Rate, he is asking for Board approval of one additional position for the Active Members Department. The collection of the ACR will begin in July as mandated by SB 1609. Mr. Tobin stated there is a proposed compensation increase for the staff of 2% which is made up of a 1.5% increase resulting from the increase in the Consumer Price Index and a one-half of one percent merit increase if the annual review of each staff member is satisfactory or better.

16. Presentation of proposed contracts listed below for FY 2012 and appropriate Action

………………………………………...…………………………………………………………………………………………Mr. Jim Hacking

a. Ballard Spahr LLP
b. Kutak Rock LLP
c. Steptoe & Johnson LLP
d. Charles W. Whetstine, P.C.
e. Ice Miller LLP
f. Strasburger & Price, LLP
g. Cooley LLP
h. Foley & Lardner LLP
i. Foster Pepper PLLC
j. Goodwin Procter
k. Jackson Walker L.L.P.
l. Morrison Foerster LLP
m. Pillsbury Winthrop Shaw Pittman LLP
n. Ropes & Gray LLP
o. LRS Consulting, LLC
p. Gabriel Roeder Smith
q. HighGround
r. Public Policy Partners

Mr. Tobin reported that contracts a through n are in the process of being signed or have been signed resulting from a prior Request for Proposal for outside legal counsel. Item o will possibly be revised to reflect the responsibility for training of the new call center staff, Gabriel Roeder Smith will be reviewed in June as will the proposed contracts for the two lobbying firms, HighGround and Public Policy Partners.

17. Written update on the progress of the Local Board Training Program, discussion and possible Action regarding same

……………………………………………………………………………………………………………………………………Mr. Robert Ortega
Local Board Training Coordinator

Mr. Tobin reported that Mr. Ortega’s written monthly report indicated that a webinar was held to review the changes in statute made by SB 1609, especially the new Alternative Contribution Rate (ACR).
18. **Summary of the Action** taken during the Operations, Governance and Audit Committee meeting held this morning regarding the May 2011 bill for legal services performed in April 2011..........................................................................................................................Mr. Jim Hacking

This morning the Operations, Governance Policy and Audit Committee approved payment of the May, 2011 billing for legal services performed in April, 2011.

19. **Report, discussion and possible Action** regarding the search process for in-house legal counsel..................................................................................................................................................Mr. Jim Hacking

Mr. Hacking stated that the funding for the in-house legal counsel position and a part-time Assistant Attorney General from the Office of the Attorney General are in the proposed FY 2012 budget.

20. **Presentation, discussion and appropriate Action** regarding choice(s) for a new PSPRS logo................................................................................................................................. Mr. Paul Hemmes

Audio Visual Specialist

**MOTION: 5-160-11** At 4:18 p.m.

Motion: To approve the second bottom logo.

Moved by: Mr. Mc Henry

Seconded by: Mr. Maguire

Discussion: A friendly amendment: drop the asterisk, add an “s” to officer, to eliminate an apostrophe in Official’s

In Favor: Unanimous

Motion: Passes

21. **Report on the process to obtain the Arizona Attorney General’s approval for PSPRS’ use of the law firms selected for use by the Board of Trustees at the January 26, 2011 meeting and at the February 23, 2011 meeting and the Attorney General’s approval of PSPRS’ use of in-house legal counsel..........................................................................................................................Mr. Jim Hacking

Mr. Hacking indicated that we are in the process of executing the final contracts for use of the outside law firms that the Board had selected for use through its RFP process earlier in the year.

22. **Report on the Auditor General’s review with respect to 2001-02 asset value losses and 2006 to present legal bills.**.................................................................................................................................Mr. Jim Hacking

Mr. Hacking reported that the auditors will provide a report upon completion of their review.

23. **Discussion and possible Action** regarding selection of a member of the PSPRS Board of Trustees to serve as a member of the “Defined Contribution and Retirement Study Committee” established by SB1609 to study, among other things, Defined Contribution Plan advantages and disadvantages and the possible merging of the supplemental defined contribution plans administered by ASRS and PSPRS...........................................................................................................Mr. Brian Tobin

Board of Trustees Minutes
May 25, 2011
24. Discussion and possible Action regarding rescheduling the Board of Trustees Annual Meeting September 28-29, 2011 to another date...............................................................Mr. Brian Tobin

MOTION:  5-164-11 At 4:26 p.m.
Motion: To reschedule the Annual Meeting to September 21-22, 2011.
Moved by: Mr.
Seconded by: Mr.
Discussion: None
In Favor: Unanimous
Motion: Passes

25. Discussion and possible Action regarding establishing topics, possible agenda items, and format for the Board of Trustees 2011 Annual Meeting in September.................................Mr. Jim Hacking

Mr. Hacking suggested a thorough review of the System’s asset allocation during the Annual Meeting and asked that Board members please forward to him or Mr. Tobin any additional ideas.
26. Discussion and possible **Action** regarding the rescheduling the Board of Trustees Meeting June 29, 2011 to another date……………………………………………………………………….Mr. Brian Tobin

<table>
<thead>
<tr>
<th>MOTION: 5-165-11</th>
<th>At 4:30 p.m.</th>
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<tbody>
<tr>
<td>Motion:</td>
<td>To reschedule the June 29, 2011 meeting to June 22, 2011.</td>
</tr>
<tr>
<td>Moved by:</td>
<td>Mr. Tobin</td>
</tr>
<tr>
<td>Seconded by:</td>
<td>Mr.</td>
</tr>
<tr>
<td>Discussion:</td>
<td>None</td>
</tr>
<tr>
<td>In Favor:</td>
<td>Unanimous</td>
</tr>
<tr>
<td>Motion:</td>
<td>Passes</td>
</tr>
</tbody>
</table>

27. Discussion and appropriate **Action** regarding Board of Trustee member requests to participate in training, educational and due diligence opportunities……………………………...………..Mr. Brian Tobin

No requests were brought forward.

Regarding the following three agenda items, pursuant to A.R.S. §§ 38-431.03(A) (3), (4) and (7), notice is hereby given to the Trustees of the PSPRS Board and the general public that the PSPRS Board may vote to go into Executive Session, which will not be open to the public.

28. Discussion and consultation with legal counsel from Ballard Spahr and Staff regarding possible litigation involving the PSPRS Board of Trustees arising out of the enactment of SB 1609. ………………………………………………………………………………………………………………..Mr. William A. Hicks III Partner, Ballard Spahr LLP

29. Discussion and consultation with legal counsel from Steptoe & Johnson and Staff regarding possible litigation involving the PSPRS Board of Trustees arising out of the enactment of SB 1609………………………………………………………………………………………………………Mr. Bennett Evan Cooper Partner, Steptoe & Johnson LLP

30. Discussion with and Appropriate Instruction by the Board of Trustees to legal counsel regarding those matters referenced in agenda item 31 below, including matters pertaining to investments or contracts, public records, legislative initiatives, or ongoing or threatened legal actions or settlements involving the Arizona PSPRS Trust, the System, or the System’s sister plans (EORP or CORP) (collectively, the “Plans”) and/or involving matters pertaining to Huggins, Martin, Cross, Welker, IRS determination letters, Cooper, Seldin, Loftus, Pivotal Group, Stroh Ranch Development, ApexCapital and Desert Troon, and appropriate **Action** regarding same…………………………………………………………………………………………………………………..Mr. Marc Lieberman Mr. Michael Sillyman Partners, Kutak Rock

Please refer to **item 12** of the Minutes.

31. The Board of Trustees may vote to go into Executive Session to discuss matters pursuant to A.R.S §§ 38-431.03(A) (2), (3), (4),and (7) including to obtain legal advice from the Board’s attorney on any matter listed on the agenda, including:

   c. Discussion with legal counsel regarding legal issues, contract negotiations, and settlement discussions, if any, arising in connection with the Plans’ real estate, private equity, hedge, loan and other investments, including those managed (or formerly managed) by the Pivotal Group, ApexCapital Management, and Desert Troon Limited,
pursuant to A.R.S. §§ 38-431.03(A)(3), (4) and (7).

d. Discussion and consultation with legal counsel and Staff regarding ongoing or threatened legal action involving the Plans, including internal investigations, public record requests, investment related matters, and actual or potential litigation and claims, including those involving Huggins, Cross, Martin, Welker, Cooper, the Pivotal Group, Stroh Ranch Development, Seldin, and Loftus pursuant to A.R.S. §§ 38-431.03(A)(3), (4), and (7).

e. Discussion and consultation with legal counsel from Ballard Spahr and Staff regarding possible litigation involving the PSPRS Board of Trustees arising out of the enactment of SB 1609 pursuant to §§ A.R.S. 38-431.03 (A)(3) and (4).

f. Discussion and consultation with legal counsel from Steptoe & Johnson and Staff regarding possible litigation involving the PSPRS Board of Trustees arising out of the enactment of SB 1609 pursuant to §§ A.R.S. 38-431.03 (A)(3) and (4).

32. Call to the Public:

This is the time for the public to comment. Members of the Board of Trustees may not discuss items that are not specifically identified on the agenda, except to address criticism from the public. Therefore, pursuant to A.R.S. § 38-431.01(H), the Board of Trustees’ reaction to any public comment is limited to addressing criticism or recommending that the Board of Trustees or Staff respond or study such comment or schedule the subject matter for further consideration at a later date after appropriate notice.

No members of the public wished to address the Board.

33. Set the next meeting date.

34. Adjournment.

<table>
<thead>
<tr>
<th>MOTION: 5-166-11</th>
<th>At 4:32 p.m.</th>
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<tbody>
<tr>
<td>Motion:</td>
<td>To adjourn the meeting.</td>
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<tr>
<td>Moved by:</td>
<td>Mr. Maguire</td>
</tr>
<tr>
<td>Seconded by:</td>
<td>Mr. Mc Henry</td>
</tr>
<tr>
<td>Discussion:</td>
<td>None</td>
</tr>
<tr>
<td>In Favor:</td>
<td>Unanimous</td>
</tr>
<tr>
<td>Motion:</td>
<td>Passes</td>
</tr>
</tbody>
</table>

Brian Tobin, Trustee, Chairman

Greg Ferguson, Trustee, Vice Chairman

Alan Maguire, Trustee

Board of Trustees Minutes
May 25, 2011
Randie Stein, Trustee                          Jeff Mc Henry, Trustee

Richard Petrenka, Trustee                     Lauren Kingry, Trustee