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

The meeting was called to order at 1:03 p.m. by Chairman Tobin.

2. 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 Elected Officials' Retirement Plan of termination of ordinary
disability benefit of Sylvester J. Murphy
b. Acceptance of Elected Officials’ Retirement Plan of normal benefit of Lester Pearce  
c. Acceptance of Elected Officials’ Retirement Plan of termination of normal benefit of Dale H. Morgan  
d. Acceptance of Transfer Between State Retirement Systems of Larry Eckhardt  
e. Acceptance of Transfer Between State Retirement Systems of Pamela Swearingin  
f. Acceptance of Transfer Between State Retirement Systems of Tyler Thompson  
g. Acceptance of Transfer Between State Retirement Systems of Kevin Rivers  
h. Acceptance of Transfer Between State Retirement Systems of Vladislav Janjusic  
i. Acceptance of Transfer Between State Retirement Systems of Joel Mark Tranter  
j. Acceptance of Transfer Between State Retirement Systems of Albert Vandeaver  
k. Acceptance of Transfer Between State Retirement Systems of John R. Day  
l. Acceptance of Transfer Between State Retirement Systems of Elizabeth Hurtado  
m. Acceptance of Transfer Between State Retirement Systems of Jan Collins  
n. Acceptance of Transfer Between State Retirement Systems of Christina Acosta  
o. Acceptance of Transfer Between State Retirement Systems of Joseph Kurcsics  
p. Acceptance of Transfer Between State Retirement Systems of Ann Fitzgerald  
q. Acceptance of Transfer Between State Retirement Systems of Patrick J. Martin  
r. Acceptance of Transfer Between State Retirement Systems of Mike K. Gurr  
s. Acceptance of Transfer Between State Retirement Systems of Robert L. Posey  
t. Acceptance of Transfer Between State Retirement Systems of Herbert F. Groll, Jr.  
u. Acceptance of Transfer Between State Retirement Systems of Stephen Studzinski, Jr.  
v. Acceptance of Transfer Between State Retirement Systems of Gregory Houston  
w. Acceptance of Transfer Between State Retirement Systems of Tony Silva  
x. Acceptance of Transfer Between State Retirement Systems of Tim M. Woodward

**MOTION: 5-102-12**  
At 1:03 p.m.  
Motion: To accept the Consent Agenda as presented.  
Moved by: Mr. Ferguson  
Seconded by: Mr. McHenry  
Discussion: None  
In Favor: Unanimous  
Motion: Passes

3. Appropriate **Action** regarding the Joinder Agreement with the Department of Public Safety - Detention ...........................................................................................................Mr. Brian Tobin  

This agenda item was tabled until later in the Board of Trustees meeting.

4. Appropriate **Action** regarding the Minutes of the April 25, 2012 meeting of the PSPRS Board of Trustees ...........................................................................................................Mr. Brian Tobin
MOTION: 5-103-12  At 1:03 p.m.
Motion:  To accept the Minutes of the April 25, 2012 meeting of the PSPRS Board of Trustees as presented.
Moved by:  Mr. Kingry
Seconded by:  Mr. Davis
Discussion:  None
In Favor:  Unanimous
Motion:  Passes

5. Introduction of Assistant Attorney General, Ivy Voss

Mr. Hacking introduced Ms. Ivy Voss, Assistant Attorney General, to the Board members.

6. Presentation by, and discussion with, representatives of HighGround and Public Policy Partners on the results of the 2012 Legislative Session, the implementation of the Personnel Reform initiative (HB2571) and the challenges posed by the resumption of the deliberations of the Study Committee created by SB 1609

Mr. Doug Cole of HighGround said the Legislative Session ended May 3, 2012, the 116th day of the session. Two of the three PSPRS bills, SB1115 pertaining to investment contracts and SB1116 the PSPRS omnibus bill, were signed by Governor Brewer and take effect August 2, 2012. All of the three Board members up for confirmation were confirmed. HB 2571, the Personnel Reform initiative, is being worked on with the Department of Administration in preparation for the September 29, 2012 effective date. Tasks regarding SB 1609’s Study Committee will resume in late summer or early fall.

Mr. Hacking added that late in the Legislative Session an amendment was proposed to place before the voters the option of closing the EORP plan to new hires. The PSPRS lobbyists were able to kill the amendment.

Report by Mr. Richard Petrenka, Chairman of the Investment Committee regarding agenda items 7. through 13. which were discussed at the Investment Committee meeting held today, May 30, 2012, on or after 10:00 a.m., and possible Action on the Committee's recommendations to the Board regarding same.

7. Report by Investment Department Staff and discussion regarding the Month Ended and Fiscal Year-to-Date performance/portfolio

The Month Ended return was -61 bps which trailed the target benchmark by 56 bps. The Absolute Return portfolio had a strong 1.5% return and equities did well; but the real estate portfolio experienced another write down. Without the write down in real estate, we would be up 7 bps, outperforming by 12 bps. Over the last three years, we would be out performing by 184 bps without the real estate write downs.
8. Presentation by Investment Department Staff, and NEPC, LLC representatives and Acadian Asset Management LLC representatives and discussion and possible Action regarding an investment of up to $100 million in a separately managed account in the Acadian US Managed Volatility Strategy managed by Acadian Asset Management LLC or its affiliates. Mr. Anton Orlich, Portfolio Manager, stated that this investment, if approved, will be added to the Hybrid Active Equity Portfolio. The managers of Acadian identify quantitative factors for equities that have little human judgment involved. The fees are lower than those for active only managers and the number of holdings in the portfolio number in the hundreds rather than in the dozens. The focus is on lower volatility stocks with a lower Beta, a higher level of return for the same level of risk and slight out performance over a three and five year period with about one third less standard deviation. A comparable return with lower risk translates into outperformance.

Mr. Stracke added that Acadian has been in business over twenty-six years, has 13 PhD’s on staff and has developed a quantitative strategy regarding lower volatility stocks which we are optimistic will outperform in down and flat markets. In strong markets there will be some underperformance. Over time, Acadian has earned more that 8% annually.

Mr. Petrenka reported that the Investment Committee approved a motion to recommend to the full Board that the System invest up to $100 million in a separately managed account in the Acadian US Managed Volatility Strategy managed by Acadian Asset Management LLC or its affiliates.

Chairman Tobin recognized the recommendation of the Investment Committee and called for discussion. Hearing none he called for the vote.

**MOTION: 5-104-12** At 1:34 p.m.

Motion: To approve an investment of up to $100 million in a separately managed account in the Acadian US Managed Volatility Strategy managed by Acadian Asset Management LLC or its affiliates.

Moved by: Mr. Petrenka

Seconded by: (Recommended by the Committee)

Discussion: None

In Favor: Unanimous

Motion: Passes

9. Presentation by Investment Department Staff and NEPC, LLC representatives and discussion and possible Action regarding an investment of up to $40 million in LSV Special Opportunities Fund IV, L.P. or appropriate feeders, blockers, or associated or parallel funds of same L.P managed by LGK Advisors, L.P. or its affiliates. Mr. Martin Anderson, Senior Consultant, NEPC, LLC stated that if approved, the System would invest up to $40 million in LSV Special Opportunities Fund IV, L.P.

Chairman Tobin recognized the recommendation of the Investment Committee and called for discussion. Hearing none he called for the vote.

**MOTION: 5-104-12** At 1:34 p.m.

Motion: To approve an investment of up to $40 million in LSV Special Opportunities Fund IV, L.P.

Moved by: Mr. Martin Anderson

Seconded by: Mr. Don Stracke (Recommended by the Committee)

Discussion: None

In Favor: Unanimous

Motion: Passes
The proposed investment in LSV Special Opportunities Fund IV, L.P. was presented by Mr. Anderson and will be, if approved, housed in the Absolute Return Portfolio. Fund IV is a follow-up to the investment in LSV’s Fund III that the System made about three years ago. It was an investment opportunity born out of the dislocation in the market during 2007-09. The current LSV Special Opportunities Fund IV capitalizes on investors’ issues. It solves investor and manager problems since LSV Special Opportunities Fund IV steps in as the party holding the asset until it can be turned it into cash. To date, LSV III has earned almost 27% IRR and delivered almost $5 million. NEPC and Staff have completed the due diligence and recommend this possible investment.

Mr. Stracke added that when an entity wishes to sell for non-economic reasons uncorrelated to any of the broad markets, PSPRS can step into the shoes of the other limited partner and hold the investment since we can be patient and do not want to fire sale the investment.

Mr. Petrenka reported that the Investment Committee approved a motion to recommend to the full Board that the System invest up to 40 million in LSV Special Opportunities Fund IV, L.P. or appropriate feeders, blockers, or associated or parallel funds of same L.P managed by LGK Advisors, L.P. or its affiliates.

Chairman Tobin recognized the recommendation of the Investment Committee and called for discussion. Hearing none he called for the vote.

<table>
<thead>
<tr>
<th>MOTION: 5-105-12</th>
<th>At 1:45 p.m.</th>
</tr>
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<tbody>
<tr>
<td>Motion:</td>
<td>To approve an investment of up to 40 million in LSV Special Opportunities Fund IV, L.P. or appropriate feeders, blockers, or associated or parallel funds of same L.P managed by LGK Advisors, L.P. or its affiliates.</td>
</tr>
<tr>
<td>Moved by:</td>
<td>Mr. Petrenka</td>
</tr>
<tr>
<td>Seconded by:</td>
<td>(Recommended by the Committee)</td>
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<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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</tbody>
</table>

Presentation by NEPC, LLC representatives and discussion and possible Action regarding the approval of certain proposed revisions to the Asset Allocation Benchmarks which are stated in Appendix I Asset Allocation Policy of the Amended and Restated Statement of Investment Policy and replacing and superseding those benchmarks

Mr. Allan Martin
Partner, NEPC, LLC

Mr. Martin told the Board members that benchmarks are reference points that determine whether results are good or bad. We generally want a benchmark to be investable and liquid, available on a timely basis, transparent, appropriate to what is to be measured, and be a fair and passive representation of the market it is designed to measure. NEPC is recommending a revision in the benchmark for Credit Opportunities and Global Fixed Income. NEPC also recommend the establishment of a benchmark for the Risk Parity portfolio.
Mr. Petrenka reported that the Investment Committee approved a motion to recommend to the full Board to approve the BC Global Aggregate as the benchmark for Global Fixed Income. To approve 50% ML HYBB-B Constrained/50% CS Fixed Income as the benchmark for Credit Opportunities. To approve 60% BC Global Agg/30% MSCI All World/10% DJ-UBS Commodity as the benchmark for Risk Parity.

Chairman Tobin recognized the recommendation of the Investment Committee and called for discussion. Hearing none he called for the vote.

**MOTION: 5-106-12**  
At 2:04 p.m.  
Motion: To approve the BC Global Aggregate as the benchmark for Global Fixed Income. To approve 50% ML HYBB-B Constrained/50% CS Fixed Income as the benchmark for Credit Opportunities. To approve 60% BC Global Agg/30% MSCI All World/10% DJ-UBS Commodity as the benchmark for Risk Parity.  
Moved by: Mr. Petrenka  
Seconded by: (Recommended by the Committee)  
Discussion: None  
In Favor: Unanimous  
Motion: Passes

11. Presentation by Investment Department Staff and NEPC, LLC representatives and discussion and possible Action regarding the approval of a revised and restated plan for the allocation of assets within the Equities Portfolio

Mr. Orlich described the plan for the Equities portfolio which includes the addition of a Hybrid Active Manager to the U.S. Equities portfolio and Hybrid Active Managers and a Long/Short Manager to the International Equities portfolio. A discussion was held regarding risk and the minimization of volatility due to lower amounts of equity exposure by using managers to better allow us to get an 8% assumed earnings rate. Staff explored the optimal number of managers in the portfolio and the ability to monitor those managers and Staff recommends about fifteen managers with no more than 1% of the total portfolio allocated to any given active manager and no more than 6% of equity portfolio in an active manager. Each year a review of the number of managers will be completed; but discussion regarding allocations in each of the asset classes will be held on an every other year basis. Any departures from the plans will be reported immediately.

**MOTION: 5-107-12**  
At 2:29 p.m.  
Motion: To approve the revised and restated plan for the allocation of assets within the Equities Portfolio.  
Moved by: Mr. Petrenka  
Seconded by: Mr. Kingry  
Discussion: None  
In Favor: Unanimous  
Motion: Passes
12. Presentation by Investment Department Staff and NEPC, LLC representatives and discussion and possible Recommendation regarding the approval of a revised and restated plan for the allocation of assets within the Credit Opportunities Portfolio 

Mr. Mark Steed
Portfolio Manager

Mr. Allan Martin

Mr. Steed stated that the asset allocation for the Credit Opportunities Portfolio is 12%. Credit Opportunities is defined as investments in bonds, loans, structured securities, or portfolios of these types of investments. The Credit Opportunities plan provides that within this portfolio there will be three buckets: Real Value that will include groups that are able to exploit dislocations in more liquid markets; Distressed Groups that target impaired credit or groups going through some type of legal processes; and Opportunistic Groups that take advantage of a market niche.

Mr. Parham added that we are not able to determine in advance where opportunities will exist in the future.

MOTION: 5-108-12  At 2:44 p.m.

Motion: To approve a revised and restated plan for the allocation of assets within the Credit Opportunities Portfolio.

Moved by: Mr. Ferguson
Seconded by: Mr. Kingry
Discussion: None
In Favor: Unanimous – Mr. Petrenka was excused.
Motion: Passes

13. Status report by Investment Department Staff on the ongoing work to revise the Amended and Restated Statement of Investment Policies

Mr. Ryan Parham
Chief Investment Officer

In June the Investment Department will present proposed changes to the Amended and Restated Statement of Investment Policies.

14. Appropriate Action regarding the Joinder Agreement with the Department of Public Safety - Detention

Mr. Brian Tobin

Mr. Smout presented background information regarding the Joinder Agreement with the Department of Public Safety-Detention. In 2008, statutes were amended to include state detention officers employed by the Department of Public Safety and included DPS as an employer in the plan. This was conditional based on a 2005 statutory change that this would not happen until the CORP plan was 100% funded. Last year SB 1609 repealed this requirement so now the DPS Detention Officers are allowed to enter CORP. They currently have three members who want to join and one member who has requested a waiver.
MOTION: 5-109-12  At 2:48 p.m.
Motion:  To accept the Joinder Agreement with the Department of Public Safety - Detention.
Moved by:  Mr. Ferguson
Seconded by:  Mr. McHenry
Discussion:  None
In Favor:  Unanimous – Mr. Petrenka was excused.
Motion:  Passes

15. Report by the System’s Internal Audit and Compliance Officer and discussion regarding investment compliance, holdings and transactions as of April 30, 2012. Ms. Bridget Feeley

The Investment portfolio was reviewed by Ms. Feeley. She reported that there are two redundant issues. Two holdings in the fixed income portfolio are each over the 5% limit and the real estate portfolio is 12.44% of the total fund whereas it has an allocation of only 12%.

16. Discussion and possible Action with respect to the method of reporting work/findings
Recommended by the Internal Audit and Compliance Officer Ms. Bridget Feeley

The method of reporting work/findings is still being developed.

17. Status report on the FY 2012 Internal Audit Plan Ms. Bridget Feeley

Ms. Feeley reported on her audit of retirement benefits processing. She found that the controls that are in place are adequate. There is, however, one area needing improvement – namely the documentation of the processes which are continually being improved and revised. In the future, the documentation will be completed by the person who has changed the process, rather than having just one person with the responsibility to update the documentation. The documentation is to be complete by December 31, 2012.

18. 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.

There was no response to the Call to the Public.
19. Discussion and appropriate Action regarding Board of Trustee member requests to participate in training, educational and due diligence opportunities. Mr. Brian Tobin

There were no training requests.

20. Set the next meeting date. (Currently scheduled for Wednesday, June 27, 2012.)

The date remains Wednesday, June 27, 2012. Chairman Tobin will be excused.

21. Discussion and consultation with legal counsel and Staff regarding proposed legislation, investment matters, ongoing, contemplated or threatened legal action involving the Plans, including vendor disputes, public record requests, personnel matters and actual or potential litigation and claims based on contract, tort or statute, including matters involving Bank of America, BNY Mellon, judges Thompson and Hall, retired judges Fields and Lankford, Huggins, retired police officers Rappleyea and Everson, active police officers Parker, Griego, Manganiello and Robles, Cross, the Pivotal Group, U.S. Bank, the Seldins, and Stroh Ranch Development and Red Kite Explorer Fund. The Board may vote to discuss these matters in Executive Session pursuant to A.R.S. §§ 38-431.03(A)(1), (2), (3), (4) and (7) as set forth in item 32.

22. The Board of Trustees may vote to go into Executive Session (which will not be open to the public) to discuss matters pursuant to A.R.S. §§ 38-431.03(A) (1), (2), (3), (4) and (7), as applicable, including to obtain legal advice from the Board's attorney on any matter listed on the agenda, including:

a. Status report from Ben Cooper of Steptoe & Johnson LLP regarding the four (4) lawsuits challenging provisions of Senate Bill 1609, which lawsuits involve judges Thompson and Hall, retired judges Fields and Lankford, retired police officers Rappleyea and Everson, and police officers Parker, Griego, Manganiello and Robles

b. Discussion with NEPC, counsel and staff of a possible change in the role of the Board with respect to the selection, retention and termination of investment managers.

c. Discussion with legal counsel (and possible recommendation to the Board of Trustees) about legal developments, claims and issues (including settlement discussions) involving investment-related public record requests as well as the Plans' contracts and 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 Board 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) & (7). Matters discussed may include claims or potential claims by, against or involving (or issues concerning) BNY Mellon, Stroh Ranch Development, The Pivotal Group, U.S. Bank, Red Kite Explorer Fund and/or Millard and Scott Seldin.

d. Discussion and consultation with legal counsel and Staff regarding ongoing or threatened legal action involving the Plans not otherwise referenced above,
including internal investigations, public record requests, and actual or potential litigation and claims based on contract, tort or statute, including those involving Huggins & Cross, pursuant to A.R.S. §§ 38-431.03(A) (2), (3) and (4).

MOTION: 5-110-12 At 2:53 p.m.
Motion: To recess Open Session and enter Executive Session.
Moved by: Mr. Ferguson
Seconded by: Mr. McHenry
Discussion: None
In Favor: Unanimous – Mr. Petrenka was excused.
Motion: Passes

23.
Presentation, discussion and possible Action regarding the 5-year experience study recommendations with respect to the PSPRS Plans made by Gabriel, Roeder, Smith and Company (GRS) Mr. Brian B. Murphy, F.S.A., M.A.A.A. 
Mr. Mark Buis, F.S.A., M.A.A.A. 

Mr. Hacking presented background regarding prior experience studies stating that periodically all demographic and economic assumptions reflected in the annual valuation are to be tested against reality. The latest 5-year experience study has been completed. Mr. Murphy spoke about the recommended changes in the demographic assumptions and about what happens when you project out a person’s benefit 30 to 40 years from now. He spoke about mortality trends for both males and females and the added costs associated with the fact that people are living longer. He also covered other demographic assumptions including the incidence of disability and retirement trends. He then addressed the issue of wage and merit pay experience for the three plans. The assumptions currently in use are wage inflation of 5% for PSPRS and CORP and 4.5% for EORP. With respect to the rate of return assumption, he indicated that for the 2011 valuation, the investment return assumption was 8.25% but for the 2012 valuation the assumption will be 8%. As a result of the experience study, GRS is recommending setting price inflation at 3% and changing the wage inflation assumption to 4% for the three plans. Regarding investment return, GRS is recommending a 25 bps reduction in the investment assumption for each of the next two years. Mr. Murphy said that this would mean a 7.75% rate of return assumption for FY 2013 and a 7.50% assumption for FY 2014. This phased in approach will allow more time for a gradual adjustment in the employer contribution rates for the plans, although he acknowledged that the System would be better off getting more money sooner. This will be monitored in light of investment performance, the asset allocation changes, and the changes in the provisions of the COLA programs resulting from SB 1609.

The recommendations from GRS are to adopt the demographic assumptions changes for the June 30, 2013 valuation and to include adoption of new economic assumptions with the following schedule:

a. June 30, 2012 a return of 8.0% (already adopted)
b. June 30, 2013 valuation on investment return lowered to 7.75% and wage inflation lowered to 4.5%
c. June 30, 2014 valuation on investment return lowered to 7.5% and wage inflation lowered to 4.0%
Mr. Murphy acknowledged that the changes in assumptions will lead to upward pressure on the contribution rates and that asset value losses in FY’12 will put further upward pressure on contribution rates over the next several years. The recent changes in plan provisions reflected in SB 1609 will gradually help offset some of the pressure.

A discussion was held regarding the 2012 valuation and the effect of the legal challenges to SB 1609’s COLA changes. Mr. Hacking stated that we will have the FY ’12 valuation results for all the employer groups in December. That will give employers ample time to reflect the contribution requirements in their budgets for employer fiscal year 2014, which will begin July 1, 2013.

Discussion was held regarding the recommended changes in assumptions, especially the changes in the rate of return assumption.

**MOTION: 5-111-12**

At 5:24 p.m.

**Motion:** To accept the experience study recommendations but keep the rate of return assumption at 8% for the time being but drop the 5% wage inflation assumption one-half of one percent for each of the next two years as recommended by GRS and accept all demographic changes for 2013.

**Moved by:** Mr. Ferguson

**Seconded by:** Mr. Kingry

**Discussion:** Amendment to change the assumed earnings rate of investment return to 7.85% from 8% for the June 30, 2013 valuation.

**In Favor:** 4 ayes and 2 nays

**Motion:** Passes – Mr. Petrenka - excused

**MOTION: 5-112-12**

At 5:27 p.m.

**Motion:** To accept the GRS demographic assumption changes for FY’13 and change the assumed earnings rate to 7.85% for FY’13 and reduce the wage inflation assumption by one half of one percent for PSPRS and CORP for each of the next two years with all three plans to have a wage inflation assumption of 4% for the FY’14 valuation.

**Moved by:** Mr. Kingry

**Seconded by:** Mr. Davis

**Discussion:** None

**In Favor:** Unanimous

**Motion:** Passes – Mr. Petrenka - excused

24. Report by NEPC representative(s) on the Third Fiscal Quarter (First Calendar Quarter) Performance of the System

Mr. Martin reported that for the fiscal year-to-date the System was up 1.5%. Over the last twelve months, the Fund had a net gain of $154 million and as of March 31, 2012 the Fund’s assets totaled $6.86 billion. The Fund returned on an absolute basis for the one-year period 2.3% but with significantly less volatility than its peers. Total equity underperformed by -0.4% for domestic and -0.1% for non-US equities. Total fixed income outperformed by 0.3%. Private equity underperformed by -0.7% and real estate...
underperformed by -0.1%. Currently, contributions do not cover benefit payments but, we are earning enough through investments to offset that. Real estate for the fiscal year-to-date had an underperformance of -6.3%. Credit opportunities out performed by 21.9% over the three year period and fixed income was up 2.2%. For the three year period, the Fund return lags slightly. On a risk-adjusted basis, it is in the top quartile of the ICC Public Funds Universe. The strategy in use is a diversified portfolio with less equities and lower risk. It is estimated that, for the current fiscal year, the return will be between a positive 2% and a slightly negative percentage which, given the financial markets, is not a bad result.

25. Report by Investment Department Staff representatives and discussion regarding risk associated with certain portfolio exposures. Mr. Pascal Stalder, Deputy Chief Investment Officer-Risk

The numbers from BNY Mellon have a three-month lag and are not based on the date for which they were actually valued. We are outside of the range approved for real estate holdings. Mr. Stalder discussed Euro activity by country, the top 15 equity security positions with a three to five day clearance, the composition of currency exposure, the top ten performers for April, the structure of liquidity in the portfolio, the bottom ten performers in the portfolio for one month and the country total cash exposure in each asset class.

Presentation by Mr. Gregory Ferguson, Chairman of the Operations, Governance Policy and Audit Committee regarding agenda items 27 through 35. which were discussed at the Operations, Governance Policy and Audit Committee meeting held today, May 30, 2012, on or after 11:00 a.m., and possible Action on the Committee’s recommendations to the Board regarding same.

26. Presentation of the Month-to-Date Budget Report for FY 2012 and possible Action on same. Mr. John Hendricks, Manager of Finance and Accounting

To date we are over budget by $252,000 due to $420,000 in litigation expenses.

27. Written update on the progress of the Local Board Training Program and discussion and possible Action regarding the same. Mr. Robert Ortega, Local Board Training Coordinator and Human Resources Manager

Mr. Ferguson said that a written report was included in the Board of Trustees binder.

28. Review, discussion and possible Action regarding the May 2012 Kutak Rock and other law firms’ billings for legal services performed in April 2012. Mr. Jim Hacking

Mr. Ferguson reported that the Operations, Governance Policy and Audit Committee approved a motion to recommend to the full Board to approve the May 2012 Kutak Rock and other law firm billings for legal services performed in April 2012.
Chairman Tobin recognized the recommendation of the Operations, Governance Policy and Audit Committee and called for discussion. Hearing none he called for the vote.

**MOTION: 5-113-12** At 6:06 p.m.

Motion: To approve the May 2012 Kutak Rock and other law firm billings for legal services performed in April 2012.

Moved by: Mr. Ferguson

Seconded by: *(Recommended by the Committee)*

Discussion: None

In Favor: Unanimous – Mr. Petrenka excused

Motion: Passes

29. Discussion and possible Action regarding fiduciary insurance for the PSPRS Board of Trustees...

PSPRS will pursue ADOA approval for the purchase of fiduciary liability insurance. We shall notify them that we intend to buy fiduciary insurance and begin working with RLI insurance company regarding their proposal. This agenda item will be included for the June meeting for a final Board of Trustees decision.

30. Status report and possible Action with respect to the PSPRS staff compensation review...

Mr. Ferguson reported that the Operations, Governance Policy and Audit Committee approved a motion to recommend to the full Board to approve Buck & Associates for the conduct of a compensation review in accordance with the System’s RFP.

Chairman Tobin recognized the recommendation of the Operations, Governance Policy and Audit Committee and called for discussion. Hearing none he called for the vote.

**MOTION: 5-114-12** At 6:07 p.m.

Motion: To approve Buck & Associates for the conduct of a compensation review in accordance with the System’s RFP.

Moved by: Mr. Ferguson

Seconded by: *(Recommended by the Committee)*

Discussion: None

In Favor: Unanimous – Mr. Petrenka excused

Motion: Passes

31. Presentation, discussion and possible Action regarding the FY 2012/2013 PSPRS Strategic Plan...

Development will continue regarding the Strategic Plan.
32. Presentation, discussion and possible **Action** regarding FY 2012/2013 PSPRS Administrative Budget

Mr. Jim Hacking

Ms. Leslie Clark

Senior Financial Accountant/Great Plains DBA

Mr. Hacking described the process for developing the FY’13 administrative budget with two objectives – namely a FY’13 budget that is less than the current fiscal year budget and a budget that is less than the projected actual FY’12 expenditure level. The proposed FY’13 budget is 2.5% under the current projected budget.

Mr. Ferguson reported that the Operations, Governance Policy and Audit Committee approved a motion to accept the FY 2012/2013 PSPRS Administrative Budget.

Chairman Tobin recognized the recommendation of the Operations, Governance Policy and Audit Committee and called for discussion. Hearing none he called for the vote.

**MOTION: 5-115-12** At 6:17 p.m.

**Motion:** To accept the FY 2012/2013 PSPRS Administrative Budget

**Moved by:** Mr. Ferguson

**Seconded by:** *(Recommended by the Committee)*

**Discussion:** None

**In Favor:** Unanimous – Mr. Petrenka excused

**Motion:** Passes

33. Presentation, discussion and possible **Action** regarding renewal of contracts between PSPRS and the external auditors (Heinfeld Meech), actuary (Gabriel, Roeder, Smith and Company (GRS)), outside counsel (Kutak Rock, Ballard Spar, Ice Miller, Steptoe & Johnson, Strasburger & Price and Charles Whetstine), lobbying firms (Public Policy Partners and Highground) and the AG’s office

Mr. Jared Smout

Mr. Ferguson reported that the Operations, Governance Policy and Audit Committee approved a motion approving renewal of all contracts with the exception of Ballard Spahr with specific approval of Heinfield Meech’s contract. This is to be signed by Mr. Hacking.

Chairman Tobin recognized the recommendation of the Operations, Governance Policy and Audit Committee and called for discussion. Hearing none he called for the vote.

**MOTION: 5-116-12** At 6:18 p.m.

**Motion:** To approve renewal of all contracts with the exception of Ballard Spahr with specific approval of Heinfield Meech’s contract. This is to be signed by Mr. Hacking.

**Moved by:** Mr. Ferguson

**Seconded by:** *(Recommended by the Committee)*

**Discussion:** None

**In Favor:** Unanimous – Mr. Petrenka excused

**Motion:** Passes
34. Report on the factors impacting the financial status of the PSPRS Plans including legal challenges to the various provisions of SB 1609 ............................................................. Mr. Jim Hacking

See item regarding the GRS Actuarial Report item #23.

35. Report, discussion and possible Action regarding changes to Section 5.16 of the PSPRS Governance Manual ............................................................. Mr. Jim Hacking

Mr. Hacking reported that Section 5.16 of the PSPRS Governance Manual was reviewed and revised by the Subcommittee and that the Subcommittee has now completed its review of all the Governance Manual sections for which it is responsible. Once the Investment Committee has reviewed the revised Investment Policy, the entire Manual will be ready for review and approval by the Board. He said that he expects that the review process will be completed by next month’s meeting.

36. 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.

There was no response to the Call to the Public.

37. Adjournment

The meeting was adjourned at 6:20 p.m.

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Brian Tobin, Chairman

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Gregory Ferguson, Trustee, Vice Chairman

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Randie A. Stein, Trustee

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Jeff Allen Mc Henry, Trustee

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Richard J. Petrenka, Trustee

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Lauren Kingry, Trustee

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William C. Davis, Trustee