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

The meeting was called to order at 1:05 p.m. by Chairman Tobin.

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 Jack Mc Claren.
   b. Acceptance of Transfer Between State Retirement Systems of Robert Healey.
   c. Acceptance of Transfer Between State Retirement Systems of Kippy Compton.
   d. Acceptance of Transfer Between State Retirement Systems of Robert Rucker.
   e. Acceptance of Transfer Between State Retirement Systems of Pamela Swearingin.
   f. Acceptance of Transfer Between State Retirement Systems of Sherrick Bader.
   g. Acceptance of Transfer Between State Retirement Systems of Nolan Galligan.
   h. Acceptance of Transfer Between State Retirement Systems of Joseph Lanzo.
   i. Acceptance of Transfer Between State Retirement Systems of Gary Sales.
   j. Acceptance of Transfer Between State Retirement Systems of Robert Fuller.
   k. Acceptance of Transfer Between State Retirement Systems of Duane Hoskin.
l. Acceptance of Transfer Between State Retirement Systems of Charles Hammock
m. Acceptance of Transfer Between State Retirement Systems of Grace Marin-Woolsey.
n. Acceptance of Transfer Between State Retirement Systems of Kip Rustenburg.
o. Acceptance of Transfer Between State Retirement Systems of Stephen Stadel.
p. Acceptance of Transfer Between State Retirement Systems of Dana Lindsey.
q. Acceptance of Transfer Between State Retirement Systems of James Moran.
r. Acceptance of Transfer Between State Retirement Systems of Brian Lee.
s. Acceptance of Transfer Between State Retirement Systems of Vincent Bingaman.
t. Acceptance of Transfer Between State Retirement Systems of William Schira.
u. Acceptance of Transfer Between State Retirement Systems of Scott Brown.
v. Acceptance of Transfer Between State Retirement Systems of Victor Escoto.
w. Acceptance of Transfer Between State Retirement Systems of Theodore Wynn.
x. Acceptance of Transfer Between State Retirement Systems of Rex Peterson.
y. Acceptance of Transfer Between State Retirement Systems of Thomas Carlson.
z. Acceptance of Transfer Between State Retirement Systems of Gerard Ingallina.
aa. Acceptance of Transfer Between State Retirement Systems of Kenneth Scheffner.
bb. Acceptance of Transfer Between State Retirement Systems of John Westmoreland.
cc. Acceptance of Transfer Between State Retirement Systems of John Collier.
dd. Acceptance of Transfer Between State Retirement Systems of Scot Durst.
ee. Acceptance of Transfer Between State Retirement Systems of Jose Galvan.
ff. Acceptance of Transfer Between State Retirement Systems of Jeffrey Knaup.
gg. Acceptance of Transfer Between State Retirement Systems of Robert Furneaux.
hh. Acceptance of Transfer Between State Retirement Systems of Timothy Pirtle.
i. Acceptance of Transfer Between State Retirement Systems of Jack Nielsen.
jj. Acceptance of Transfer Between State Retirement Systems of Glenn Burrow.
kk. Acceptance of Transfer Between State Retirement Systems of Clinton Zeiner III.
ll. Acceptance of Transfer Between State Retirement Systems of Timothy Erickson.
mm. Acceptance of Transfer Between State Retirement Systems of Gregory Giangobbe.
nn. Acceptance of Transfer Between State Retirement Systems of Ricardo Vasquez.
oo. Acceptance of Transfer Between State Retirement Systems of John Heinz.
pp. Acceptance of Transfer Between State Retirement Systems of Michael Mc Dermott.
qq. Acceptance of Transfer Between State Retirement Systems of Scott Stetson.
r. Acceptance of Transfer Between State Retirement Systems of Kerry Swick.
ss. Acceptance of Transfer Between State Retirement Systems of Stephen Piechura.
tt. Acceptance of Transfer Between State Retirement Systems of Michael Reardon.
uu. Acceptance of Transfer Between State Retirement Systems of Michael Worrell.
vv. Acceptance of Transfer Between State Retirement Systems of Daniel Hinz.
ww. Acceptance of Transfer Between State Retirement Systems of Jon Drummond.
xx. Acceptance of Transfer Between State Retirement Systems of David Holyfield.
yy. Acceptance of Transfer Between State Retirement Systems of Raul Garzon.
z. Acceptance of Transfer Between State Retirement Systems of Robert Rucker.
aaa. Acceptance of Transfer Between State Retirement Systems of Michael Lanning.
bbb. Acceptance of Transfer Between State Retirement Systems of April Flores.
ccc. Acceptance of Transfer Between State Retirement Systems of William Scheckel.
ddd. Acceptance of Transfer Between State Retirement Systems of Brandon Burgess.
eee. Acceptance of Transfer Between State Retirement Systems of Manuel Guerrero.
fff. Acceptance of Transfer Between State Retirement Systems of Christopher McAleer.
ggg. Acceptance of Transfer Between State Retirement Systems of Steven Campbell.
hhh. Acceptance of Transfer Between State Retirement Systems of Christopher Houck.
ii. Acceptance of Transfer Between State Retirement Systems of Rodney Gray.
jjj. Acceptance of Transfer Between State Retirement Systems of Wayne Jordan.
kkk. Acceptance of Transfer Between State Retirement Systems of Dart Craytor.
lll. Acceptance of Transfer Between State Retirement Systems of Jeffrey Perry.
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<td>Acceptance of Transfer Between State Retirement Systems of Michael Miller.</td>
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**MOTION: 6-167-11** At 1:05 p. m.

**Motion:** To accept the consent agenda.

**Moved by:** Mr. Maguire  
**Seconded by:** Mr. Ferguson

**Discussion:** None

**In Favor:** Unanimous

**Motion:** Passes

2. **Appropriate Action** regarding the Minutes of the May 25, 2011 Meeting of the PSPRS Board of Trustees………………………………………………………………………………………………………Mr. Brian Tobin

**MOTION: 6-168-11** At 1:06 p. m.

**Motion:** To move acceptance of the Minutes of the May 25, 2011 Meeting of the PSPRS Board of Trustees as distributed.

**Moved by:** Mr. Maguire  
**Seconded by:** Mr. Ferguson

**Discussion:** None

**In Favor:** Unanimous

**Motion:** Passes
Report by Mr. Alan Maguire, Chairman of the Investment Committee, regarding agenda items 3 through 11 which were discussed at the Investment Committee meeting held today, June 22, 2011, on or after 9:00 a.m., and possible Action on the Committee’s recommendations to the Board regarding same.

3. Presentation by Investment Department Staff, StepStone Group and Berkshire Partners, LLC representatives and discussion and possible Action regarding an investment of up to $20 million in the Berkshire Fund VIII, L.P. or appropriate feeders, blockers, or associated or parallel funds of same ……………………………………………………….. Mr. Mark Steed ………………………………………………………………………………….. Senior Analyst ………………………………………………………………………………….. Mr. Jay Rose ………………………………………………………………………………….. Partner, StepStone Group ………………………………………………………………………………….. Mr. Raleigh Shoemaker, Principal …………………………………………………………………………………………………… Berkshire Partners, LLC

Mr. Marty Anderson stated that, with respect to this private equity fund, with whom we have been speaking for several years, an opportunity opened up just over a week ago. Mr. Steed stated that Berkshire is a conservative, middle market private buyout firm and Staff recommends the investment of $20 million. Mr. Jay Rose of StepStone Group added that this has been a highly oversubscribed, top quartile performer for 27 years. There are 20 – 25 companies in this fund comprised of consumer retail, industrials, transportation and communications.

Mr. Raleigh Shoemaker of Berkshire Partners, LLC informed the Board that there are no turnovers in the firm’s partners and they believe in keeping talented teams together. A group of managing directors make all decisions and look for potential top quartile investments focused within North America. During the year they make about four investments and currently Berkshire Fund VIII has twenty companies.

Mr. Petrenka inquired if the opportunities come to Berkshire or do they actively look for opportunities. Mr. Shoemaker responded that they look for opportunities in six core industries and perhaps, in the future, healthcare may be added to this core group.

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<th>MOTION: 6-169-11</th>
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<td>Motion:</td>
<td>To invest up to $20 million in the Berkshire Fund VIII, L.P. or appropriate feeders, blockers, or associated or parallel funds of same.</td>
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<td>Moved by:</td>
<td>Mr. Maguire</td>
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<tr>
<td>Seconded by:</td>
<td>Mr. Petrenka</td>
</tr>
<tr>
<td>Discussion:</td>
<td>None</td>
</tr>
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<td>In Favor:</td>
<td>Unanimous</td>
</tr>
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<td>Motion:</td>
<td>Passes</td>
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4. Presentation by Investment Department Staff, Albourne America and Pacific Alliance Group representatives and discussion and possible Action regarding an investment of up to $50 million divided between (i) a direct investment of up to $25 million in and (ii) co-investments of up to $25 million with, the Pacific Alliance Asia Special Situations L.P. or appropriate feeders, blockers, or associated or parallel funds of same……………………………………………………………………………………………………………………………………….. Mr. Shan Chen ………………………………………………………………………………………………………………………………………….. Messrs. John Shearman and Lincoln Smith ………………………………………………………………………………………………………………………………………….. Partners, Albourne America ………………………………………………………………………………………………………………………………………….. Mr. Chris Gradel, Managing Partner and Mr. Dan Galanter, Managing Director ………………………………………………………………………………………………………………………………………….. Pacific Alliance Group
Mr. Anderson said that this proposed investment is in the area of credit opportunities and Mr. Chen added Pacific Alliance Group targets distressed opportunities due to dislocations in the market. With a team of 150 people, they have had success in Asia and have exposure to emerging markets. Mr. Shearman added that this investment will give PSPRS exposure to emerging markets and add regional diversity to the portfolio. Pacific Alliance Group is the only foreign fund manager to have an onshore lending license with China. There is enforceable downside protection since Pacific Alliance Asia will own the assets before hand and so those assets can be repurchased through a buyout.

Mr. Chris Gradel of Pacific Alliance Group informed the Board that the fund is at $150 million with a target of $180 million. He disclosed that the fund purchases high quality assets that are being sold at attractive discounts by three types of sellers which include commercial banks, bank trading desks and hedge funds. At this time there is very little competition for these types of transactions. The firm’s goal is to protect capital and to help assure this, they have local, on the ground infrastructures.

Mr. Maguire said this investment opportunity is different from earlier ones because it will increase PSPRS geographical diversity and diversification through distressed opportunities.

MOTION:  6-170-11  At 1:50 p.m.
Motion: To invest up to $50 million divided between (i) a direct investment of up to $25 million in and (ii) co-investment of up to $25 million with the Pacific Alliance Asia Special Situations L.P. or appropriate feeders, blockers, for associated or parallel funds of same.
Moved by: Mr. Maguire
Seconded by: Mr. Petrenka
Discussion: None
In Favor: Unanimous
Motion: Passes

5. Discussion of, and possible Action with respect to, the elements for a possible administrative bill for the 2012 legislative session…………………………………………………………………………….. Mr. Jim Hacking

Mr. Hacking explained the details of a possible 2012 PSPRS administrative bill containing six possible items for the coming legislative session. One item would make the PSPRS and CORP Plans more consistent; another would change the break in service requirements for “return to work” in PSPRS back to the original 12 months from the current 60 days; this would make PSPRS consistent with CORP and ASRS. A third possible item would make explicit from what is already implicit in the Board of Trustee’s authority to enter into contracts with key staff personnel. The three remaining items are merely clarifications of existing provisions.

Mr. Maguire stated that it is important to analyze the information that will come to us regarding the Alternative Contribution Rate when considering a return to work statutory change. Regarding the Iran/Sudan statutory requirements, Mr. John Kaites of Public Policy Partners suggested exploration a repackaging of the statute or writing a separate statute since certain requirements have been making many investment opportunities difficult to close. Mr. Petrenka suggested doing some research to compare what other states have done in similar situations.

6. Presentation and discussion of proposed contracts listed below for FY 2012 and appropriate Action…………………………………………………………………………………………..Mr. Jim Hacking

LRS Consulting, LLC
Mr. Tobin informed the Board that during the Operations, Governance Policy and Audit Committee meeting it was felt that two lobbying firms would be too costly and that this has to be brought before the full Board. Mr. John Kaites of Public Policy Partners felt there will be some litigation resulting from the last legislative session which may require additional work especially following the work of the “Study Group” that is required by SB 1609 to meet twice before the end of the year to address the items set forth in the legislation. Mr. Doug Cole of HighGround added that there is a list of at least a dozen issues resulting from SB1609 that need correcting.

Ms. Dianne McAllister of Public Policy Partners stated there are those who are unhappy with the provisions of SB 1609; that dissatisfaction which may result in newly proposed legislation in the coming year.

Mr. Hacking discussed the two step contracts for both Public Policy Partners and HighGround in which the level of compensation is based on the amount of activity during the legislative session. Mr. Maguire said he values consistency and the use of the two firms is not redundant since they serve different roles. Mr. Ferguson said he has a problem having two lobbyists and suggested a split of responsibility between the two firms.

Mr. Hacking volunteered to try to negotiate a somewhat more favorable rate structure with HighGround and P3 and return the matter to the Board in July.

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

Mr. Selfridge reported that the total fund underperformed the benchmark for the month of May. The investment return was -.6%. The benchmark return for the month was -.4%. Fiscal year-to-date, the total fund investment return was 19.06%, while over the same period the benchmark return was 17.97%; therefore, the total fund has outperformed the benchmark by 109 basis points. We finished the month with 3% cash. A write down of real estate values is expected in June.

8. Presentation by Investment Department Staff, ORG Portfolio Management and Greenfield Partners, LLC representatives and discussion and possible Action regarding a investment of up to $30 million in the Greenfield Acquisition Partners VI, L.P. or appropriate feeders, blockers, or associated or parallel funds of same ………………………………..….Alternatives Investment Analyst

Mr. Anderson introduced this agenda item by saying PSPRS had a nice return based on the Greenfield Fund V secondary purchase through ORG. Mr. Steed stated that the return will be more than two times our invested capital.

Mr. Gorab of Greenfield Partners added that they are “hands on” managers and if needed, they will take over transactions. They watch the balance sheet and in the past, Fund V was 30% leveraged. Mr. Anderson added that this investment will provide diversification within our residential portfolio with Greenfield Acquisition Partners VI, L.P. which is primarily a domestic fund.
whose advisory board must approve investments outside of the U.S.

9. Presentation by Investment Department Staff and ORG Portfolio Management representatives and discussion and possible Action regarding an investment of up to $16 million in the DT Fund 3, LLC managed by Desert Troon Limited, LLC…………………………………Mr. Marty Anderson ………………………………………………………………………………………………………….Mr. Ed Schwartz

Mr. Anderson informed the Board that PSPRS has had a 15 year history with Desert Troon and now Desert Troon is seeing many new opportunities. As a result, this fund has been established whereby PSPRS will be the general partner and Desert Troon will be the operating partner. PSPRS will invest $16 million and Troon will invest $4 million. There will be active management and Mr. Dan Smith of Desert Troon stated that the target is to try and approach 20% return. Most of the investments will be in the 48 contiguous states and the investments may have a development component to them.

Mr. Ed Schwartz of ORG said that this is an opportunity to have exposure as if investing in a fund, but with a known and trusted partner with lower costs and shared fees. ORG’s role and that of PSPRS’ staff will be to assist Desert Troon and create a pool to provide breadth of exposure.

Mr. McHenry asked Staff and ORG to assure that Desert Troon’s reporting, in the future, is comparable to that of other funds with best in class reporting.

Mr. Maguire observed that the Board is making the over-all investment decision but that subsequent decisions will involve Staff. He views this a positive development. Mr. Anderson said that limits on product type and the ability to veto a project are written into the documents.

10. Presentation by NEPC, LLC representatives and discussion regarding the PSPRS Equity Plan. 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managers that can add value over and above the market return for equities. Two thirds of the PSPRS domestic market assets are indexed. To the subject of the PSPRS Equity Plan, Mr. Martin discussed issues of active versus passive management, large cap versus small cap, growth versus value, hedge versus long only, and U.S. versus global equity mandates. In the near future a discussion with the Board will be held regarding portable alpha. The goal is to find managers that can outperform LIBOR by identifying mispriced securities in order to increase the managers’ ability to add alpha to the portfolio.

11. Presentation by the Investment Department Staff, NEPC, LLC and GAM U.S.A. Inc. representatives and discussion and possible Action regarding an additional investment allocation of up to $25 million in the GAM U.S. Institutional Trading II, L.P. which will bring the total initial capital investment in that Fund to up to $100 million........................Mr. Marty Anderson ..............................................................Deputy Chief Investment Officer ..............................................................Mr. Don Stracke ..............................................................Senior Consultant, NEPC, LLC ..............Ms. Kristin Hovencamp, Director and Ms. Jennifer Draker, Investment Manager ..............................................................GAM U.S.A. Inc.

Mr. Anderson informed the members of the Board that three managers have been hired to implement the portable alpha strategy within the equity asset allocation. They include FrontPoint, Crestline and GAM.

Originally we invested $75 million in GAM. The Staff and NEPC are a proposing an additional $25 million by using some of the FrontPoint money that is coming back to PSPRS as a result of the liquidation of the original FrontPoint investment. Ms. Hovencamp and Ms. Draker stated that GAM has been investing in hedge funds for over 20 years with funds being managed globally outside of the U.S. GAM’s due diligence group is separate from the operational side of the firm and the due diligence group has the power to veto any investment. It was stated that GAM is a macro-managed futures fund investing in liquid asset classes. Managers can be long or short with the assets and GAM has a top tier risk management process to manage the fund over time.

**MOTION: 6-173-11** At 4:02 p.m.

**Motion:**
To invest up to $25 million in the GAM U.S. Institutional Trading II, L.P. which will bring the total initial capital investment in that Fund up to $100 million.

**Moved by:**
Mr. Maguire

**Seconded by:**
Mr. Petrenka

**Discussion:**
None

**In Favor:**
Unanimous

**Motion:**
Passes

12. Report from Investment Department Staff representatives and discussion regarding the redemption of assets from the Hawker Capital Harrier Fund.......................Mr. Marty Anderson

Mr. Anderson stated that the Hawker Capital Harrier fund is in the commodities hedge fund space. Its performance has been lackluster, despite management’s attempts to modify their strategy. With the approval of Mr. Maguire, PSPRS has put in a redemption notice in order to defund this investment. The original $20 million invested is now about valued at about $17.8 million as of May, 2011.

Mr. John Shearman reported that Hawker was an emerging company with experienced staff which started to underperform even with an emphasis on risk management. They started to lose money and have tried to alter their processes. In the future they could continue to lose money or
start to perform again. It is not uncommon to see periods of struggle in companies like this but it is time to cut the losses and redeploy the money elsewhere.

Mr. Maguire informed the Board that PSPRS has applied for redemption, yet can still reverse the process. He asked Mr. Hacking to place this item on the agenda in the future as an action item. Mr. Anderson stated we will develop a policy to govern redemptions. Mr. Maguire inquired as to the difference between defunding an investment and terminating a company. He suggested that this topic be discussed at the July meeting.

13. Report by the System’s Compliance Auditor and discussion regarding investment compliance, holdings and transactions as of May 31, 2011……………………………….…….Ms. Bridget Feeley ……………………………………….……………….. Internal Audit and Compliance Auditor

Ms. Feeley said that, as of May 31, 2011, the portfolio had been reviewed and 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, June 22, 2011 on or after 10:00 a.m. for agenda items 14 – 20.**

14. Report, discussion and possible **Action** regarding the search process for in-house legal counsel and the process for obtaining the assignment of a part time assistant attorney general from the Arizona Attorney General’s Office to assist with in-house legal needs…………………Mr. Jim Hacking

Mr. Hacking informed the Board that there is money in the proposed budget for an in-house fiduciary counsel who will also act as counsel for investments matters, including the coordination of the use of outside law firms. Also proposed is funding for our use of a part time assistant attorney general who will be based in our office. With this in-house legal counsel combination we can expect to derive significant savings with respect to legal expenditures. The Attorney General’s Office will recommend several candidates from which we will select one and then we will enter into a contract with the Attorney General’s Office and that will include a confidentiality clause.

15. Presentation of the Month-to-Date Budget Report for FY 2011 and possible **Action**……………………………………………………………………………………………..Ms Leslie Clark Accounting Manager

As of June 13, 2011, Ms. Clark indicated that we were 1.96% under budget; but considering all of the projected expenses, she indicated PSPRS will likely end the fiscal year 4.5% over budget, with the majority of the cost overrun relating to the actuarial studies relating to the pension reform legislation of the past legislative session.

16. Presentation and discussion of the proposed FY 2012 PSPRS budget and possible **Action**…........................................................................................Mr. Jim Hacking Administrator

Mr. Tobin said the Operations, Governance Policy and Audit Committee recommended approval of the budget in concept, but they wanted to discuss some items with the full Board. Mr. Hacking described the budget process which began with a submission from each unit manager. These were then combined into one report and that was then scaled back in consultation with the unit managers.

Mr. Hacking continued by informing the Board that, following the May meeting where the initial staff budget recommendations were first reviewed, he had met one-on-one with interested Board
members regarding the FY 2012 budget and then made additional changes to the May budget draft. This FY’12 budget recommendation has held the line for total spending and is similar to those for FY 2011, 2010 and 2009. We have allocated two vacant positions to a new Call Center so as to remove the volume of phone calls from the staff processing units. One vacant position in the accounting department will move to the IT Operations Division, and one position originally allocated for the in-house fiduciary and investment counsel position will instead be retained for a Deputy Administrator who will share management of some of the units in the organization.

Instead of asking for authorization of just one new position in the Active Members Division, Mr. Hacking indicated that an additional position for the in-house counsel will be needed. Regarding Staff, he indicated that some salary range adjustments are being made to recognize employees who have assumed additional duties or who otherwise are well below the mid-points of their salary ranges. In addition, Mr. Hacking is recommending a 2% salary increase (1.5% inflation adjustment and .5% merit adjustment) to take effect on the employee’s anniversary date if he/she is found to have performed at least satisfactorily in the annual performance reviews. However, given that the Investment Department staff have a bonus incentive program that is, in part, tied to performance, Mr. Hacking indicated that the recommended 2% adjustment not apply to the members of that group. Since the size of the investment staff is increasing and we hope to hire a part-time attorney general and in-house counsel, we have asked for money to renovate the first and second floors in order to add more enclosed office space. Also to be discussed are the LRS, Public Policy Partners and HighGround contracts.

Mr. Tobin stated that at today’s Operations Committee meeting, the 2% increase in staff compensation had been discussed and that a member of the public had commented that he did not agree with this budget item because so many of the participating members of the System have their salaries frozen and are being forced to take “furlough” days. Mr. Maguire said he is sensitive to the System staff’s situation due to the increase in the contribution rate for their pension coverage by Arizona State Retirement System and the increase in the employee portion of the total required contribution.

Mr. Hacking also commented on the Investment Department’s Incentive Comp Bonus Program. Mr. Maguire recommended the bonus structure should be reviewed in the coming year.

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<tr>
<th>MOTION: 6-174-11</th>
<th>At 5:07 p.m.</th>
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<tr>
<td>Motion:</td>
<td>To eliminate the 2% increase from the budget.</td>
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<tr>
<td>Moved by:</td>
<td>Mr. Ferguson</td>
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<td>Seconded by:</td>
<td>Mr. Maguire</td>
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<td>Discussion:</td>
<td>Mr. McHenry stated that he understands that many agencies are not getting raises and while this 2% recommendation is a modest, the timing is not right. Mr. Maguire said if we are going to make range adjustments, we should not also add the 2% increase. Ms. Stein clarified this by asking with Mr. Hacking which is more important, the range adjustment or the 2% increase. Mr. Hacking replied that the equity range adjustments are more important.</td>
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<tr>
<td>In Favor:</td>
<td>Mr. McHenry, Mr. Petrenka, Mr. Ferguson, Mr. Maguire, Ms. Stein, Mr. Kingry</td>
</tr>
<tr>
<td>Opposed:</td>
<td>Mr. Tobin</td>
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<td>Motion:</td>
<td>Passes</td>
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A discussion was held regarding the position of Deputy Administrator and the members of the Board agreed that this will be an at-will position which will report directly to the Administrator.
17. Presentation and discussion of proposed contracts listed below for FY 2012 and appropriate
Action……………………………………………………………………………………………………………………….Mr. Jim Hacking

LRS Consulting, LLC
Gabriel Roeder Smith
HighGround
Public Policy Partners

On the topic of the LRS Consulting, LLC contract, Mr. Tobin reminded the Board that this consultant has helped with local board training for several years and this year’s contract has not changed from that of last year. Mr. McHenry stated that local board training is the weakest link in the entire System and he wondered if a part time consultant was the best way to address this need. He suggested that perhaps a full time person should be hired to accomplish the task at hand. Mr. Hacking replied that he has been reluctant to ask for any more new positions since we have had to operate under austerity budgets during the last few years. In view of that, the best we could do was establish a part time contract consultant position. Mr. Hacking also added that the need for local board support and outreach is an on-going need and that such needs are best addressed by full-time staff positions. Ms. Stein indicated that she supports a full time employee.

MOTION: 6-175-11 At 5:19 p.m.
Motion: To adjust the budget to accommodate a full time position and use the money that was allocated for the part time consultant to offset the up to $60,000 salary to handle local board training and eliminate the LRS Consulting, LLC contract.
Moved by: Mr. McHenry
Seconded by: Mr. Maguire
Discussion: Mr. Maguire stated that the Board wishes to thank Mr. Snodgrass for his services and asked that Mr. Tobin convey the Board’s appreciation.
In Favor: Unanimous
Motion: Passes

Mr. Maguire suggested that the Investment staff’s compensation be reviewed during FY’12 so that the Board will have a better understanding of the structure and how it compares to those of other Investment staff groups. Mr. Tobin said it would be wise to engage a human resources expert to make recommendations regarding all aspects of pay, pay ranges and team building.

MOTION: 6-176-11 At 5:22 p.m.
Motion: To increase the budget by an amount to be determined for a human resources firm to study compensation structure, pay ranges, team building and related matters.
Moved by: Mr. Maguire
Seconded by: Mr. McHenry
Discussion: None
In Favor: Unanimous
Motion: Passes

MOTION: 6-177-11 At 5:23 p.m.
Motion: To move the budget as amended.
Moved by: Mr. Ferguson
Seconded by: Mr. Kingry
Discussion: Mr. Maguire suggested we discuss the budget earlier in the year to give Mr. Hacking guidance prior to development of the budget.
In Favor: Unanimous
Discussion was held regarding the FY 2012 contracts for HighGround and Public Policy Partners which have been the PSPRS lobbying firms for the past several years. Support for the two firms was given by Mr. Petrenka, although Mr. Ferguson indicated his discomfort with the amount of fees the two firms are being paid. Mr. Hacking suggested keeping both firms but volunteered to try to get the firms to reduce somewhat their fee requirements and bring back a revised contract proposal for the next Board meeting. Mr. Maguire added that, over the years, the legislative process has changed and that, now, the use of the contract lobbyists supersedes other means for influencing the policy development process. Both firms have played important roles in securing passage of legislation that the System has needed. He reminded the other members that our own constituent groups are very well organized and have their own lobbying firms to represent them and therefore, the Board needs to continue with the mix we currently have.

**MOTION: 6-178-11**

| Motion: | To recommend approval of the Gabriel Roeder Smith contract as presented. |
| Moved by: | Mr. Tobin |
| Seconded by: | Mr. Petrenka |
| Discussion: | None |
| In Favor: | Unanimous |
| Motion: | Passes |

At 5:31 p.m.

18. Presentation by IT software development staff of the new “high three” estimator for use by the local boards and the new ASP NET version of the contribution site………………...Mr. Tom Willard Systems Development Manager

Mr. Tobin stated that a presentation had been given to the Operations, Governance Policy and Audit Committee during their morning meeting today.

19. Written update on the progress of the Local Board Training Program, discussion and possible Action regarding same…………………………………………………..Mr. Robert Ortega Local Board Training Coordinator

The written report was presented during the Operations, Governance Policy and Audit Committee meeting.

20. **Summary of the Action** taken during the Operations, Governance and Audit Committee meeting held this morning regarding the June 22, 2011 bill for legal services performed in May 2011………………………………………………………………………..Mr. Jim Hacking

The committee approved the June 22, 2011 legal bill for services performed in May 2011.
21. Discussion and possible **Action** to select a law firm to represent the Board and PSPRS in any potential litigation arising out of the enactment of SB 1609..............................Mr. Jim Hacking

Mr. Hacking reminded the Trustees that both Ballard Spahr and Steptoe & Johnson had been approved for use as general counsel and that representatives of both firms had made presentations to the Board in Executive Session during the May Board meeting. Those presentations related to possible legal challenges to some of the provisions contained in SB 1609. Mr. Maguire said it may be useful, for the time being, to have the advice of both firms. We may find reasons to retain multiple firms, one for each situation as it arises and that a decision today to use only one firm may be premature. Mr. Tobin added that he believes we should hold both firms until a clarifying situation arises. Additionally, Mr. Maguire suggested the framing of very specific questions to achieve some sense of the kind of preparation these firms would undertake in the event of lawsuits and how they would implement their respective strategies.

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

The Auditor General has completed the fieldwork but the timing of a report based upon their review as of now is unknown.

23. 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

The Board intends a detailed review of the equity components of the asset allocation and wants to have the benefit of input from the System’s Investment Consultants.

24. Discussion and possible **Action** regarding requests to participate in training, educational and due diligence opportunities.................................................................Mr. Brian Tobin

No requests were made.

25. Possible appointment by the Chairman of the Board of Trustees of Board members to Committees.................................................................Mr. Brian Tobin

Mr. Tobin informed the Board that, since he was appointed at the last Board meeting to serve as the PSPRS representative on the special Study Committee mandated in SB 1609, it is time for him to step down as the Chairman of the Operations, Governance Policy and Audit Committee and to cease being a member of that Committee.

<table>
<thead>
<tr>
<th>MOTION: 6-180-11</th>
<th>At 6:05 p.m.</th>
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<tbody>
<tr>
<td>Motion:</td>
<td>To appoint Mr. Ferguson as Chairman of the Operations, Governance Policy and Audit Committee and to appoint Ms. Stein as a member of the Operations, Governance Policy and Audit Committee.</td>
</tr>
<tr>
<td>Moved by:</td>
<td>Mr. McHenry</td>
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<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>
</tr>
</tbody>
</table>

Regarding the following two 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.
There was no request for an Executive Session.

26. Discussion with, and Appropriate Instruction by the Board of Trustees to, legal counsel regarding those matters referenced in agenda item 26 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, Ventre, Loftus, Pivotal Group, Stroh Ranch Development, ApexCapital and Desert Troon, and appropriate Action regarding same………………………………….………………………………….Mr. Michael Sillyman
Partner, Kutak Rock

27. 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 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).

   b. 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, Pivotal Group, Stroh Ranch Development, Seldin, Ventre, and Loftus pursuant to A.R.S. §§ 38-431.03(A) (3), (4), and (7).

28. 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.

   Mr. Jim Mann, Executive Director of the Arizona Fraternal Order of Police (FOP), spoke of his appreciation for the PSPRS Staff who manned the phones over the past few months. He acknowledged the large volume of calls that have come into the office as a result of the legislative changes that were under consideration. Also, since the Board did not approve of the proposed 2% salary increase for the Staff, he suggested that, at the first opportunity, the staff be given some compensation adjustment to recognize and reward them for their dedicated level of customer service. He also stated that the local board situation and their lack of compliance must be addressed and he stated his appreciation for the help Mr. Snodgrass has given to the local boards. Mr. Mann also complimented the System’s lobbyists for their work during the session.

29. Set the next meeting date. The next meeting is scheduled for Wednesday, July 27, 2011.

30. Adjournment
MOTION: 6-181-11  At 6:18 p.m.

Motion:  To adjourn the meeting.
Moved by:  Mr. Ferguson
Seconded by:  Mr. Kingry
Discussion:  None
In Favor:  Unanimous
Motion:  Passes

______________________________  ____________________________
Brian Tobin, Trustee, Chairman                            Alan Maguire, Trustee
______________________________                            ____________________________
Greg Ferguson, Trustee, Vice Chairman                       Jeff Mc Henry, Trustee
______________________________                            ____________________________
Randie Stein, Trustee                                        Lauren Kingry, Trustee
______________________________                            ____________________________
Richard Petrenka, Trustee