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

Mr. Tobin thanked the members of the Board of Trustees for their hard work during the summer.

Chairman Tobin called the meeting to order at 1:07 p.m.
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 survivor benefit of Geraldine F. Faron

b. Acceptance of Elected Officials’ Retirement Plan of survivor benefit of Norma Jean Peace

c. Acceptance of Elected Officials’ Retirement Plan of survivor benefit of Willie Irene Morgan

d. Acceptance of Elected Officials’ Retirement Plan of survivor benefit of Jennifer Herbolich

e. Acceptance of Elected Officials’ Retirement Plan of normal benefit of Michael Herbolich

f. Acceptance of Elected Officials’ Retirement Plan of normal benefit of Ezra Peace,

g. Acceptance of Elected Officials’ Retirement Plan of normal benefit of Ruth A. Evans

h. Acceptance of Elected Officials’ Retirement Plan of normal benefit of John Melvin

i. Acceptance of Elected Officials’ Retirement Plan of normal benefit of John Garcia

j. Acceptance of Elected Officials’ Retirement Plan of early benefit of Jason Earp

k. Acceptance of Transfer Between State Retirement Systems of Misael Avila

l. Acceptance of Transfer Between State Retirement Systems of Elizabeth Simpson

m. Acceptance of Transfer Between State Retirement Systems of Roxana Ramirez

n. Acceptance of Transfer Between State Retirement Systems of Paula Sallas

o. Acceptance of Transfer Between State Retirement Systems of James Dooley

p. Acceptance of Transfer Between State Retirement Systems of Terry Lamb

q. Acceptance of Transfer Between State Retirement Systems of James Welch

r. Acceptance of Transfer Between State Retirement Systems of Jacob Butler

s. Acceptance of Transfer Between State Retirement Systems of Bruce Pickett

t. Acceptance of Transfer Between State Retirement Systems of James Dickson

u. Acceptance of Transfer Between State Retirement Systems of Shana Higgins

v. Acceptance of Transfer Between State Retirement Systems of Richard Hollibaugh

w. Acceptance of Transfer Between State Retirement Systems of Donna Kelsey

x. Acceptance of Transfer Between State Retirement Systems of James Newhouse

y. Acceptance of Transfer Between State Retirement Systems of Howard Robinson

z. Acceptance of Transfer Between State Retirement Systems of Julio Caraballo

aa. Acceptance of Transfer Between State Retirement Systems of Gary Coffman

bb. Acceptance of Transfer Between State Retirement Systems of Darren Boyce

cc. Acceptance of Transfer Between State Retirement Systems of Richard Fink

dd. Acceptance of Transfer Between State Retirement Systems of Julie Wheeler

e. Acceptance of Transfer Between State Retirement Systems of Michael Paul

ff. Acceptance of Transfer Between State Retirement Systems of Richard Rizzo

gg. Acceptance of Transfer Between State Retirement Systems of Jaime Guerrero

hh. Acceptance of Transfer Between State Retirement Systems of Todd Nuckols

ii. Acceptance of Transfer Between State Retirement Systems of Charles Carrol

jj. Acceptance of Transfer Between State Retirement Systems of Michael Paul

kk. Acceptance of Transfer Between State Retirement Systems of Ralph Mc Laughlin

ll. Acceptance of Transfer Between State Retirement Systems of Elisha Delao
mm. Acceptance of Transfer Between State Retirement Systems of Gregory Zatoff
nn. Acceptance of Transfer Between State Retirement Systems of Ricky Reed
oo. Acceptance of Transfer Between State Retirement Systems of Russell Davis
pp. Acceptance of Transfer Between State Retirement Systems of Christopher Petrie
qq. Acceptance of Transfer Between State Retirement Systems of Richard Di Carlo
rr. Acceptance of Transfer Between State Retirement Systems of Robert Griffin
ss. Acceptance of Transfer Between State Retirement Systems of Mark Tallman
tt. Acceptance of Transfer Between State Retirement Systems of Gary Ehlers
uu. Acceptance of Transfer Between State Retirement Systems of David Rodriguez
vv. Acceptance of Transfer Between State Retirement Systems of Daniel Ables
ww. Acceptance of Transfer Between State Retirement Systems of Kenneth Russell
xx. Acceptance of Transfer Between State Retirement Systems of Gary Hernandez
yy. Acceptance of Transfer Between State Retirement Systems of Robin Ontiveroz

MOTION: 7-1-11 At 1:08 p.m.
Motion: To accept the consent agenda as presented.
Moved by: Mr. Maguire
Seconded by: Mr. Kingry
Discussion: None
In Favor: Unanimous – Mr. Ferguson - excused
Motion: Passes

3. Appropriate Action regarding the Minutes of the June 22, 2011 Meeting of the PSPRS Board of Trustees………………………………………………….………………Mr. Brian Tobin

MOTION: 7-2-11 At 1:09 p.m.
Motion: To approve the Minutes of the June 22, 2011 PSPRS Board of Trustees meeting as distributed.
Moved by: Mr. Maguire
Seconded by: Mr. McHenry
Discussion: None
In Favor: Unanimous – Mr. Ferguson - excused
Motion: Passes

Report by Mr. Alan Maguire, Chairman of the Investment Committee, regarding agenda items 4 through 16 which were discussed at the Investment Committee meeting held today, July 27, 2011, on or after 9:00 a.m., and possible Action on the Committee's recommendations to the Board regarding same.

4. Introduction of Senior Analyst, Anton Orlich ……………………….. Mr. Ryan Parham
………………………………………………………………..................Chief Investment Officer
…………………………………………………………………………………Mr. Anton Orlich
……………………………………………………………………………………..Senior Analyst

Mr. Parham welcomed Mr. Anton Orlich, Senior Analyst, who has joined the Investment
5. Presentation by Investment Department Staff and Albourne America representatives and discussion and possible **Action** regarding a possible investment of up to $40 million in the Pacific Alliance Asia Opportunity Fund, L.P. or appropriate feeders, blockers, or associated or parallel funds of same managed by Pacific Alliance Group or its affiliates.

Mr. Marty Anderson stated this hedge fund captures the more liquid opportunities of what Pacific Alliance Asia Opportunity Fund is seeing and encompasses direct lending which is very unique since it is the only foreign fund manager to have an onshore lending license in China. This investment captures distressed-seller type of investments in credit instruments on the equity side and some in arbitrage.

Mr. Lincoln Smith of Albourne America informed the Board that the Pacific Alliance Group has the same management as was seen last month by the Board members when they invested in Pacific Alliance Asia Special Situations L.P. This fund has three components -- the first 30% is invested in more liquid trades; the second 40% is the main part of the portfolio and comprises primary credit loan originations; the final 30% includes public market arbitrage, closed end arbitrage and block trades. Pacific Alliance Group sources their own deals and businesses come to them. They have a repurchase structure whereby the fund buys the borrowers' collateral and the buyer has the option to buy it back. Pacific Alliance is over-collateralized by three times.

6. Report by Investment Department Staff and discussion regarding the Month Ended and Fiscal Year-to-Date performance/portfolio update with an overview of the Private Equity asset class.

Mr. Shan Chen summarized the preliminary numbers for the Arizona PSPRS Trust performance as of 6/30/2011. On a gross-of-fees basis, at June 30th, the return was negative at -1.08% with a target fund benchmark of -0.72%. Fiscal year-to-date, the total fund performance was 17.77% as compared to the benchmark of 17.36%. For the real estate component, the end of the month return was -1.80% as compared to the
benchmark of 1.30%. Fiscal year-to-date, real estate was -4.22% as compared to the benchmark return of 16.74%. The PSPRS is still suffering the effects of the collapse of residential property real estate values in its legacy portfolios that were created years ago.

Mr. Tobin stated, for the record, that when comparing us to ASRS, PSPRS has a different approach and remains more conservative but with a far smaller allocation to equities, it has far lower volatility. Staff has done a great job but the legacy real estate will remain a drag until it turns around. Mr. Maguire added that ASRS and PSPRS as well as the universities have historically done well. It is unfortunate to have to compare them, which is not a practice in which to engage since it produces no constructive result. The systems are very different both structurally and otherwise and these differences account for their very different asset allocations.

7. Presentation by Investment Department Staff StepStone Group DAG Ventures representatives and discussion and possible Action regarding a possible investment of up to $40 million divided between (i) a direct investment of $10 million and (ii) co-investments of up to $30 million (with a cap of $4 million per co-investment) in DAG V, L.P. or appropriate feeders, blockers, or associated or parallel funds of same.

Mr. Shan Chen, in his introduction, stated that PSPRS has invested with DAG since 2006. DAG Ventures is in the top tier of venture capital firms.

Mr. Jay Rose stated that DAG V, L.P. is a fund with $500 million in capitalization whose five member board, which has been together since 1999, can choose the best of investment opportunities. There is an 8% preferred rate of return. Mr. Young Chung and Mr. Nicholas Pianim added that their strategy is to invest in top quartile companies and achieve consistent out-performance in investments so as to be in the top 1% of firms. They are a relationship driven business focusing on B and C stage firms and due to their relationship-driven business they have the ability to pick the best entrepreneurs and technologies.

DAG V, L.P. investments will focus in areas of internet technologies based on the cloud and mobile platforms. Mr. Petrenka inquired as to the primary areas showing the most opportunities and the response was consumer internet companies, enterprise software and security, and mobile social media.

MOTION: 7-4-11  At 1:26 p.m.
Motion: To approve an investment of up to $40 million divided between (i) a direct investment of $10 million and (ii) co-investments of up to $30 million (with a cap of $4 million per co-investment) in DAG V, L.P. or appropriate feeders, blockers, or associated or parallel funds of same.
Moved by: Mr. Maguire
Seconded by: Mr. Petrenka
8. Presentation by Investment Department Staff, ORG Portfolio Management and Timbervest LLC representatives and discussion and possible **Action** regarding a possible investment of up to $50 million in Timbervest Crossover III, L.P. or appropriate feeders, blockers, or associated or parallel funds of same. .................................................Mr. Paul Corens ..........................................................Mr. Ed Schwartz ............................................................Messrs. Joel Shapiro, Gordon Jones, and Charles Thompson ..........................................................Partners, Timbervest, LLC

Mr. Paul Corens described the Timbervest Crossover III, L.P. and indicated that Timbervest has been a private equity investment manager since 1995. This investment in Crossover III will be placed in the Real Asset Portfolio in the area of timber and natural resources with $1.8 million under management and $270 million in crossover type assets. PSPRS will get a reduced fee and a seat on the advisory board.

Mr. Ed Schwartz, summarized that PSPRS has invested in a couple of secondary opportunities in the last few months with Timbervest. In this new possible investment the expectation is approximately 20% IRR.

Messrs. Shapiro, Jones and Thompson from Timbervest informed the members of the Board that the fund began dealing in crossover assets about seven years ago and that the term “crossover assets” was coined at that time referring to environmental infrastructure. There is a separate staff dedicated to these investments. To define the term “crossover assets,” one should think of some of the necessities of life in the United States such as energy, infrastructure, minerals, natural resources, and governmental activities such as housing, the military, and education. Due to U. S. laws protecting natural resources, development project often cannot begin until there is a mandatory demonstration as to the offset to the impact on protected resources. This is a cash based theme. When Timbervest sells the offsets, it receives cash back. The firm is putting restoration projects in areas where there are protected resource developments, or along side of industries that are impacting those resources. For that Timbervest is given mitigation credits which it then sells for cash to the group or developer that will be impacting the environment. This enables the group or developer to obtain the necessary permit to begin the development project. For example, Timbervest can sell mitigation credits for cash to a developer of solar power generation which needs a permit from the Fish and Wildlife Service. In order to get that permit, land has to be mitigated to create a habitat in order to satisfy the obligation. The solar company pays Timbervest to do this and the solar company then gets its permit. Timberland has 80 investments in this space across 14 geographically diversified states.

Mr. Petrenka inquired regarding consequences for the business resulting from legislation. The response was that this is a private sector trade off for restoring land which benefits the government. The Timbervest representatives stated that they buy property, restore it to where nature wants it to be and is then rewarded by credits. Timbervest then maintains and monitors the area long term.
9. Presentation by Investment Department Staff and StepStone Group representatives and discussion and possible Action regarding a possible investment of up to $30 million in co-investments (with a cap of $6 million per co-investment) with Trident V, L.P. managed by Stone Point Capital, LLC.

Mr. Jay Rose of StepStone added that Stone Point Capital is a top manager in the financial services space and a top tier company with expertise in insurance and re-insurance. Trident V is a top quartile investment opportunity and Stone Point is very good at analyzing risk.

MOTION: 7-5-11  At 2:07 p.m.
Motion: To approve the investment of up to $50 million in Timbervest Crossover III, L.P. or appropriate feeders, blockers, or associated or parallel fund of same.
Moved by: Mr. Maguire
Seconded by: Mr. Kingry
Discussion: None
In Favor: Unanimous – Mr. Ferguson - excused
Motion: Passes

10. Report by Investment Department Staff representatives and discussion and Action regarding the redemption of assets (or possible cancellation of such) from the Pine River Fixed Income Fund (formerly known as the Nisswa Fixed Income Fund).

Mr. Anderson stated that the investment in the Pine River Fixed Income Fund is a hedge fund investment that is held in the credit opportunities portion of the PSPRS Total Fund. Pine River invests in various mortgage derivatives and has returned 26% since PSPRS has been in the fund. Although the PSPRS Investment staff still sees some opportunity in this space, Pine River management has made changes to their structure which have

MOTION: 7-6-11  At 2:35 p.m.
Motion: To approve the investment of up to $30 million in co-investments (with a cap of $6 million per co-investment) with Trident V, L.P. managed by Stone Point Capital, LLC.
Moved by: Mr. Maguire
Seconded by: Mr. Petrenka
Discussion: None
In Favor: Unanimous – Mr. Ferguson - excused
Motion: Passes
caused the Investment staff to conclude that Pine River is not as “nimble” (i.e. liquid) as before. Due to the changes in structure and their growth in size, they have provided to investors a one-time liquidation event with a cutoff date of July 25, 2011. The PSPRS staff prudently and timely filed a redemption notice which will provide $40 million back to the PSPRS fund. Since the actual liquidity event will not occur before September 30, 2011, the Board can cancel this redemption notice if it so chooses.

Mr. Maguire stated that the change of rules with respect to this investment raises the issue of how do we best facilitate a proper response to rapid business changes.

11. Report by Investment Department Staff representatives and discussion regarding the liquidation of assets from the FrontPoint Offshore Multi-Strategy Fund Series A, L.P.

FrontPoint was described by Mr. Anderson as a multi-strategy hedge fund investing in equity based strategies. We had invested $100 million with the FrontPoint Fund but it is now in the process of being liquidated. By September 30, 2011 PSPRS will have received back $98 million. The liquidation of the Fund was made necessary by the discovery of one instance of insider trading which prompted important institutional investors in the Fund to redeem their investments, thus rendering the Fund’s strategy untenable for lack of capital. FrontPoint’s therefore decided to liquidate the Fund and distribute its assets back to the remaining investors. The PSPRS staff anticipates a loss of around $2 million. Crestline and GAM have worked out well for PSPRS in the Portable Alpha area and therefore the Investment staff will look for a replacement for FrontPoint in the Portable Alpha space.

Mr. Tobin discussed with Mr. Anderson the lessons that were learned from this experience. Mr. Anderson said that, in the future when things start to deteriorate, we will want to anticipate what other investors are likely do more quickly so that we will be in line early for redemption.

12. Presentation by Investment Department Staff and/or legal counsel and discussion and

MOTION:  7-7-11 At 2:41 p.m.
Motion: To approve the redemption of assets from the Pine River Fixed Income Fund (formerly known as the Nisswa Fixed Income Fund).
Moved by: Mr. Maguire
Seconded by: Mr. Kingry
Discussion: None
In Favor: Unanimous
Motion: Passes

MOTION:  7-8-11 At 2:50 p.m.
Motion: To ratify the liquidation of assets from the FrontPoint Offshore Multi-Strategy Fund Series A, L.P.
Moved by: Mr. Maguire
Seconded by: Mr. Petrenka
Discussion: None
In Favor: Unanimous – Mr. Ferguson - excused
Motion: Passes
possible Action regarding the adoption of the proposed Redemption Policy. 

Mr. Ryan Parham

Mr. Marc Lieberman

Partner, Kutak Rock, LLC

A discussion was held regarding the creation of a Redemption Policy and due to the many suggestions regarding revisions to the draft document, it was decided to table this agenda item until the August meeting. Mr. Maguire will work with legal counsel to rewrite the document in order to give clear direction to the Investment Department team to act quickly in the future regarding redemptions.

13. Presentation by NEPC, LLC representatives regarding Portable Alpha generally with a status report from Investment Department Staff on the Portable Alpha portfolio of the System’s Trust. 

Mr. Allan Martin

Partner, NEPC, LLC

Mr. Ryan Parham

Mr. Don Stracke of NEPC presented the concepts of Portable Alpha which included the definition of Portable Alpha, why PSPRS is using it, the structure, and the method. He stated that Alpha is simply investment return in excess of the index benchmark return which is the Beta component of the combined return. Alpha is uncorrelated with Beta. NEPC’s five to seven year forecast for equities is below the PSPRS assumed rate of return and thus there is a need to generate returns above the equity index as much as possible. There is a lack of confidence that active management can deliver excess performance in certain asset classes. To implement Portable Alpha, you first pick your destination Beta asset class, then find outperforming sources of value-adding Alpha and then implement the strategy. Then after demonstrating consistent performance, with little or no Beta overlap, you diversify your Alpha sources. The performance should be evaluated over a full market cycle.

14. Discussion of the process of currency exchange from U.S. Dollars to a non-U.S. denominated currency. 

Mr. Ryan Parham

Mr. Parham stated that we convert from dollar exposure to Euro exposure on the day of commitment to a particular investment. The Compliance Officer, Ms. Bridget Feeley, asked if exchange rate fluctuations could cause the total amount invested to exceed the specific amount originally committed. Mr. Parham said that, in the future, each commitment will be in the specific currency of the investment to be made. Mr. Parham also stated that we will begin a monthly report showing how much of the portfolio is exposed to foreign currencies.

Ms. Stein asked if the currency conversions could put us out of balance with respect to our asset allocation parameters. Mr. Maguire responded that in theory that could happen and that would cause us to have to rebalance.

15. Report by the System’s Internal Audit and Compliance Officer and discussion regarding investment compliance, holdings and transactions as of June 30, 2011. 

Ms. Bridget Feeley

Internal Audit and Compliance Officer

Ms. Feeley reported that, as of June 30, 2011, there were no compliance issues.
Mr. Parham voiced concern regarding the possible downgrade of the U.S. sovereign debt rating and that, if a downgrade happened, we could be out of compliance with respect to our fixed income quality policy requirement. He cautioned however that that should not prompt an immediate rebalancing. In may be more prudent to make a change in our policies. Mr. McHenry asked what if a downgrade occurred but was later reversed, would not the rating go back to AAA? The response from Mr. Parham was that we expect Congress to be prudent and if this downgrade does occur, we would be in "uncharted territory."

Mr. Maguire added there is a difference between a technical default on August 2, 2011 and an actual default. This is a rating agency concern, but there is the perception of pain.

16. Report by Investment Department Staff and/or legal counsel, and discussion by them with the Committee and/or Board (and possible recommendation by the Committee to the Board of Trustees) about recent legal developments and issues (including settlement discussions) involving the investments of the Arizona PSPRS Trust, the System or the System's sister plans (EORP or CORP) (collectively, the "Plans"). Such discussion (and recommendations) may include legal issues (and disputes involving) 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 or Committee may vote to discuss these matters in Executive Session pursuant to A.R.S. §§ 38-431.03(A)(2),(3),(4) and (7), as set forth in item 29. Matters discussed may include, without limitation, claims by Bank of America, Stroh Ranch Development, The Pivotal Group and/or Millard and Scott Seldin.

Presentation by Mr. Jeff McHenry, Vice Chairman of the Operations, Governance Policy and Audit Committee regarding Agenda items 17 through 24 which were discussed at the Operations, Governance Policy and Audit Committee meeting held today, July 27, 2011, on or after 10:00 a.m., and possible Action on the Committee’s recommendations to the Board regarding same.

17. Report on legal challenges to the changes to the retirement system statutes enacted Mr. during the last legislative session.................................................................Mr. Jim Hacking

Mr. Hacking informed the Board there has been a Notice of Claim filed with the System on behalf of two Appellate Court judges to challenge the increase in EORP member contribution rates and the changes to the "COLA" mechanism. Therefore, the Board must decide which law firm to use to represent the System and the Board with respect to these impending legal challenges to SB1609. He indicated that the position of the System and the Board in the context of legal challenges such as these may differ from that of the Arizona AG’s Office, which will be representing the interests of the Legislature. For example, the System may need to take a position somewhat different from that of the AG’s Office if the plaintiffs file a motion for injunctive relief. He also stressed that it is very important that these claims be decided by the Arizona Supreme Court as soon as reasonably possible so that the System will know what the law is with respect to these contribution and benefit provisions.
18. Discussion and possible Action to select a law firm to represent the System with respect to challenges to the changes to the PSPRS statutes enacted during the last legislative session…………………………………………………………………………….Mr. Jim Hacking

Mr. Tobin stated there are two issues regarding SB1609 -- the COLA changes and the changes in the member contribution rates. In terms of dealing with these challenges, should we use one or both of the law firms which have been previously approved by the Board. Mr. Maguire suggested that the Administrator contact both firms to discuss their advice as to how to resolve these challenges in a timely fashion for the benefit of the Board and our members. Mr. Hacking indicated that he would do so and added that he has already sent the Notice of Claim to both law firms and the Attorney General’s Office. The representatives of both firms agreed that they could see nothing to be gained by the Board’s conducting an Administrative Hearing with respect to these claims and the sooner we have a final decision from the Arizona Supreme Court the better.

A caution was given to the Board by Mr. Lieberman that a response to the Notice of Claim must be given within 60 days and therefore it would be better to retain a firm as soon as practicable. Mr. Maguire suggested that, if necessary, a special Board meeting for that purpose could be scheduled prior to the next regularly scheduled meeting on August 31st.

**MOTION: 7-9-11**

At 3:38 p.m.

Motion: To direct Mr. Hacking to have further conversations with the Ballard Spahr and Steptoe Johnson representatives to obtain their recommendations on how to proceed and if necessary schedule a special meeting of the Board prior to the August 31 2011 regularly scheduled meeting to allow the Board to discuss the matter in Executive Session.

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

19. Report, discussion and possible Action regarding the search for in-house legal counsel and the process for obtaining a part time Assistant Attorney General form the Arizona Attorney General’s Office to assist with routine in-house legal matters........Mr. Jim Hacking

Mr. Hacking reported that the in-house legal counsel position has been posted on our own and other websites and that the July 25th printed edition of Pensions and Investments contained our advertisement for the position. Resumes in response to the advertisement are due by August 15, 2011. After that date, the senior staff members will review and narrow down the number of applicants to be interviewed and then consult with either the Board of Trustees or a committee of the Board.

Mr. Tobin asked for volunteers for the creation of a committee. Those who volunteered were Mr. Maguire, Ms. Stein and Mr. Tobin.

Mr. Hacking said that he has had discussions with representatives of the Attorney General’s Office and that they have identified candidates and have sent us an Interagency Service Agreement which is currently being reviewed by legal counsel.
20. Presentation of the Month-to-Date Budget Report for FY 2011 and possible Action……………………………………………………………………………………………….Ms Leslie Clark
…………………………………………………………………………………………………..Senior Accountant

Mr. John Hendricks and Ms. Leslie Clark reported that we were $455,000 over budget for FY 2011 (4.76% over budget) due to actuarial and legal fees.

21. Status report on the filling of vacant staff positions ……………….Mr. Jim Hacking
…………………………………………………………………………………………………..Administrator

Mr. Hacking give a summary report with respect to the status of the process for filling of vacant staff positions. The in-house legal counsel position was discussed in item 19. The new position in the Active Members Department has been filled as has the position that was reallocated to the IT Department. The two positions for the Call Center have also been filled by capable and experienced people.

The two other available positions which have not been filled are those for Local Board Support and Outreach and Deputy Administrator. Mr. Hacking said that the position for Deputy Administrator has been posted on the PSPRS and other websites and the advertisement for the position was included in the July 11th edition of Pensions and Investments; the closing date for receipt of resumes is August 1, 2011. The Local Board Support and Outreach position has been posted internally and, if needed, will it be advertised externally as well.

22. Review, discussion and possible Action to approve and ratify the contracts for governmental liaison services with the following firms……………………….Mr. Jim Hacking

   a. HighGround
   b. Public Policy Partners

Mr. Hacking renegotiated the contracts for both firms to a blended monthly rate which was reduced from the initial contract by several thousand dollars.

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<tr>
<th>MOTION:  7-10-11</th>
<th>At 4:17 p.m.</th>
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<tr>
<td>Motion:</td>
<td>To approve and ratify the contracts for HighGround and Public Policy Partners.</td>
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<td>Moved by:</td>
<td>Mr. McHenry</td>
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<td>Seconded by:</td>
<td>Ms. Stein</td>
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<tr>
<td>Discussion:</td>
<td>None</td>
</tr>
<tr>
<td>In Favor:</td>
<td>Unanimous – Mr. Ferguson - excused</td>
</tr>
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<td>Motion:</td>
<td>Passes</td>
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23. Discussion of, and possible Action with respect to, the elements for a possible administrative bill for the 2012 legislative session and preview of other possible legislative initiatives……………………………………………………………………………………………………………………….. Mr. Jim Hacking

Mr. Hacking stated that there was nothing to add to the report he had given on this topic during the June 22, 2011 Board of Trustees meeting.
24. Written update on the progress of the Local Board Training Program and discussion and possible Action regarding same.................................Mr. Robert Ortega

Mr. Tobin stated that a written report had been presented during the Operations, Governance Policy and Audit Committee meeting that was held this morning. Mr. Ortega is working with Maricopa and Prescott regarding training.

25. Review, discussion and appropriate Action regarding the July 2011 bill for legal services performed in June 2011............................................................Mr. Jim Hacking

Mr. Tobin stated the Operations, Governance Policy and Audit committee approved the payment of the July 2011 legal bill for work performed in June 2011.

**MOTION: 7-11-11** At 4:24 p.m.
**Motion:** To approve payment of the July 2011 legal bill for services performed in June 2011.
**Moved by:** Mr. McHenry
**Seconded by:** Ms. Stein
**Discussion:** None
**In Favor:** Unanimous – Mr. Ferguson - excused
**Motion:** Passes

26. Report, discussion and possible Recommendation regarding compliance and internal audit.................................................................Ms. Bridget Feeley

Ms. Feeley reported that there are two written reports regarding travel and other expenses in the litigation report. A risk analysis and an audit plan are being developed for the September meeting.

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

Mr. Hacking reported that a representative from the Auditor General’s Office was in the PSPRS Offices recently but that he has not yet heard anything with respect to a written report from the Auditor’s Office that would reflect their findings.

28. 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 stated the Annual Meeting will have an educational component that will focus on our asset allocation; that component will also include reports from various representatives of the consulting firms used by PSPRS. Mr. Parham added that a review of the past year and a look forward regarding our asset allocation targets will be held.

29. Discussion and possible Action regarding requests to participate in training, educational and due diligence opportunities..............................................Mr. Brian Tobin
30. Discussion and consultation with legal counsel and Staff regarding ongoing or threatened legal action involving the Plans, including vendor disputes, public record requests, and actual or potential litigation and claims based on contract, tort or statute, including those involving Huggins, Cross, Martin, Welker, Cooper, Ventre, and Loftus pursuant to A.R.S. §§ 38-431.03(A) (2), (3), (4), and (7). The Board may vote to discuss these matters in Executive Session pursuant to A.R.S. §§ 38-431.03(A)(2),(3),(4) and (7), as set forth in item 31.

31. 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) (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 (and possible recommendation to the Board of Trustees) about legal developments, claims and issues (including settlement discussions) involving the Plans’ 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) and (7). Matters discussed may include claims by Bank of America, Stroh Ranch Development, The Pivotal Group, and/or Millard and Scott Seldin.

b. Discussion and consultation with legal counsel and Staff regarding ongoing or threatened legal action involving the Plans, including internal investigations, public record requests, and actual or potential litigation and claims based on contract, tort or statute, including those involving Huggins, Cross, Martin, Welker, Cooper, Ventre,
and Loftus pursuant to A.R.S. §§ 38-431.03(A) (2), (3) & (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.

Mr. Jim Mann, Executive Director of the Fraternal Order of Police Labor Council, stated he appreciates the hiring of the lobbyists. The FOP worked very well with the System's lobbyists during the last session.

33. Set the next meeting date. (Currently scheduled for Wednesday, August 31, 2011)

34. Adjournment

<table>
<thead>
<tr>
<th>MOTION: 7-14-11</th>
<th>At 4:52 p.m.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motion:</td>
<td>To adjourn the meeting.</td>
</tr>
<tr>
<td>Moved by:</td>
<td>Mr. Kingry</td>
</tr>
<tr>
<td>Seconded by:</td>
<td>Mr. McHenry</td>
</tr>
<tr>
<td>Discussion:</td>
<td>None</td>
</tr>
<tr>
<td>In Favor:</td>
<td>Unanimous – Mr. Ferguson - excused</td>
</tr>
<tr>
<td>Motion:</td>
<td>Passes</td>
</tr>
</tbody>
</table>

__________________________  
Brian Tobin, Trustee, Chairman

__________________________  
Excused  
Greg Ferguson, Trustee, Vice Chairman  
Randie Stein, Trustee

__________________________  
Jeff Mc Henry, Trustee  
Richard Petrenka, Trustee

__________________________  
Lauren Kingry, Trustee