1. Call to Order; Roll Call; Opening remarks (Estimated time: 10:00 a.m.).......................................................... Mr. Brian Tobin
......................................................................................................................... Chairman
The meeting was called to order by Chairman Brian Tobin at 10:09 a.m. Chairman Tobin announce Mr. Alan Maguire has tendered his resignation to Governor Brewer as a member of the PSPRS Board of Trustees. Mr. Maguire was thanked for his service to Public Safety Personnel Retirement System.

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. (Estimated time: 5 minutes; 10:00 –10:05 a.m.)

a. Acceptance of Elected Officials’ Retirement Plan of survivor benefit of Barbara Rottas
b. Acceptance of Elected Officials’ Retirement Plan of normal benefit of Raymond Rottas
c. Acceptance of Transfer Between State Retirement Systems of Larry Holloway
d. Acceptance of Transfer Between State Retirement Systems of John Andres
e. Acceptance of Transfer Between State Retirement Systems of Lawrence Naranjo
f. Acceptance of Transfer Between State Retirement Systems of Todd Pendleton
g. Acceptance of Transfer Between State Retirement Systems of Mark Armistead
h. Acceptance of Transfer Between State Retirement Systems of John Collier
i. Acceptance of Transfer Between State Retirement Systems of Steve Ferguson
j. Acceptance of Transfer Between State Retirement Systems of Michael Walsh
k. Acceptance of Transfer Between State Retirement Systems of Joseph Johnson
l. Acceptance of Transfer Between State Retirement Systems of Jennifer Wattier
m. Acceptance of Transfer Between State Retirement Systems of Matthew Lindley
n. Acceptance of Transfer Between State Retirement Systems of James Novotny
o. Acceptance of Transfer Between State Retirement Systems of Pamela Swearingin
p. Acceptance of Transfer Between State Retirement Systems of Michael Admo
q. Acceptance of Transfer Between State Retirement Systems of Alex McKinnon
r. Acceptance of Transfer Between State Retirement Systems of Fred Frazier
s. Acceptance of Transfer Between State Retirement Systems of Troy Schaeffer
t. Acceptance of Transfer Between State Retirement Systems of James Brinkley
u. Acceptance of Transfer Between State Retirement Systems of James Mack
v. Acceptance of Transfer Between State Retirement Systems of Richard Rizzo
w. Acceptance of Transfer Between State Retirement Systems of Daniel Ables
x. Acceptance of Transfer Between State Retirement Systems of Jerome Sorrelman
y. Acceptance of Transfer Between State Retirement Systems of Anthony Lombardi
z. Acceptance of Transfer Between State Retirement Systems of Fred Frazier
aa. Acceptance of Transfer Between State Retirement Systems of Troy Schaeffer
bb. Acceptance of Transfer Between State Retirement Systems of James Mack
cc. Acceptance of Transfer Between State Retirement Systems of Kevin Dorris
dd. Acceptance of Transfer Between State Retirement Systems of James Novotny
ee. Acceptance of Transfer Between State Retirement Systems of Daniel Ables
ff. Acceptance of Transfer Between State Retirement Systems of Jerome Sorrelman
gg. Acceptance of Transfer Between State Retirement Systems of Bruce Pickett
hh. Acceptance of Transfer Between State Retirement Systems of Christina Gonzales
ii. Acceptance of Transfer Between State Retirement Systems of Michael Giannarino
jj. Acceptance of Transfer Between State Retirement Systems of Jeninne Thomas-Kroehnert
kk. Acceptance of Transfer Between State Retirement Systems of Michael McCraw
ll. Acceptance of Transfer Between State Retirement Systems of John Collins
mm. Acceptance of Transfer Between State Retirement Systems of William Phillips
nn. Acceptance of Transfer Between State Retirement Systems of Margaret Benny
oo. Acceptance of Transfer Between State Retirement Systems of Tony Herrera
pp. Acceptance of Transfer Between State Retirement Systems of Jason D’Eliso
qq. Acceptance of Transfer Between State Retirement Systems of Tamala Rosenhagen
rr. Acceptance of Transfer Between State Retirement Systems of Douglas Berthiaume
ss. Acceptance of Transfer Between State Retirement Systems of Daniel Reynolds
tt. Acceptance of Transfer Between State Retirement Systems of Richard Manriquez
uu. Acceptance of Transfer Between State Retirement Systems of Ryan Kotsur
vv. Acceptance of Transfer Between State Retirement Systems of Betty Thompson
ww. Acceptance of Transfer Between State Retirement Systems of David Manning
xx. Acceptance of Transfer Between State Retirement Systems of Wes Patterson
yy. Acceptance of Transfer Between State Retirement Systems of Mike Gurr
zz. Acceptance of Transfer Between State Retirement Systems of William Morse
aaa. Acceptance of Transfer Between State Retirement Systems of Ronald Van Mierlo
bbb. Acceptance of Transfer Between State Retirement Systems of Mina Mendez
ccc. Acceptance of Transfer Between State Retirement Systems of Thomas Cantelme
ddd. Acceptance of Transfer Between State Retirement Systems of James Bagnoli
eee. Acceptance of Transfer Between State Retirement Systems of Michael Canizales
fff. Acceptance of Transfer Between State Retirement Systems of Pamela Balderrama
ggg. Acceptance of Transfer Between State Retirement Systems of Hector Peña
hhh. Acceptance of Transfer Between State Retirement Systems of Amy Ganz
iii. Acceptance of Transfer Between State Retirement Systems of Cathy Cermak
jjj. Acceptance of Transfer Between State Retirement Systems of Louie Lowery
kkk. Acceptance of Transfer Between State Retirement Systems of Chris Mendoza
lll. Acceptance of Transfer Between State Retirement Systems of Dwayne Evans
mmm. Acceptance of Transfer Between State Retirement Systems of John Masura
nnn. Acceptance of Transfer Between State Retirement Systems of Kendra Sohns
ooo. Acceptance of Transfer Between State Retirement Systems of Mark Smith
ppp. Acceptance of Transfer Between State Retirement Systems of Robert Dubnow
qqq. Acceptance of Transfer Between State Retirement Systems of James Miyata
rrr. Acceptance of Transfer Between State Retirement Systems of Annita Boynton
sss. Acceptance of Transfer Between State Retirement Systems of Adam Brotzman
ttt. Acceptance of Transfer Between State Retirement Systems of Albert Di Benedetto

<table>
<thead>
<tr>
<th>MOTION: 8-15-11</th>
<th>At 10:12 a.m.</th>
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<tbody>
<tr>
<td>Motion:</td>
<td>To approve the consent agenda as presented.</td>
</tr>
<tr>
<td>Moved by:</td>
<td>Mr. Ferguson</td>
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<td>Seconded by:</td>
<td>Mr. McHenry</td>
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<tr>
<td>Discussion:</td>
<td>None</td>
</tr>
<tr>
<td>In Favor:</td>
<td>Unanimous – Mr. Kingry excused</td>
</tr>
<tr>
<td>Motion:</td>
<td>Passes</td>
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3. Appropriate **Action** regarding the Minutes of the July 27, 2011 Meeting of the PSPRS Board of Trustees. *(Estimated time: 2 minutes; 10:05 – 10:07 a.m.)*……..Mr. Brian Tobin
4. Introduction of Assistant Attorney General, Dana David. *(Estimated time: 3 minutes; 10:07 – 10:10 a.m.)*

Mr. Hacking introduced Mr. Dana David whose background includes twenty years of practice in public law and eight years with the Arizona Office of the Attorney General.

5. Presentation of the Month-to-Date Budget Report for FY 2011 and possible Action *(Estimated time: 5 minutes; 10:10 – 10:15 a.m.)*

Ms. Leslie Clark and Mr. John Hendricks stated due to the fact there are two months of data in this fiscal year, a written report was provided to the Board of Trustees.

6. Status report on the filling of vacant staff positions. *(Estimated time: 5 minutes; 10:15 – 10:20 a.m.)*

It summarized by Mr. Hacking that the positions for deputy administrator, in-house investment and fiduciary counsel and local board outreach are vacant. Screening for all three positions is currently being conducted.

7. 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. *(Estimated time: 5 minutes; 10:20 – 10:25 a.m.)*

It was reported by Mr. Hacking the draft of the elements for the PSPRS administrative bill for the 2012 legislative session will be ready for review during the September PSPRS Board of Trustees Annual Meeting.

8. Written update on the progress of the Local Board Training Program and discussion and possible Action regarding same. *(Estimated time: 2 minutes; 10:25 – 10:27 a.m.)*
A written report from Mr. Ortega was presented to the Board and Mr. Hacking added that a second message has been sent to the local boards regarding retirees who are subject to the alternative contribution rate required by statute. The boards have been asked to provide names of all people who are paid and we will then match these to our retiree list and to the list provided by Arizona Department of Administration of their state employees who are members of our plans.

9. Review, discussion and appropriate Action regarding the August 2011 bill for legal services performed in July 2011. (Estimated time: 5 minutes; 10:27 – 10:32 a.m.)

It was stated by Mr. Hacking that the bill had been reviewed with nothing to report.

**MOTION: 8-17-11**  
At 10:21 a.m.  
Motion: To approve the August 2011 bill for legal services performed in July 2011 in the amount of $103,196.24.  
Moved by: Mr. Ferguson  
Seconded by: Mr. McHenry  
Discussion: None  
In Favor: Unanimous – Mr. Kingry excused  
Motion: Passes

10. Report, discussion and possible Action regarding the search for in-house legal counsel and use of the services of Assistant Attorney General Dana David. (Estimated time: 5 minutes; 10:32 – 10:37 a.m.)

Mr. Hacking summarized staff has received good responses from the ads that had been placed for this position and several candidates have been interviewed with a second round of interviews to be completed by the Board’s Ad Hoc Committee established for this purpose. With the departure of Mr. Maguire, this vacant Ad Hoc Committee position will be filled later in this meeting.

11. Report, discussion and possible Action regarding compliance, internal audit, investment compliance, holdings and transactions as of July 31, 2011. (Estimated time: 5 minutes; 10:37 – 10:42 a.m.)

It was reported by Ms. Feeley there is an issue with regard to compliance in the fixed income portfolio where no more than 5% of the internally managed portfolio can be invested in any institution, agency, or corporation with the exception of government bonds. As a result of the way the numbers currently work, the investment in security mutuals exceeds the 5% threshold.

Mr. Parham provided additional clarification that the current strategy is to move from internal to external management in area of security mutuals, which are not generally publicly traded. He is not worried about this and recommends continuing to hold at this level at this time and to wait until there is an opportunity to sell since there is no risk of default based upon recent financials. As the less liquid portions of the portfolio become more liquid, the investment can be reduced as we hold and monitor this which is not threat
to the portfolio. He added there could be a change of policy back to 5% of the fixed income portfolio from the current 5% of internally managed portfolio which continues to shrink. Ms. Stein inquired as to how to come back into compliance and a discussion was held as to the reasons why the policy had been changed from the original policy.

Mr. Petrenka added this is a small percentage of the portfolio and since it is not critical to stay with Mr. Parham’s plan. Mr. Allan Martin of NEPC stated the guideline in the policy should be changed, but not to force a sale.

**MOTION: 8-18-11**  
**Motion:** To recognize the out of compliance and Staff to come back with a solution by October and to consult with Mr. Allan Martin and NEPC as to other ways to handle this situation that has been noted by the Compliance Officer.  
**Moved by:** Mr. Ferguson  
**Seconded by:** Ms. Stein  
**Discussion:** None  
**In Favor:** Unanimous – Mr. Kingry excused  
**Motion:** Passes

Ms. Feeley continued the compliance report in saying that due to the downgrade in U.S. Bonds from AAA to AA+, if we have two conflicting ratings, the higher rating will be used. She added due to the situation, calculations have also been made using the lower rating and we are still in compliance. PSPRS uses Workbench for calculations which reports using S&P and Moody’s ratings.

12. Report on potential legal challenges to the changes to the retirement system statutes enacted during the last legislative session. The Board may vote to discuss these matters in Executive Session pursuant to A.R.S. §§ 38-431.03(A)(1), (3) & (4), as set forth in item 22. *(Estimated time: 5 minutes; 10:42 – 10:47 a.m.)*

Mr. Hacking reported we have received legal challenges to the statutory changes enacted during the last legislative session and have received a Notice of Claim. Discussion of this agenda item will be held later in Executive Session.

13. Report on the Auditor General’s review with respect to 2001-02 asset value losses and 2006 to present legal bills. *(Estimated time: 3 minutes; 10:47 – 11:00 a.m.)*

The report is being prepared based upon their field work and we have not been told when the report will be complete stated Mr. Hacking.

14. Discussion and possible **Action** regarding establishing topics, possible agenda items, and format for the Board of Trustees 2011 Annual Meeting in September. *(Estimated time: 5 minutes; 11:00 – 11:05 a.m.)*

The agenda items for the September Annual Meeting have been decided as an outcome of the past few Board meetings. The first day will be filled with the normal agenda items and the second day will have presentations about the asset allocations and reports from out various consulting firms. Mr. Tobin asked to include a discussion regarding board committee structures as presented in the Governance Manual, what items go to the full
board and what items go to the committees. Mr. Hacking added that this was also in today’s agenda.

15. Discussion and possible Action regarding requests to participate in training, educational and due diligence opportunities. *(Estimated time: 5 minutes; 11:05 – 11:10 a.m.)*

Mr. Tobin suggested each board member attend two trainings per year. No requests were made.

16. Discussion and possible Action with respect to the structure and responsibilities of the Board’s Committees. *(Estimated time: 5 minutes; 11:10– 11:15 a.m.)* Mr. Brian Tobin

Mr. Tobin suggested that regular items at the committee level plus the board level are a duplication of effort and that the committee structure was necessary for specific tasks such as establishing the budget which will take several meetings. Mr. McHenry asked to eliminate redundancies and to streamline the processes and Mr. Tobin asked for this to be added again to the agenda for September.

Ms. Stein asked Mr. David to prepare an opinion regarding ad hoc committees with regard to the Open Meeting Law.

17. Appointment by the Chairman of the Board of Trustees of the Chairman of the Investment Committee. *(Estimated time: 5 minutes; 11:15– 11:20 a.m.)* Mr. Brian Tobin

Mr. Tobin asked for volunteers to head the Investment Committee due to the fact Mr. Maguire has stepped down from the Board of Trustees. Mr. Petrenka was willing to be Chairman of the Investment Committee.

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MOTION: 8-19-11 At 10:51 a.m.
Motion: To appoint Mr. Petrenka as Chairman of the Investment Committee.
Moved by: Mr. Ferguson
Seconded by: Mr. McHenry
Discussion: None
In Favor: Unanimous – Mr. Kingry excused
Motion: Passes
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18. Possible appointment by the Chairman of the Board of Trustees of the Vice-Chairman of the Investment Committee and/or appointment of additional members to committees. *(Estimated time: 5 minutes; 11:20– 11:25 a.m.)* Mr. Brian Tobin

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MOTION: 8-20-11 At 10:52 a.m.
Motion: To appoint Mr. Kingry as Vice Chairman of the Investment Committee.
Moved by: Mr. Ferguson
Seconded by: Mr. McHenry
Discussion: None
In Favor: Unanimous – Mr. Kingry excused
Motion: Passes
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Mr. Tobin volunteered to sit on the Investment Committee until the governor appoints another member to the Board of Trustees.

**MOTION: 8-21-11**  At 10:53 a.m.
Motion: To appoint Mr. Tobin as a member of the Investment Committee until the governor appoints another member to the Board of Trustees.
Moved by: Mr. Ferguson
Seconded by: Mr. McHenry
Discussion: None
In Favor: Unanimous – Mr. Kingry excused
Motion: Passes

19. **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. The Board may vote to discuss these matters in Executive Session pursuant to A.R.S. §§ 38-431.03(A)(1),(3) & (4), as set forth in item 22. *(Estimated time: 15 minutes; 11:10 – 11:25 a.m.)*

**MOTION: 8-22-11**  At 10:54 a.m.
Motion: To recess Open Session and move to Executive Session for agenda items 19-22.
Moved by: Mr. Ferguson
Seconded by: Mr. McHenry
Discussion: Mr. Hacking asked that Mr. Dana David be included in Executive Session.
In Favor: Unanimous – Mr. Kingry excused
Motion: Passes

**MOTION: 8-23-11**  At 11:25 a.m.
Motion: To select Steptoe & Johnson PLLC to represent the Board and PSPRS in any potential litigation arising out of the enactment of SB 1609.
Moved by: Ms. Stein
Seconded by: Mr. Ferguson
Discussion: None
In Favor: Unanimous – Mr. Kingry excused
Motion: Passes

20. **Discussion and consultation with legal counsel and possible Action** with respect to the notice of claim filed by attorney Ron Kilgard on behalf of the Honorable Philip Hall and the Honorable Jon W. Thompson pursuant to A.R.S. §§ 38-431.03 (A)(3) and (4). The Board may vote to discuss these matters in Executive Session pursuant to A.R.S. §§ 38-431.03(A)(3) & (4), as set forth in item 22. *(Estimated time: 15 minutes; 11:25 – 11:40 a.m.)*

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

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

........................................................................................................….Mr. Dana David

........................................................................................................….Mr. Dana David
21. 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 Bank of America, judges Thompson and Hall, the retired judges, Huggins, Cross, Martin, Welker, Cooper, the Pivotal Group, the Seldins, Stroh Ranch Development, 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 22.

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)(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’
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, and Loftus pursuant to A.R.S. §§ 38-431.03(A) (2), (3) & (4).

c. Discussion to select a law firm to represent the Board and PSPRS in any potential litigation arising out of the enactment of SB 1609.

d. Discussion and possible consultation with legal counsel regarding the administrative claim filed by attorney Ron Kilgard with respect to the Honorable Philip Hall and the Honorable Jon W. Thompson pursuant to A.R.S. §§ 38-431.03 (A)(3) and (4).

Following the conclusion of the Executive Session, Chairman Tobin voiced a concern that the agenda distributed to the public had specific times for each of the items. Mr. Lieberman stated to wait one half an hour until noon for the commencement of agenda item 23. A discussion was held regarding how to write future agendas and it was decided in the future to eliminate the times for the public agenda.

**MOTION: 8-25-11** At 11:34 a.m.

Motion: To recess until 12 noon.

Moved by: Mr. McHenry

Seconded by: Ms. Stein

Discussion: None

In Favor: Unanimous – Mr. Kingry excused

Motion: Passes

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23. Introduction of Intern, Manika Rastogi. (Estimated time: 2 minutes; Noon –12:02 p.m.)

Mr. Parham stated Ms. Rastogi, who was born in New Delhi, India, has an advanced degree in marketing and operations. Ms. Rastogi added that her undergraduate degree is in computer science and she has worked for three years in portfolio management, investment analysis, and risk analysis.

24. Report by Investment Department Staff and discussion regarding the Month Ended and Fiscal Year-to-Date performance/portfolio update with an overview of the Real Assets asset class. (Estimated time: 10 minutes; 12:02 – 12:12 p.m.)

Mr. Corens
Mr. Corens reported the performance and portfolio update for the Month Ended and Fiscal Year-to-Date as of July 31, 2011. Performance for the total fund was -0.15% as compared to a benchmark of -0.33%. The one year performance for the total fund was 12.98% as compared to the benchmark of 12.50%. GTAA performance was 3.03% in relationship to the benchmark of 0.27% and the absolute return was 1.02% as compared to the benchmark of 0.16%.

Mr. Tobin stated that total equity seems to be lagging and underperforming and Mr. Parham replied there is significant amount of tracking error in our beta replication. Later in the agenda we are requesting a change in the beta replication manager in order to resolve future problems.

Mr. Corens informed the members of the board that real assets portfolio is 5.7% of our total portfolio. The real assets are comprised of 10% capital assets, 21% timber, 11% commodity hedge funds, 25% TIPS and 11% ETF commodity placeholders. Currency assets are not funded. Real assets are defined as tangible or physical things that are at the core of our everyday lives such as gas, wire, paper, airplanes and football stadiums. Mr. Petrenka stated the target for real assets is 6% and asked if this would be changed higher if inflation is experienced. Mr. Corens replied that we have talked about doing so.

Mr. Tobin inquired about the downside of real assets and the response was with liquid assets performance value may turn on a dime, therefore we look for thoughtful managers in order to profit in an up or down market. With illiquid assets the concern is that it takes time to recover and downside protection is needed. Mr. Tobin asked about the benchmark and Mr. Parham replied the benchmark is the CPI plus 200 basis points which is designed for real inflation adjusted return and is consistent with our peers.

25. Report by NEPC representative(s) on the Fourth Fiscal Quarter (Second Calendar Quarter) Performance of the System. (Estimated time: 30 minutes; 12:12 – 12:42 p.m.)

It was reported by Mr. Allan Martin the System performance for the fiscal year ending June 30, 2011 gross of fees was 17.8%. This gain greatly exceeded the actuarial target for the second year in a row, the investments are conservatively structured to endure choppier markets and all allocations are well within Board targets. The future outlook for the portfolio and upcoming strategies were discussed.

The risk adverse strategy the Fund has adopted and implemented over the past few years, has resulted in improved risk-adjusted returns over recent periods. Over the last 12 months the Fund has had a net return of $1.05 billion, the performance was strong on an absolute basis with significantly less volatility than its peers with a Sharpe Ratio of 3.6 (risk adjusted rate of return). This includes a net gain of $53 million in the second calendar quarter. Over the past three years the Fund returned 3.5% and the volatility over the two year period ending June 30, 2011 is about one half the volatility of the S&P Index.

Three negative areas in the portfolio include the real estate portfolio which continues to decline, real assets and domestic equities. We will work with Staff to review asset allocations and compare them to other peer groups.
26. Declaration by the Board of Trustees of the official total fund rate of return for the Fiscal Year ending June 30, 2011 (net of fees) and the benchmark return for the same period. (Estimated time: 3 minutes; 12:42 – 12:45 p.m.) ……………………………..Mr. Brian Tobin

Chairman Tobin declared the official total fund rate of return for the Fiscal Year ending June 30, 2011 (net of fees) to be 17.37% and the benchmark return for the same period was 17.36%. He thanked the Staff for their work to attain these results even though the legacy real estate portfolio is a drag. Also thanked were the current members of the board, the past board members and NEPC for their contributions. This past fiscal year presented the opportunity to take the real estate write downs.

27. Presentation by Investment Department Staff representatives and discussion regarding Currency and Geographic Risk. (Estimated time: 15 minutes; 12:45 – 1:00 p.m.) ………………………………………………………………………………………..Mr. Pascal Stalder ………………………………………………………………………………………..Deputy Chief Investment Officer – Risk

Mr. Stalder stated we are a U.S. dollar based with positive and negative connotations. The negative connotations are that the most growth in the world in the next fifteen years will mainly occur outside the U.S. There is an effort by Staff to add no n-U.S. exposures by looking at a country’s exposure and the underlying investment while ignoring currency. 94.5% of the portfolio is in the developed world with 5.5% in the underdeveloped world. The move can be done in other than publically traded securities.

Most of our non-U.S. exposure is in equities and there is an effort to diversify into non-U.S. exposure outside of equities. We have some of non-U.S. hedged exposures. The best way to diversify is to tap into hedge funds and private equity outside the U.S. in accordance with our risk capacity. A caution was given due to the immaturity of the emerging public securities markets.

28. Presentation by Investment Department Staff and/or legal counsel and discussion and possible Action regarding the adoption of the proposed Redemption Policy. (Estimated time: 10 minutes; 1:00 – 1:10 p.m.) …………………………………………………………………………………………..Mr. Ryan Parham …………………………………………………………………………………………..Mr. Marc Lieberman …………………………………………………………………………………………..Partner, Kutak Rock LLP

Mr. Parham led the discussion regarding the proposed Redemption Policy that was worked on last month in order to incorporate the changes suggested by Mr. Alan Maguire. The issue that has arisen is that between meetings for the board we need to determine how to proceed when a redemption notice is due by a date certain. This draft policy would allow Staff to send in redemption notices intra-month, between meetings. The wording in the proposed document was discussed. One such item was on page 1, section 2, “The proceeds of any such redemption may be temporarily re-invested with a liquid investment to maintain compliance with all mandated portfolio characteristics”. Mr. Parham discussed the fact that in some situations just holding cash through the end of the month may generate a superior outcome. The Board would be notified immediately and have the authority to reverse the redemption notice where feasible. By adding the word “may” and not the word “shall” as suggested by Mr. Maguire permits holding cash.

A discussion followed after Mr. Ferguson questioned the word “is” on page 2, the next to the last line and stated the word should be “if”. The sentence as proposed states, “The
Board reserves the right to reverse Redemptions or Notices of Redemption is such redemption was imprudent or otherwise unreasonable."

Mr. Lieberman suggested to say the Board reserves the right “where feasible” to reverse Redemptions or Notices of Redemption.

**MOTION: 8-26-11**  
At 1:55 p.m.  
Motion: To adopt the Redemption Policy as presented with the following amendments:  
1. Insert the words “where feasible” in item #3  
2. Change the word “is” to “if” in item #3  
3. On the first page of the document, third line, remove the word “to” so as to read “Redemptions From Hedge Fund Structured Investments”

Moved by: Mr. Ferguson  
Seconded by: Ms. Stein  
Discussion: None  
In Favor: Unanimous  
Motion: Passes

**MOTION: 8-27-11**  
At 2:15 p.m.  
Motion: To amend the previous motion to add to section 2, add the words “or held in cash” at the end of the sentence so as to read: “The proceeds of any such redemption shall be temporarily re-invested with a liquid investment within the same sub-asset class to maintain compliance with all mandated portfolio characteristics, or held in cash.”

Moved by: Ms. Stein  
Seconded by: Mr. Kingry  
Discussion: None  
In Favor: Unanimous  
Motion: Passes

29. Presentation by Investment Department Staff, Albourne America and D.E. Shaw representatives and discussion and possible Action regarding a possible investment of up to $100 million in D.E. Shaw Multi-Asset Fund L.P. or appropriate feeders, blockers, or associated or parallel funds of same. *(Estimated time: 20 minutes; 1:10 – 1:30 p.m.)*

D.E. Shaw Multi-Asset Fund was presented by Mr. Mark Steed as being a global fund in the GTAA portfolio as an absolute return vehicle with an emphasis on low volatility. Mr. Lincoln Smith introduced Mr. Brendan McDonough and Mr. Trey Beck. Mr. Beck presented the history, structure, goals and characteristics of fund which was created to similarly to a traditional hedge fund so as to have no meaningful correlation to equities and commodities. The fund has the quantitative infrastructure to be diversified across many
countries using equity arbitrage, massively diversified individual stocks, long-short equities in the areas of health care, energy, and consumer retail and technology. Also used are option trading, convertible bond trading, corporate strategies, direct capital activities, and reinsurance business. They try to deliver a return of LIBOR + 6% in any given year.

MOTION: 8-28-11  At 2:39 p.m.
Motion: To approve investment of up to $100 million in D.E. Shaw Multi-Asset Fund L.P. or appropriate feeders, blockers, or associated or parallel funds of same.
Moved by: Mr. Ferguson
Seconded by: Mr. McHenry
Discussion: None
In Favor: Unanimous
Motion: Passes

30. Presentation by Investment Department Staff, Albourne America and Fundamental Advisors representatives and discussion and possible Action regarding a possible investment of up to $50 million in Fundamental Partners II, L.P. or appropriate feeders, blockers, or associated or parallel funds of same. (Estimated time: 20 minutes; 1:30 – 1:50 p.m.) Mr. Paul Corens Senior Analyst Mr. Lincoln Smith Senior Analyst Mr. Laurence Gottlieb and Ms. Dana Fusaris Senior Directors, Fundamental Advisors

Mr. Corens introduced Fundamental Partners II as a private equity-like manager focusing on buying core capital assets by getting control through distressed municipal bonds. This possible investment will be in the real assets portfolio.

Mr. Lincoln Smith added that when municipal bonds start going into distress they stop paying a yield. This is the opportunity for Fundamental Partners to source and restructure these distressed assets. Mr. Laurence Gottlieb stated Fundamental Partners has gone through this harsh period in time without many losses. Their focus is on assets in healthcare, housing or infrastructure assets. They analyze the future of each asset to determine if they can make it more valuable in 24-36 months. The assets that are handled are important to humans and they care deeply about these assets which they restore and invigorate. Discussions were held regarding the fact PSPRS will be the lead investor and Mr. Corens responded Staff has confidence in the information they have received and in the due diligence that has been conducted. They have a robust pipeline and good relationships in the municipal bond market. Mr. Petrenka and Mr. Gottlieb discussed exit strategies, market strategies, and reinvestments.

MOTION: 8-29-11  At 3:09 p.m.
Motion: To approve investment of up to $50 million in Fundamental Partners II, L.P. or appropriate feeders, blockers, or associated or parallel funds of same.
Moved by: Mr. Ferguson
Seconded by: Mr. McHenry
Discussion: None
In Favor: Unanimous
Motion: Passes
31. Presentation by Investment Department Staff, StepStone Group and Vista Equity Partners representatives and discussion and possible Action regarding a possible investment of up to $50 million in Vista Equity Partners Fund IV, L.P. or appropriate feeders, blockers, or associated or parallel funds of same. *(Estimated time: 20 minutes; 1:50 – 2:10 p.m.)*

This possible investment which is to be placed in the private equity portfolio was introduced by Mr. Shan Chen. This is a middle market buyout fund and their previous funds have generated good returns. Mr. Jay Rose stated this fund has a team of thirty professionals, eleven of whom are very senior with many years experience in the technology industry. The portfolio is healthy and the team focuses on enterprise software by buying mature technology companies.

Mr. Smith added enterprise software has been a productive tool over the last 30-40 years. The fund identifies software companies that save labor and fuel, that are not start ups and that create mission critical software which can achieve cash flow for many decades due to customer relations in order to become the software company of record thus leading to multi-year contracts.

Mr. Hickey stated the software market is enormous and exists in any industry. Vista Equity buy mature players and looks for companies with $50 million to $1 billion in revenue. This is one of the fastest growing areas of our economy. The fund contributes more equity and uses less debt than most companies, runs the businesses more efficiently and keeps costs under control.

<table>
<thead>
<tr>
<th>MOTION: 8-30-11</th>
<th>At 3:37 p.m.</th>
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<tbody>
<tr>
<td>Motion:</td>
<td>To approve investment of up to $50 million in Vista Equity Partners Fund IV, L.P. or appropriate feeders, blockers, or associated or parallel funds of same.</td>
</tr>
<tr>
<td>Moved by:</td>
<td>Mr. Ferguson</td>
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<tr>
<td>Seconded by:</td>
<td>Mr. McHenry</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>
</tr>
</tbody>
</table>

Mr. Petrenka left the meeting which he had attended by conference call. Ms. Stein left the meeting to attend the meeting shortly thereafter by conference call.

32. 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 $8 million per co-investment) with Littlejohn Fund IV, L.P., managed by Littlejohn & Co., LLC *(Estimated time: 20 minutes; 2:50 – 3:10 p.m.)*
Mr. Parham summarized very briefly the possible co-investment with Littlejohn Fund IV. Staff is recommending approval of this investment as did Mr. Jay Rose.

**MOTION: 8-31-11**  At 3:42 p.m.

**Motion:** To approve investment of up to $30 million in co-investments (with a cap of $8 million per co-investment) with Littlejohn Fund IV, L.P., managed by Littlejohn & Co., LLC.

**Moved by:** Mr. Ferguson  
**Seconded by:** Mr. McHenry  
**Discussion:** None  
**In Favor:** Unanimous – Mr. Petrenka and Ms. Stein excused. In favor, Mr. Ferguson, Mr. Kingry, Mr. McHenry and Mr. Tobin.

**Motion:** Passes

33. Presentation by Investment Department Staff, NEPC, LLC and Neuberger Berman LLC. representatives and discussion and possible Action regarding a possible investment of up to $140 million in a separate account invested in the Small Cap Intrinsic Value Strategy (Estimated time: 20 minutes; 2:10 – 2:30 p.m.)

Mr. Parham stated this is an opportunity to take our current exposure in small cap U.S. equities, which is indexed and not alpha seeking, into an active strategy that is alpha seeking and an enhancement to our current exposures.

Mr. Anton Orlich added this is moving from passive to active equity management. Mr. Allan Martin discussed the selection process that occurred within NEPC and independently the PSPRS Staff reviewed possible active managers. NEPC and PSPRS were in accord with their review of Neuberger Berman for a possible investment in the Small Cap Intrinsic Value Strategy for $140 million. Mr. Orlich stated the key positives are a long track record of outperformance, a rigorous bottom up process, a large stable team of seasoned professionals and Mr. Benjamin Nahum has headed this since inception 14 years ago.

Mr. Benjamin Nahum stated this strategy was founded in 1997 and now has six managers with $1.1 billion in the small cap strategy. Neuberger has informational advantage and understands the market behavioral aspects. They look at companies as if they want to own the whole thing, they look for the long term and look at companies in the light of what would it be worth to someone else. They look for intrinsic value companies and invest in cyclical companies and transaction oriented investments.
34. Presentation by Investment Department Staff and NEPC, Inc. representatives and discussion and Action regarding the redemption of assets from and the termination of BNY Mellon Beta Management, a subsidiary of BNY Mellon Bank (Mellon) as the Trust's Derivatives Overlay Manager and presentation and discussion and possible Action regarding retaining State Street to act as Derivatives Overlay Manager for up to $600 million notional value derivative overlay (Estimated time: 20 minutes; 2:30 – 2:50 p.m.)

Ms. Stein in attendance by teleconference.

Mr. Anderson stated public equity exposure tracking error exists in portable alpha. PSPRS had three alpha managers (now there are two alpha managers) and a beta manager futures overlay created by the combination of these two managers is supposed to generate the Russell 3000 plus some alpha excess return. The alpha managers have created some excess return; however, tracking error in the beta has hurt that because of underperformance. We cannot do a swap due to statutory requirements but could use a combination of the S&P plus 500, the midcap 400 and the Russell 2000 and then there is a question of weighting. Mellon beta is not working at this time and we are looking for a better way to do this. The most interesting solution to this was proposed by State Street which is able to eliminate tracking error and will earn a stable rate of return on the beta and then to rely on alpha managers to create out performance. The change would be effective at the close of a business day after completion of the documents.

35. Presentation by Investment Department Staff representatives and discussion and Action regarding the possible redemption of some assets from the Global Ascent LTD. fund managed by Blackrock Institutional Trust Company, N.A. (Estimated time: 10 minutes;
Mr. Steed presented the possible redemption for $200 million in Global Ascent LTD, which is a GTAA manager. The redemption is proposed due to the addition of DE Shaw Multi-Asset Fund (see item #29) in order to right size the GTAA portfolio. The amount of the redemption was discussed and it was decided it would be up to $60 million.

**MOTION: 8-34-11**  
At 4:29 p.m.
Motion: To approve the redemption of some assets from the Global Ascent LTD. fund managed by Blackrock Institutional Trust Company, N.A.
Moved by: Mr. Ferguson
Seconded by: Mr. McHenry
Discussion: To amend the motion so as to be up to $60 million and the amount will be reported by Mr. Parham at the next meeting.
In Favor: Unanimous
Motion: Passes

Mr. Mark Steed informed the members of the board this is a co-investment of the trust in Ladder Capital Finance Holdings. The return on equity is 16-17% and they are raising additional capital in relationship to our pro rata share in Ladder Capital Finance Holdings.

**MOTION: 8-35-11**  
At 4:32 p.m.
Motion: To approve an additional investment of up to $3.4 million through an opportunity to make a commitment in Series B Participating Preferred Units for a total allocation of up to $23.4 million in Ladder Capital Finance Holdings LLLP (formerly known as Ladder Capital Finance Holdings LLC). *(Estimated time: 10 minutes; 3:20 – 3:30 p.m.)*
Moved by: Mr. Kingry
Seconded by: Mr. McHenry
Discussion: None
In Favor: Unanimous – Mr. Petrenka excused
Motion: Passes

Due to the resignation of Mr. Maguire, Mr. Tobin said there is an opening on the Ad Hoc Committee for hiring of in-house legal counsel. Currently, the members are Ms. Stein and Mr. Tobin and the Board is looking for a volunteer committee member in order to complete the interview process. Mr. Tobin then appointed Mr. Kingry as a member of the Ad Hoc Committee.
38. Call to the Public:

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

No one wished to speak.

39. Set the next meeting date. (Currently scheduled for Wednesday and Thursday, September 21 and 22, 2011)

40. Adjournment

MOTION: 8-36-11 At 4:38 p.m.
Motion: To adjourn the meeting.
Moved by: Mr. Kingry
Seconded by: Mr. McHenry
Discussion: None
In Favor: Unanimous – Mr. Petrenka excused.
Motion: Passes

__________________________
Brian Tobin, Trustee, Chairman

Excused
Greg Ferguson, Trustee, Vice Chairman

__________________________
Randie Stein, Trustee

__________________________
Jeff Mc Henry, Trustee

__________________________
Richard Petrenka, Trustee

__________________________
Lauren Kingry, Trustee