

**PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM  
BOARD OF TRUSTEES INVESTMENT COMMITTEE MEETING**

**January 13, 2021**

**MINUTES**

Present: Chairman Mr. Harry Papp  
Trustee Mr. Jim Ameduri  
Trustee Mr. William Buividas  
Trustee Mr. Dean Scheinert

Others Present: Mr. Allan Martin, Partner, NEPC, LLC  
Mr. Bill Thatcher, Sr. Portfolio Manager  
Mr. Brian Dunham, Senior Accountant  
Mr. Don Stracke, Partner, NEPC, LLC  
Mr. Ian Aaker, StepStone Group  
Mr. James Ko, Sr. Portfolio Manager  
Mr. Jefferson Weston, Investment Analyst  
Mr. Kevin Chen, Investment Analyst  
Mr. Mark Steed, Chief Investment Officer  
Mr. Mike Smarik, Deputy Administrator  
Mr. Owen Zhao, Sr. Quantitative Investment & Risk Analyst  
Mr. Shan Chen, Lead Portfolio Manager  
Mr. Spencer Edge, Albourne Partners  
Mr. Tim Jackson, Compliance Officer  
Ms. Cheryl Cohen, Investments Executive Assistant  
Ms. Jennifer Carlino, Investment Counsel  
Ms. Katherine Boligitz, Investment Analyst  
Ms. Laura Long, Sr. Investment Analyst  
Ms. Rose Crutcher, Paralegal Investments  
Ms. Vaida Maleckaite, Investment Operations Director  
Ms. Vivian Padilla, Media & Publications Specialist

Attendees: Mr. Ed Schwartz, ORG Consultant

1. Call to Order, Roll Call, Opening Remarks.

*The meeting was called to order by Chairman Papp at 10:05*

*Mr. Harry A. Papp  
Investment Committee Chairman*

2. Call to the Public:

This is the time for the public to comment. Members of the Committee may not discuss items that are not specifically identified on the agenda. Therefore, pursuant to A.R.S. § 38-431.01 (H), action taken as a result of public comment will be limited to directing staff to study the matter, responding to any criticism, or scheduling the matter for a later date for further consideration and possible recommendations to the Board of Trustees.

*There was no response to the Call to the Public, due to COVID-19 physical presence of the public was not permitted.*

3. Review, discussion, and possible recommendation of the Board of Trustees Investment Disclosure Procedure, Annual Personal Investment Disclosure Form, and Governance Manual - 5.14 Code of Ethics update.

*Revised draft documents for the additional transparency of Trustee personal investing activities as they may relate to the PSPRS non-public investment portfolio, as directed by the Investment Committee. Annual procedure addresses potential conflicts between personal investments and business activity of the Board of Trustees and the PSPRS non-public investment portfolio. The Annual Personal Investment Disclosure Form is a one-page document that includes a section to disclose potential conflicts and an attestation that each Trustee understands the procedure and has made full disclosure. A current listing of PSPRS non-public investment assets will be supplied to each Trustee every year in order to cross-reference with personal investments. Chairman Papp asked the committee to review the documents, Mr. Jackson will make changes and bring back to the February meeting.*

*Mr. Tim Jackson  
Compliance Officer*

4. Written report and possible discussion regarding the Month-End and Fiscal Year-to-Date performance for the PSPRS Trust as of November 30, 2020; and written report regarding the asset allocation and performance of the Firefighters and Peace Officers Cancer Insurance Program.

*Chairman Papp reviewed the reports, discussion held revolved around the overall performance and how well PSPRS is doing given the current circumstances.*

*Ms. Vaida Maleckaite  
Director of Investment Services*

5. Presentation (quarterly) / Written (monthly) report by Investment Department Staff regarding Portfolio Risk as of November 30, 2020.

*While public markets performed well in November, the market volatility and risk also increased accordingly. The monthly volatility and VaR (95% confidence) forecasts of the U.S. Public Equity portfolio increased by 30 and 40 bps separately. In comparison, the Int'l Public Equity's forecasts were stable despite the noticeable rebound. Besides, the potential risk of the Core Bonds portfolio rose significantly. Currently, there is only one manager and some fixed income bonds in the portfolio. As a result, the total portfolio risk increased by approximately 30 bps. In regards to the risk breakdown, the U.S. Equity was the largest contributor (31%), followed by the Int'l Equity (22%) and PE Buyout & VC (20%). The Special Credit and Core Bonds also had higher contribution rates, but the Real Estate decreased noticeably. All the major asset class risk drivers were the same, except the Russell 2000 TR had a larger impact than the credit spread change on the Core Bonds portfolio. The stress testing results were slightly less favorable than the prior month, but the current portfolio still significantly outperformed the actual portfolio in every stress scenario. In addition to the PSPRS Trust being: Top decile on risk-terms since 2009. Top quartile in efficiency (Sharpe Ratio) terms since 2010.*

*Mr. Owen Zhao  
Sr. Quantitative Investment & Risk Analyst*

6. Written report and discussion regarding Global Financial Market Developments.

*Earnings and Earnings Growth: The outlook for earnings is improving; analysts expect a 22.2% increase and a return to pre-COVID levels. Earnings are expected to increase by 16% annually over the next three years. Discount Rate: On June 10th, the Federal Reserve voted to keep short-term rates near zero and indicated that rates will stay at this level through 2022. Expectations for a small rate hike over the next nine months have diminished as indicated by recent surveys. In isolation, a Fed rate hike poses a meaningful risk to equity price appreciation. S&P 500 valuation is about 18% higher than a year ago primarily because of the impact of a lower discount rate and implied equity risk premium.*

*Mr. James Ko  
Portfolio Manager  
Mr. Mark Steed  
Chief Investment Officer  
Mr. Allan Martin  
NEPC, LLC*

7. Written report on Executed Transactions During Prior Period.

*No discussion was held.*

*Mr. Mark Steed*

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

9. The Committee may discuss future dates for meetings and direct Staff to place matters on future agendas.

*Chairman Papp requested the next meeting be held the week before the February BOT meeting.*

*Chairman Harry A. Papp*

10. Adjournment. - 12:05 PM

*Chairman Harry A. Papp*

Moved by Trustee Mr. Jim Ameduri, seconded by Trustee Mr. Dean Scheinert

**Vote: 3 - 0 Passed**

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Mr. Harry Papp, Trustee, Chairman