

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

February 25, 2015

MINUTES

Present: Mr. Brian Tobin, Chairman, Trustee
Mr. Gregory Ferguson, Vice Chairman, Trustee
Mr. Jeff McHenry, Trustee – Excused at 5:00 p.m.
Ms. Randie Stein, Trustee
Mr. Richard Petrenka, Trustee
Mr. Lauren Kingry, Trustee
Mr. William Davis, Trustee

Others Present: Mr. Jared Smout, Deputy Administrator
Mr. Marty Anderson, Deputy Chief Investment Officer
Ms. Vaida Maleckaite, Investment Operations Analyst
Mr. Mark Lundin, Deputy Chief Investment Officer
Mr. Marc Lieberman, Fiduciary Counsel, Kutak Rock
Mr. Allan Martin, Partner, NEPC, LLC
Ms. Bridget Feeley, Internal Audit and Compliance Officer
Ms. Jennifer Eichholz, In-House Investment Counsel
Mr. Doug Cole, Public Policy Partners
Ms. Dianne McAllister, Public Policy Partners
Mr. Ian Aaker, StepStone Group LLC
Mr. John Kettlich, StepStone Group LLC
Mr. David Hutchings, Albourne America LLC
Mr. Jim Keeler, Program Director, Nationwide Retirement Solutions
Mr. Dale Chapman, Performance Audit Director
Ms. Dot Reinhard, Performance Audit Manager
Ms. Laura Long, Performance Auditor
Mr. Paul Bergelin, Performance Auditor, Arizona Office of the Auditor General
Mr. Ryan Lennie, CFA, AIF, Lead Analyst
Mr. Mark Melnychuk, AIF, Project Coordinator
Ms. Julie Wenzlick, Project Coordination, Gallagher Fiduciary Advisors

1. Call to Order; Roll Call; Opening remarks

*Mr. Brian P. Tobin
Chairman*

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

2. Call to the Public.

This is the time for the public to comment. Members of the Board of Trustees may not discuss items that are not specifically identified on the agenda, except to address criticism from the public. Therefore, pursuant to A.R.S. § 38-431.01(H), the Board of

Trustees' reaction to any public comment is limited to addressing criticism or recommending that the Board of Trustees or Staff respond or study such comment or schedule the subject matter for further consideration at a later date after appropriate notice.

There was no response to the Call to the Public.

3. Appropriate Action for approval of the items on the Consent Agenda (documentation concerning the matters on the consent agenda may be reviewed at the PSPRS office). Any matter on the Consent Agenda will be removed from the Consent Agenda and discussed as a regular agenda item upon the request of any member of the Board of Trustees.
 - a. Acceptance of Elected Officials' Retirement Plan of termination of normal retirement benefit of Daniel J. Barker.
 - b. Acceptance of Elected Officials' Retirement Plan of survivor benefit of Frances Barker.
 - c. Acceptance of Elected Officials' Retirement Plan of survivor benefit of Cuma Broomfield.
 - d. Acceptance of Elected Officials' Retirement Plan of normal retirement benefit of Brenda Burns.
 - e. Acceptance of Elected Officials' Retirement Plan of normal retirement benefit of Albert A. Melvin.
 - f. Acceptance of Elected Officials' Retirement Plan of termination of survivor benefit of Aleene Rogers.
 - g. Acceptance of Elected Officials' Retirement Plan of early retirement benefit of Leah Landrum Taylor.
 - h. Acceptance of Elected Officials' Retirement Plan of survivor benefit of Frances Wilcox.
 - i. Acceptance of Elected Officials' Retirement Plan of termination of normal retirement benefit of Robert C. Wilcox.
 - j. Acceptance of Elected Officials' Retirement Plan of normal retirement benefit of Rita J. Cohn.
 - k. Acceptance of Elected Officials' Retirement Plan of termination of deferred retirement benefit of David Smith.
 - l. Acceptance of Elected Officials' Retirement Plan of survivor benefit of Rita J. Smith.
 - m. Acceptance of Elected Officials' Retirement Plan of normal retirement benefit of Mary H. Soltero.
 - n. Acceptance of Transfer Between State Retirement Systems of Ariel Bonell.
 - o. Acceptance of Transfer Between State Retirement Systems of Paul Matson.
 - p. Acceptance of Transfer Between State Retirement Systems of Jeffery Schuh.
 - q. Acceptance of Transfer Between State Retirement Systems of Heather Howell-Maldonado.
 - r. Acceptance of Transfer Between State Retirement Systems of Sarah Corueil.
 - s. Acceptance of Transfer Between State Retirement Systems of Wes Patterson.
 - t. Acceptance of Transfer Between State Retirement Systems of Dick Richards.
 - u. Acceptance of Transfer Between State Retirement Systems of Joshua Cameron.
 - v. Acceptance of Transfer Between State Retirement Systems of John Zanoliti.

- w. Acceptance of Transfer Between State Retirement Systems of Saraly Silva.
- x. Acceptance of Transfer Between State Retirement Systems of Nazih Hazime.
- y. Acceptance of Transfer Between State Retirement Systems of Paul Beitler.
- z. Acceptance of Transfer Between State Retirement Systems of Jose Bravo.
- aa. Acceptance of Transfer Between State Retirement Systems of Garrett Schoenborn.
- bb. Acceptance of Transfer Between State Retirement Systems of John Applegate.
- cc. Acceptance of Transfer Between State Retirement Systems of Danny Grant.
- dd. Acceptance of Transfer Between State Retirement Systems of Brett Smith.

MOTION: 1 – 2/25/15	At 1:04 p.m.
Motion:	Move to approve the Consent Agenda as presented.
Moved by:	Mr. Ferguson
Seconded by:	Mr. Petrenka
Discussion:	None
In Favor:	Unanimous
Motion:	Passes

4. Appropriate Action regarding the Minutes of the January 21, 2015 Meeting of the PSPRS Board of Trustees.

Mr. Brian P. Tobin

MOTION: 2 – 2/25/15	At 1:05 p.m.
Motion:	Move to approve the Minutes of the January 21, 2015 Meeting of the PSPRS Board of Trustees.
Moved by:	Mr. Ferguson
Seconded by:	Mr. Kingry
Discussion:	None
In Favor:	Unanimous
Motion:	Passes

Report by Mr. Lauren Kingry, Chairman of the Investment Committee, regarding agenda items 5 through 12, which were discussed at the Investment Committee meeting held today, February 25, 2015, on or after 10:00 a.m., and possible Action on the Committee's recommendations to the Board regarding same.

5. Discussion of monthly review of Management Fees.

*Ms. Bridget Feeley
Internal Audit and Compliance Officer.*

Investment Committee Chairman Kingry stated a report regarding monthly review of Management Fees was given to the Investment Committee this morning.

6. Report by Investment Department Staff and discussion regarding (i) the Month-End and Fiscal Year-to-Date performance for the PSPRS Trust as of December 31, 2014; and (ii) written report regarding the asset allocation and performance of the Firefighters and Peace Officers Cancer Insurance Program.

Ms. Vaida Maleckaite
Sr. Investment Operations Analyst

There is \$8.1 billion of market value in the PSPRS Fund as of December 31, 2014, which is an increase of \$350 million over last year. For the Month-End as of December 31, 2014, the return was a negative 18 basis points as compared to the benchmark which was a negative 56 basis points. The major contributors to the Fund's return were Private Equity and Credit Opportunities. For the three months ending December 31, 2014, Credit Opportunities, Fixed Income, and Risk Parity had strong returns. Regarding the Fiscal Year-to-Date, the Fund was up 64 basis points as compared to the benchmark which was up 24 basis points. For the Calendar Year-to-Date the Fund outperformed the benchmark by 100 basis points. We are still awaiting some fourth quarter reports.

7. Report by Investment Department Staff regarding Portfolio Risk as of February 13, 2015.

Mr. Mark Lundin
Deputy Chief Investment Officer - Risk

The portfolio was essentially flat from the prior month with a slight negative performance due to the U. S. dollar strength. Compared to our peers we are in the top one third in performance. Consumer surveys remain strong and U. S. employment accelerated meaningfully in recent months. There are no signs of changes to the Trust's sub portfolios regarding volatility as compared to last month. There are no changes in risk assessment. Volatility has slowly been shifting downwards for the last three years. There has been a moderate rise in value-at-risk from the International Equity, Absolute Return and Real Assets Portfolios. There is no change in stress testing from last month. Considerable discussion was had regarding Greece's economy and affect on funds. Mr. Lundin said that Greece has a negligible effect on the global markets and that Greece absorbs more money from the EU than it contributes. The EU Bank is holding Greece debt now. Greece has a small economy. We are more concerned about Spain at this point in time.

8. Presentation and discussion by Investment Department Staff and Specialty Consultants regarding the annual Overview and Strategic Plan for the Private Equity Portfolio.

Mr. Shan Chen
Lead Portfolio Manager
Mr. Ian Aaker
Mr. John Kettlich
StepStone Group LLC
Mr. David Hutchings
Albourne America LLC

Regarding performance for the Private Equity Portfolio as of December 31, 2014, \$1.772 million was committed to 62 funds with 37 managers. In 2013, there was \$1.543 million

committed with a cash flow of (-\$65 million) and in 2014, \$1.772 million was committed with a cash flow of \$47 million. Discussion was held about diversification over vintage years, sector exposure, geographic exposure, and pacing and performances for 2012, 2013, and 2014. Future goals were also reviewed.

Mr. Aaker of StepStone added that the private equity market has picked up. The key focus is manager selection. Small and medium market buyouts were discussed and a review of the portfolio was held. Mr. John Kettlich of StepStone discussed the benefits of secondary markets due to less volatility, outperformances, and attractive terms. An overview was held regarding seller types, number of sellers and transaction values. A review was conducted of the PSPRS secondary exposures by fund strategy, vintage years, geography and performance.

Mr. David Hutchings of Albourne America led a study of private equity performance versus public markets and added that manager selection is very important to performance as are investment due diligence and back office work to make sure calculations and practices are correct, to see that staffing is sufficient and that accounting practices are correct and audited.

9. Report from NEPC regarding the investment performance of the Arizona PSPRS Trust for the last calendar Quarter ending December 31, 2014.

*Mr. Allan Martin, Partner
NEPC, LLC*

Performance for the three and five year periods exceeded the assumed earnings rate of 7.85%. For the fiscal year-to-date performance was good, but it was not enough to exceed the assumed earnings rate. The twelve month return was 6.4% which puts it at the top of its peer group with low volatility and the risk adjusted return puts the Fund in the top 16% of the peer group. For the last four years PSPRS has been in the top 4% of the peer group.

Over the past twelve months the Fund has reached over \$8 billion with an increase of approximately \$350 million from a year ago. The portfolio is well positioned, asset allocations are within policy ranges and regarding risk/return, PSPRS has substantially less volatility than most of the peer group of 67 public funds. For the one year period the return was above the peer group; but for the three year period, it was below the peer group for return. Asset allocation and manager selection added value to the portfolio. Under performance occurred in domestic equities and international equities; but credit opportunities, fixed income and private equity have performed well. Chairman Kingry stated that this morning the Investment Committee spent some time reviewing this report.

10. Upon the request of any member of the Committee, presentation by staff and possible discussion with the members of the Committee about the following manager selection matters:
 - a. Manager Selection Report by Investment Department Staff and possible discussion regarding an additional investment of up to \$20 million direct investment, for a total investment of up to \$50 million direct investment with

Alcion Capital III, L.P., or its affiliates, in the Alcion Partners Fund Real Estate Fund III, L.P., Fund, subject to final Staff and legal due diligence.

*Mr. Marty Anderson
Deputy Chief Investment Officer*

- b. Manager Selection Report by Investment Department Staff and possible discussion regarding a potential investment of up to \$30 million direct investment and an allocation of up to \$20 million for co-investment with Baring Private Equity Asia Group Limited, or its affiliates, in the BPE Asia Real Estate Fund, LP., subject to final Staff and legal due diligence.

*Mr. Marty Anderson
Deputy Chief Investment Officer*

- c. Manager Selection Report by Investment Department Staff and possible discussion regarding a potential investment of up to \$40 million direct investment and an allocation of up to \$20 million for co-investment with Vivo Ventures LLC, or its affiliates, in Vivo Capital Fund VIII, L.P., subject to final Staff and legal due diligence.

*Mr. Shan Chen
Lead Portfolio Manager-Private Equity*

Chairman Kingry informed the Board that the Investment Committee spent time reviewing this agenda topic with Mr. Marty Anderson and there were no events of concern regarding this topic.

11. Upon the request of any member of the Committee, presentation by Staff and possible discussion with the members of the Committee regarding the full redemption of Global Ascent, Ltd., under the Hedge Fund Redemption Policy.

*Mr. Mark Lundin
Deputy Chief Investment Officer-GTAA
Mr. Martin Anderson
Deputy Chief Investment Officer*

Pursuant to Investment Policy Statements and the Hedge Fund Redemption Policy, staff recommended, due to sideways performance and underperformance of expectations, a letter be sent to Global Ascent, Ltd. regarding full redemption. This has been sent.

12. Closed Transaction Report for the period January 26, 2015, through February 13, 2015
*Jennifer Eichholz, Esq.
In-House Investment Counsel*

- a. Alcion Real Estate Partners Fund III, LP; Date Closed: January 30, 2015
b. Brightwood Capital Fund III; Date Closed: February 3, 2015
c. GMO Benchmark Free Allocation Fund; Date Closed: February 2, 2015

The Investment Committee heard some brief comments during their meeting.

13. Report by the System's Internal Audit and Compliance Officer and discussion regarding investment compliance, holdings and transactions as of December 31, 2014.

*Ms. Bridget Feeley
Internal Audit and Compliance Officer*

The portfolio is in compliance in all aspects.

14. Update and discussion by Nationwide Retirement Solutions regarding the 4th quarter (2014) PSPRS Supplemental 401(a) and EODCRS Plans.

*Mr. Jim Keeler
Program Director
Nationwide Retirement Solutions*

For the fourth quarter the assets for the PSPRS Supplemental 401(a) Plan were \$11,774.943. Regarding EODCRS the assets totaled \$31,965 for five participants. At this time there are 54 participants in EODCRS.

Presentation by Mr. Gregory Ferguson, Chairman of the Operations, Governance Policy and Audit Committee, regarding agenda items 15 through 22, and items 24 through 26, which were discussed at the Operations, Governance Policy and Audit Committee meeting held today, February 25, 2015, on or after 11:00 a.m., and possible Action on the Committee's recommendations to the Board regarding same.

15. Presentation of the Month-to-Date Budget Report for FY 2015 and possible Action on same.

*Mr. John Hendricks
Manager of Finance and Accounting*

This month we are projected to be 10.07% over budget at the end of this fiscal year whereas last month it was projected to be 10.22% over budget at the end of the fiscal year.

16. Update on the progress of the Local Board Training Program and discussion and possible Action regarding the same.

*Mr. Robert Ortega
Local Board Training Coordinator and Human Resources Manager
Mr. Don Mineer
Local Board Training Specialist*

Presentations are being given to the League of Cities regarding ways to reduce contribution rates. Other presentations will be given throughout the state.

17. Presentation of the "Requests for Local Board Rehearing" Report for the current month.

*Mr. Jared A. Smout
Deputy Administrator*

In the materials given to the Board, there are two rehearing requests with a new request sent to the Mesa Police Department, which as of today has been resolved.

18. Review and discussion regarding law firms' billings for legal services performed in January, 2015.

Mr. Jared A. Smout

In-house investment counsel reviews all bills. The Operations, Governance Policy and Audit Committee approved payment of billings for legal services performed in January, 2015 for the amount of \$119,676.61.

19. Report and possible Action on FY 2015 Compliance and Internal Audit Plan.

Ms. Bridget Feeley

Regarding compliance, a review of payroll is being conducted with nothing of concern at the present. The Compliance and Internal Audit Plan is to continue to review service purchase worksheets with the assistance of GRS to update the spreadsheets due to some change in factors. Ms. Feeley is waiting for additional information, and a report from GRS will be presented in March. There has been an issue with computers in the Investment Department due to spam. The spam filter is being worked on by IT and the Investment Department. Currently, interviews of staff members are being conducted regarding risk assessment.

20. Discussion and Action regarding an amendment to the PSPRS FY 2015 Budget to provide funding for a reallocation of existing and open Lead Portfolio Manager position to an Analyst Position.

Mr. Jared A. Smout

ADOA has approved the position and current projections show that due to personnel savings from other vacant positions, an increase in the budget is not necessary.

MOTION: 4 – 2/25/15	At 5:30 p.m.
Motion:	To recommend the Board of Trustees move forward with the position change, personnel budget savings will pay for it for the rest of the fiscal year.
Moved by:	Mr. Ferguson
Seconded by:	As recommended by the Operations, Governance Policy and Audit Committee
Discussion:	Mr. Ferguson votes “no” because he does not believe in increasing personnel in the middle of the fiscal year.
In Favor:	6 ayes; 1 nay
Motion:	Passes

21. Discussion and possible Action on the need for an in-house actuary.

Mr. Jared A. Smout

Due to discussions with employers and Trustees, an exploration of the need for an in-house actuary is being conducted. We have 250 pension plans that make up PSPRS and some are requesting help with understanding actuarial reports. Some plans can afford actuarial help and others cannot. We need to survey our plans regarding what help is needed on a day-to-day basis. We are looking for discussion and guidance as we explore this topic. Mr. Kingry inquired if we have considered using a staff member

and then bill the hours to the individual plan in order to seek reimbursement. Other questions were asked about the limitations of an in-house actuary, possible contracting directly with our outside actuary, what responsibility is there to help the plans with this, and credibility. Further exploration is needed, and Mr. Davis wants the cost to be researched.

22. Discussion and possible Action regarding changes to the Fire Fighter, Peace Officer and Corrections Officers Cancer Insurance Policy Program, including keeping the premium at \$50 for fiscal 2015-16.

*Mr. Jared A. Smout
Ms. Bonnie Brown
Retired Members Manager*

MOTION: 5 – 2/25/15	At 5:45 p.m.
Motion:	To recommend the Board of Trustees adopt the revised plan and to keep the premium at \$50.
Moved by:	Mr. Ferguson
Seconded by:	As recommended by the Operations, Governance Policy and Audit Committee.
Discussion:	None
In Favor:	Unanimous
Motion:	Passes

23. Report by external auditor, Heinfeld, Meech & Co., P.C., regarding independent audit of PSPRS, EORP, CORP, and the Fire Fighter and Peace Officer Cancer Insurance Policy program for fiscal year 2013-2014.

*Mr. Christopher Heinfeld
Senior Associate
Heinfeld, Meech & Co., P.C*

Audit procedures were described for the 600 staff hours spent over five weeks onsite to review contributions, benefits, investments, member data, IT and service organization. This resulted in financial statements, implementation of GASB Statement No. 67, breakout of Health Insurance Subsidy, review of investment management fees. Considerations for fiscal year 2016 were described.

The Board requested review of the next Heinfeld, Meech & Co. engagement letter.

24. Discussion and possible Action on acceptance of the June 30, 2014 CAFRs for PSPRS, EORP, and CORP.

Mr. Jared A. Smout

This year one letter per plan will be sent. Operations, Governance Policy and Audit Committee members reviewed drafts of the letters and the board members have made suggestions which have been incorporated. After a final review of the included changes the letters are to be sent.

25. Update, discussion and possible Action on the process/actions taken to comply with the Memorandum of Understanding with the ADOA.

Mr. Gregory Ferguson

This will be continued next month.

26. Review, discussion and possible Action on potential legislative proposals for the 2015 legislative session including items for a possible administrative amendments bill.

Mr. Jared A. Smout

The three PSPRS bills are on track and have left the Senate and been transferred to the House. SB1054, the CORP bill and SB 1055, the EORP bill are with the House Government Committee and SB1057 the PSPRS bill needs to be assigned to a committee. There are amendments for the IRS issues.

HB2351, the Fire Chief bill is being worked on for a suitable solution. A pension reform task force has been started. Discussion regarding EORPs employer contribution rate increase is being discussed as is the recommendation to shift all of our budget accounts to the Arizona accounting office. Mr. Cole of Public Policy Partners stated this is being discussed and the accounting office has been told there are concerns. Mr. Ferguson stated this is a big problem. Mr. Cole added this is difficult with the transition to a new governor and troubling to a lot of systems throughout the state.

27. Discussion and possible Action on IRS Private Letter Ruling request in regards to payroll deduction agreements.

Chuck Whetstine, Esq.

This was discussed in Executive Session.

28. Discussion and possible Action regarding the use of legal counsel and their scope of work.

*Mr. Jared A. Smout
Ivy N. Voss, Esq.
Assistant Attorney General
Jennifer Eichholz, Esq.*

Deferred until the March meeting.

29. Discussion and possible Action regarding the interpretation of total return as used in ARS § 38-856.

Mr. Jared A. Smout

This was discussed in Executive Session.

30. Report by the Auditor General on the progress of their Sunset Review/Performance Audit.

*Mr. Dale Chapman, Performance Audit Director
Ms. Dot Reinhard, Performance Audit Manager
Ms. Laura Long, Performance Auditor
Mr. Frankie Cruz, Performance Auditor
Mr. Paul Bergelin, Performance Auditor
Arizona Office of the Auditor General*

*Mr. Ryan Lennie, CFA, AIF, Lead Analyst
Mr. Mark Melnychuk, AIF, Project Coordinator
Ms. Julie Wenzlick, Project Coordination
Gallagher Fiduciary Advisors*

This was discussed in Executive Session.

31. Update, discussion and possible Action on the hiring process to select the next System Administrator.

Mr. Brian P. Tobin

This was discussed in Executive Session and all actions were taken in consultation with ADOA.

32. Discussion and appropriate Action regarding Board of Trustee member requests to participate in training, educational and due diligence opportunities, specifically, the Institutional Investor Forums', "Redefining Fixed Income" event scheduled for July 13-14, 2015 in New York City.

Mr. Brian P. Tobin

MOTION: 6 – 2/25/15	At 6:35 p.m.
Motion:	To authorize board members to attend the Institutional Investor Forums' "Redefining Fixed Income" event July 13 - 14, 2015 in New York City.
Moved by:	Mr. Ferguson
Seconded by:	Ms. Stein
Discussion:	None
In Favor:	Unanimous
Motion:	Passes

33. Discussion and consultation with legal counsel and Staff and possible Action regarding IRS determination letter requests, proposed legislation, investment matters, ongoing, contemplated or threatened legal action involving the Trust and Plans, including vendor disputes, public record requests, personnel matters and actual or potential litigation and claims based on contract, tort or statute, including matters involving, judges Thompson and Hall, retired judges Fields and Lankford, retired police officers Rappleyea and Everson, active police officers Parker, Griego, Manganiello and Robles, Cross, the Pivotal Group, the Seldins, Bank of America and Stroh Ranch Development and Timbervest. The Board may vote to discuss these matters in Executive Session pursuant to A.R.S. §§ 38-431.03(A)(1), (2), (3), (4) and (7) as set forth in item 34.

34. 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, including:
- a. Status report from Steptoe & Johnson LLP regarding the four (4) lawsuits challenging provisions of Senate Bill 1609, which lawsuits involve judges Thompson and Hall, retired judges Fields and Lankford, retired police officers Rappleyea and Everson, and police officers Parker, Griego, Manganiello and Robles, as authorized by A.R.S. § 38-431.03(A)(4).
 - b. Discussion with legal counsel (and possible recommendation to the Board of Trustees) regarding tax related matters concerning the Plans and about legal developments, claims and issues (including settlement discussions) involving investment-related public record requests as well as the Trust and Plans' contracts and investments, including legal matters concerning the Trust's custodians, lenders, securities lending agents, investment contracts, vendors, advisors, investment managers or joint venturers (as well as any investments managed by the Trust's investment managers or joint venturers), as authorized by A.R.S. §§ 38-431.03(A) (2), (3), (4) & (7). Matters discussed may include claims or potential claims by, against or involving (or issues concerning) Stroh Ranch Development, Timbervest, The Pivotal Group, Bank of America, and/or Millard and Scott Seldin. Discussion may also include the Trust's negotiations regarding disposition of its joint venture real estate portfolios, as authorized by A.R.S. § 38-431.03(A)(7).
 - c. Discussion and consultation with legal counsel and Staff regarding ongoing or threatened legal action involving the Plans or Trust not otherwise referenced above, including internal investigations, public record requests, and actual or potential litigation and claims based on contract, tort or statute, pursuant to A.R.S. §§ 38-431.03(A) (2), (3) and (4).
 - d. Discussion and consultation with legal counsel for the purpose of receiving legal advice regarding potential PSPRS legislative proposals for the 2015 legislative session including items for a possible administrative amendments bill, as authorized by A.R.S. § 38-431.03(A)(3).
 - e. Discussion and consultation with legal counsel for the purpose of receiving legal advice regarding the use of legal counsel, as authorized by A.R.S. § 38-431.03(A)(3).
 - f. Discussion with legal counsel regarding the interpretation of total return as used in ARS § 38-856, as authorized by A.R.S. § 38-431.03(A) (3).
 - g. Discussion and consultation with legal counsel for the purpose of receiving legal advice regarding the report by the Auditor General on the progress of their Sunset Review/Performance Audit, as authorized by A.R.S. § 38-431.03 (A) (3).

- h. Discussion and consultation with legal counsel for the purpose of receiving legal advice regarding the hiring process to select the next System Administrator, as authorized by A.R.S § 38-431.03(A)(3).
- i. Discussion with legal counsel (and possible recommendation to the Board of Trustees) regarding IRS determination letter requests and legal developments, claims and issues (including settlement discussions) involving investment-related public record requests as well as the Trust and Plans' contracts and investments, including legal matters concerning the Trust's custodians, lenders, securities lending agents, investment contracts, vendors, advisors, investment managers or joint venturers (as well as any investments managed by the Trust's investment managers or joint venturers), as authorized by A.R.S. §§ 38-431.03(A) (2), (3), (4) & (7). Matters discussed may include claims or potential claims by, against or involving (or issues concerning) Stroh Ranch Development, Timbervest, the Pivotal Group, Desert Troon Companies, Judicial Watch, Crain Publications (Pensions and Investments Magazine), the Arizona Republic, and/or Millard and Scott Seldin. Discussion may also include the Trust's negotiations regarding disposition of its joint venture real estate portfolios, as authorized by A.R.S. § 38-431.03(A)(7).
- j. Discussion and consultation with legal counsel and Staff regarding internal investigations (including those arising from UNITE HERE!'s allegations concerning ORG Portfolio Management), public record requests, and ongoing or threatened legal action involving the Plans or Trust not otherwise referenced above, including claims involving employee bonuses and plan valuations, Anton Orlich, Ken Fields, Jennifer Wright, Mark Selfridge, Paul Corens, Stacy Alcott, and Michele Weigand, as well as claims raised by the survivors of deceased fire fighters John Percin, Jr., Sean Misner, and Garret Zuppiger, all as authorized by A.R.S. §§ 38-431.03(A) (2), (3) and (4).

MOTION: 3 – 2/25/15	At 2:25 p.m.
Motion:	To recess Open Session and enter Executive Session regarding items 34 a and 34 g.
Moved by:	Mr. McHenry
Seconded by:	Mr. Ferguson
Discussion:	None
In Favor:	Unanimous
Motion:	Passes

- 35. Set the next meeting date. (*Currently scheduled for Wednesday, March 25, 2015.*)

Discussion was held regarding scheduling of the Annual Meeting at another time instead of in September. Mr. Anderson said that the asset allocation is in April and May; and Mr. Smout said that CAFR is ready in September, and that is why the annual meeting is held then. Mr. Anderson would like to make the Investment Committee meetings more efficient and not have staff pulled from their other work in order to work on repetitive reports each month. This will be reviewed and we will look at changing/revising the meeting formats for better efficiency.

The next meeting is scheduled for Wednesday, March 25, 2015.

The meeting was adjourned at 6 p.m.

Brian P. Tobin, Chairman

Gregory Ferguson, Trustee,
Vice Chairman

Randie A. Stein, Trustee

Jeff Allen McHenry, Trustee

Richard J. Petrenka, Trustee

Lauren Kingry, Trustee

William C. Davis, Trustee

36. Adjournment.