

PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM BOARD OF TRUSTEES INVESTMENT COMMITTEE MEETING

March 25, 2022

MINUTES

Present: Mr. Harry Papp, Chairman
Mr. Alan Maguire, Trustee - Remote (joined 11:09)
Mr. Dean Scheinert, Trustee - Remote (left 10:19)
Ms. Randi Stein, Trustee - Remote

Others Present: Mr. Allan Martin, Partner, NEPC, LLC - remote
Mr. Bill Thatcher, Sr. Portfolio Manager - remote
Mr. Brandon Turner, Investment Analyst - remote
Mr. Bret Parke, Assistant Administrator/General Counsel - remote
Mr. Ian Aaker, StepStone Group - remote
Mr. James Ko, Deputy Chief Investment Officer - remote
Mr. Jefferson Weston, Portfolio Manager - remote
Mr. Kevin Chen, Investment Analyst - remote
Mr. Mark Steed, Chief Investment Officer - remote
Mr. Mike Smarik, Deputy Administrator - remote
Mr. Mike Townsend, Administrator - remote
Mr. Owen Zhao, Sr. Quantitative Investment & Risk Analyst - remote
Mr. Shan Chen, Lead Portfolio Manager - remote
Mr. Spencer Edge, Albourne Partners - remote
Mr. Tim Jackson, Investment Accountant - remote
Ms. Cheryl Cohen, Investment Executive Assistant - remote
Ms. Jennifer Carlino, Investment Counsel - remote
Ms. Katherine Boligitz, Investment Analyst - remote
Ms. Laura Long, Sr. Investment Analyst - remote
Ms. Vaida Maleckaite, Investment Operations Director - remote
Mr. Ed Bozaan, Sr. Portfolio Manager - remote
Ms. Ariel Goldblatt, StepStone Group - remote
Mr. Kurtis Chandler, Records Manager - remote
Mr. John Moorman, Chief Financial Officer - remote
Ms. Cathleen Davis, Chief Internal Auditor - remote
Mr. Robert Parkes, Director Human Resources - remote
Mr. Clark Partridge, Sr. Executive Consultant - remote
Ms. Jane Anderson, Communications Assistant - remote
Mr. Christian Palmer, Communications Director - remote
Mr. Michael Ajamie, Chief Technology Officer - remote
Ms. Angela Egelhoff, Chief Compliance Officer

Attendees: Mr. Chris Hemmen, Trustee Auditor - Remote

1. **Call to Order; Pledge of Allegiance; Roll Call; Opening Remarks.**

The meeting was called to order by Chairman Papp at 9:31 A.M. The Pledge of Allegiance was recited and roll was called.

*Mr. Harry A. Papp
Investment Committee Chairman*

2. **Review, discussion and possible Action to approve Investment Committee Minutes from February 16, 2022.**

Chairman Harry A. Papp

Moved by: Trustee - Remote Ms. Randi Stein

Second by: Trustee - Remote (left 10:19) Mr. Dean Scheinert

Vote: 3 - 0 Passed

Other: Trustee - Remote (joined 11:09) Mr. Alan Maguire (ABSENT)

3. **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 Public, due to Covid-19 physical presence was not permitted.

4. **Review and possible discussion regarding each of the following staff reports for the prior period.**

*Mr. Mark Steed
Chief Investment Officer*

- a. **Written report:** Month-End and Fiscal Year-to-Date performance for the PSPRS Trust as of January 31, 2022.

Mr. Steed detailed the report and Chairman Papp noted the Trust performance looks very good, the portfolio is doing as expected.

- b. **Written report:** Firefighters and Peace Officers Cancer Insurance Program.

Chairman Papp reviewed the report and noted nothing remarkable or un expected, Mr. Allan Martin commented on the allocations and noted inflation assets have done well.

c. **Written report:** Global Financial Market Developments.

Mr. Steed reviewed the report, earnings are expected to increase by 10.1% annually over the next three years. Economic re-openings and elevated household savings present a favorable backdrop for earnings growth. Nevertheless, the war in Ukraine, supply chain disruptions, growing inflationary pressures, and less monetary stimulus could temporarily curb the profit-growth outlook. The expectation is for the federal funds rates to increase multiple times this year. In isolation, a Fed rate hike poses a meaningful risk to equity price appreciation.

d. **Written report:** Portfolio Risk as of January 31, 2022.

The market risk and volatility have been increasing significantly since the beginning of this year due to inflation and geopolitical pressures. The broader market, measured by Russell 3000, lost 6% in January. At the same time, the Trust was down 2% but up 3.6% FYTD. The Global Private Equity composite was the main driver, which contributed 2.8% to the total return.

e. **Written report:** Executed Transactions during the prior period.

Report presented with no further discussion held.

5. **Presentation and discussion regarding next fiscal year's budget.**

Mr. Steed reviewed the proposed budget for FY 23' and noted significant increase in software budget is due to reallocation of monies from the special projects / administrative budget to Investment Management for the Investment Book of Record. Increase in professional services to reflect three new subscription licenses for investment research.

Mr. Mark Steed

6. **Staff update on the Investment Book of Record project.**

Mr. Steed updated the committee on the document management system and quantitative management system. The projects are moving along well and on budget, and will update the committee at future meetings.

Mr. Mark Steed

7. **Staff update on current and future RFPs.**

Mr. Steed reported the project for specialty consultants is moving along and is pleased with the five firms processed so far. Mr. Bret Parke commented on the performance of the investment team and how well things have gone. Mr. Steed expects to update the committee at the May IC meeting.

Mr. Mark Steed

8. **Presentation and discussion regarding capital market assumptions and asset allocation for the PSPRS Trust.**

Presentation was provided by Mr. Aaker and Ms. Goldblatt, observations made; direct lending exhibited robust performance in both the GFC and COVID environment. In both periods, private debt experienced significantly lower draw downs relative to the traded public markets. Even in periods of stress, private debt provided relatively smooth returns without creating excessive volatility. Public markets are relatively expensive due to unprecedented monetary and fiscal stimulus activity. On a

relative value basis, private markets reached historical highs versus public markets

Mr. Ian Aaker
Ms. Ariel Goldblatt
StepStone Group
Mr. Mark Steed
Mr. Allan Martin, NEPC

9. **The Investment Committee 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.**

The committee did not go into Executive Session.

10. **The Committee may discuss future dates for meetings and direct Staff to place matters on future agendas. The next meeting is currently scheduled for April 22, 2022.**

Chairman Harry A. Papp

11. **Adjournment.**

Meeting adjourned at 11:20 A.M.

Chairman Harry A. Papp

Moved by: Trustee - Remote Ms. Randi Stein

Second by: Trustee - Remote (joined 11:09) Mr. Alan Maguire

Vote: 3 - 0 Passed

Other: Trustee - Remote (left 10:19) Mr. Dean Scheinert (ABSENT)

Mr. Harry Papp, Trustee, Chairman