

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

MARCH 28, 2018

MINUTES

Present: Mr. Donald Smith, Chairman, Trustee
Mr. William T. Buividas, Vice Chairman, Trustee
Mr. Dean M. Scheinert, Trustee – Attended telephonically after 10:52 A.M.
Mr. Harry A. Papp, Trustee

Others present: Mr. Jared A. Smout, Administrator
Mr. Ryan Parham, Chief Investment Officer - Excused
Mr. Mark Steed, Deputy Chief Investment Officer
Ms. Jennifer Carlino, Esq., Chief In-House Investment Counsel
Mr. Shan Chen, Lead Portfolio Manager
Mr. Jefferson Weston, Investment Analyst
Ms. Vaida Maleckaite, Director Investment Services
Mr. Owen Zhao, Portfolio Analyst - Risk
Mr. William Thatcher, Lead Portfolio Manager
Ms. Rose Crutcher, Investment Paralegal
Mr. Paul Hemmes, Information Technology
Mr. Kevin Chen, Investment Analyst
Mr. Tim Jackson, Compliance Officer
Mr. Christian Palmer, Communications Director - Excused
Mr. Don Mineer, Local Board Trainer
Ms. Ivy Voss, Esq.
Mr. Allan Martin, NEPC, LLC
Mr. Jay Rose, Stepstone
Mr. Lincoln Smith, Albourne
Mr. David Hutchings, Albourne

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

*Mr. Donald Smith
Investment Committee Chairman*

The meeting was called to order at 9:34 A.M.

2. Review, discussion and possible **Action** to approve Investment Committee Minutes from February 28, 2018.

Mr. Donald Smith

MOTION:1-03/28/18	At 9:35 A.M.
Motion:	To approve the Investment Committee Minutes from the meeting of February 28, 2018.
Moved by:	Mr. Scheinert
Seconded by:	Mr. Buividas
Discussion:	None
In Favor:	Unanimous
Motion:	Passes

3. Presentation and written report by Investment Department Staff regarding Portfolio Risk as of December 31, 2017, and written report as of January 31, 2018.

Mr. Owen Zhao
Portfolio Analyst – Risk

A presentation was provided regarding Portfolio Risk as of December 31, 2017. This report included information as to volatility, monthly value at risk forecast and risk by asset class. The Trust portfolio remains at a relatively low risk level.

4. Written report by Investment Department Staff and discussion regarding (i) the Month-End and Fiscal Year-to-Date performance for the PSPRS Trust as of January 31, 2018; and (ii) written report regarding the asset allocation and performance of the Firefighters and Peace Officers Cancer Insurance Program.

Ms. Vaida Maleckaite
Director of Investment Services

No discussion was held. An oral report is presented quarterly.

5. Discussion and possible **Recommendation** regarding Change of Benchmark for the Fixed Income Portfolio of Arizona PSPRS Trust.

Mr. Mark Steed, Deputy Chief Investment Officer and Chief of Staff
Mr. William Thatcher, Lead Portfolio Manager
Mr. Allan Martin, NEPC

Discussion was held by the Staff and NEPC regarding a recommendation to change the benchmark for the Fixed Income Portfolio.

MOTION:2-03/28/18	At 9:45 A.M.
Motion:	To recommend the Board of Trustees make the proposed modifications to the Fixed Income Portfolio Benchmark consisting of a blended 80% Bloomberg Barclays U.S. Aggregate Bond Index and 20% Bloomberg Barclays Global Aggregate ex U.S. Bond Index.
Moved by:	Mr. Scheinert
Seconded by:	Mr. Buividas
Discussion:	None
In Favor:	Unanimous
Motion:	Passes

6. Presentation by Investment Department Staff, discussion and possible **Recommendation** regarding adopting certain proposed revisions to Appendix I (Asset Allocation Policy) of the Amended and Restated Statement of Investment Policy.

*Mr. Mark Steed
Mr. William Thatcher
Mr. Allan Martin*

Discussion was held regarding adopting proposed revisions to Appendix I.

MOTION:3-03/28/18	At 9:47 A.M.
Motion:	To recommend the Board of Trustees make the proposed modifications to Appendix I of the Amended and Restated Statement of Investment Policy.
Moved by:	Mr. Scheinert
Seconded by:	Mr. Buividas
Discussion:	None
In Favor:	Unanimous
Motion:	Passes

7. Discussion and possible **Action** regarding adopting certain proposed revisions to Appendix IV (Requirements for the Fixed Income Portfolio) of the Amended and Restated Statement of Investment Policy.

*Mr. Mark Steed
Mr. William Thatcher
Mr. Allan Martin
Jennifer Carlino, Esq.
Chief In-House Investment Counsel*

Discussion was held regarding the Staff recommendations.

MOTION:4-03/28/18	At 9:49 A.M.
Motion:	To recommend the Board of Trustees make the proposed modifications to Appendix IV of the Amended and Restated Statement of Investment Policy.
Moved by:	Mr. Papp
Seconded by:	Mr. Scheinert
Discussion:	None
In Favor:	Unanimous
Motion:	Passes

8. Report, discussion and possible **Recommendation** regarding Securities Lending.

*Mr. Mark Steed
Ms. Vaida Maleckaite
Mr. Dean Scheinert
Mr. Don Smith*

A report and an update regarding our Securities Lending program was presented. The committee reviewed a report from BNY Mellon, discussed more robust trading, compliance procedures and more comprehensive reporting by BNY Mellon. Additional discussion occurred regarding leaving most of the current guidelines in place with additional consideration to be given to augmenting the reporting frequency to the Board and an effort to limit exposure as directed by the Trust. Staff will keep their eye on this program, the quality of collateral and contractual agreements. A suggestion was made to add language in the contract with BNY Mellon regarding risk control measures.

MOTION:5-03/28/18	At 10:16 A.M.
Motion:	To recommend the Board of Trustees continue the Securities Lending Program with BNY Mellon, impose a 30% limit on total lendable assets out on loan at one time and to obtain monthly reporting from BNY Mellon. Staff is to keep their eye on this program and review quality of collateral.
Moved by:	Mr. Scheinert
Seconded by:	Mr. Papp
Discussion:	None
In Favor:	Unanimous
Motion:	Passes

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

Mr. Shan Chen, Lead Portfolio Manager
Mr. William Thatcher, Lead Portfolio Manager
Mr. Mark Steed, Deputy CIO and Chief of Staff
Mr. Allan Martin, NEPC
Mr. Jay Rose, Stepstone
Mr. Lincoln Smith, Albourne
Mr. David Hutchings, Albourne

A presentation was provided regarding the annual Overview and Strategic Plan for the Private Equity Portfolio. The goal is to invest in private companies to seek a premium over public equity returns and to receive a premium for the illiquid nature of private equity. Investing in this asset class is typically for 10 years per transaction. The life cycle of the asset class was reviewed, performance measurements, geographic exposure, strategy, performance and pacing were discussed. For twelve months ending 9/30/17, performance was up 6.8% year-over-year. Discussion was held regarding the secondaries program results and why they are important in portfolio management. Review of Private Equity Portfolio will be discussed again during a later meeting.

9. Disclosure by Investment Department Staff of the following Manager Selection Matters:
 - A. Finalized and Executed Transactions during Prior Period:
 1. **Patria - Private Equity Fund IV Feeder, L.P.**; Committed amount of up to \$30 million; Date Closed: February 23, 2018. This investment is allocated to PSPRS Asset Class: Private Equity.

B. Investments Completely Liquidated During Prior Period:

1. **Castle Creek AZ TARP Special Situations Fund, L.P.** This investment was allocated to the PSPRS Asset Class: Private Credit.
2. **ESG Cross Border Equity Fund, L.P.** This investment was allocated to the PSPRS Asset Class: Equity.

No discussion was held.

10. Report regarding compliance with A.R.S. §§ 35-393, et seq.

*Jennifer Carlino, Esq.
Senior In-House Investment Counsel*

Compliance with A.R.S. §§ 35-393, et seq. and associated costs were discussed.

11. The Committee may discuss future dates for meetings and direct Staff to place matters on future agendas (currently scheduled for May 2, 2018.)

No discussion was held.

12. Call to the Public:

There was no response to the Call to the Public.

13. Adjournment

Meeting was adjourned at 12:00 Noon.

/s/ Donald Smith

Donald A. Smith, Committee Chairman