

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

May 20, 2020

MINUTES

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

Others Present: Mr. Allan Martin, Partner, NEPC, LLC
Mr. Bill Thatcher, Sr. Portfolio Manager
Mr. Don Stracke, Partner, NEPC, LLC
Mr. James Ko, Sr. Portfolio Manager
Mr. Jefferson Weston, Investment Analyst
Mr. Kevin Chen, Investment Accounting Analyst
Mr. Mark Steed, Chief Investment Officer
Mr. Mike Smarik, Deputy Administrator
Mr. Mike Townsend, Administrator
Mr. Owen Zhao, Investment Risk Analyst
Mr. Shan Chen, Lead Portfolio Manager
Mr. Tim Jackson, Compliance Officer
Ms. Cheryl Cohen, Investments Executive Assistant
Ms. Laura Long, Investment Analyst
Ms. Vaida Maleckaite, Investment Operations Director
Ms. Vivian Padilla, Media & Publications Specialist

1. **Call to Order, Roll Call, Pledge of Allegiance; Opening Remarks.**
10:10

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.

Mr. Harry Papp

3. **Written report by Compliance Officer regarding quarterly investment manager compliance as of March 31, 2020.**

*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 March 31, 2020 and written report regarding the asset allocation and performance of the Firefighters and Peace Officers Cancer Insurance Program.**

Trustee Papp reviewed the monthly performance report noting that the market is experiencing substantial volatility. Mr. Papp explained that the true impact of the market's first quarter draw-down won't be known until the quarterly valuations are received.

*Ms. Vaida Maleckaite
Director of Investment Services*

5. **Written report and possible discussion regarding portfolio risk for the period ending 3/31/2020.**

*Mr. Owen Zhao
Portfolio Analyst - Risk*

6. **Quarterly written report and possible discussion regarding the PSPRS Trust's securities lending program.**

Mr. Steed shared that staff has increased monitoring of the Trust's securities lending program and discussed internally whether to suspend the program amid market volatility. He said staff met with NEPC and representatives from BNY Mellon and decided not to make any changes. Mr. Steed reported the program is stable and they don't have any material concerns.

*Mr. Mark Steed
Chief Investment Officer*

7. **Written report and possible discussion regarding global financial market developments.**

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

8. **Written report and possible discussion regarding trends in institutional investment practices and policies.**

Mr. Mark Steed

9. **Written report on executed transactions.**

Mr. Mark Steed

10. **Presentation and discussion regarding the third fiscal quarter investment performance for the**

10. **Presentation and discussion regarding the third fiscal quarter investment performance for the PSPRS Trust.**

Mr. Allan Martin presented the Q1 performance report. The Trust compared favorably on both an absolute and relative basis against peers for the first quarter. Mr. Martin said the Trust's strong performance can be attributed to the portfolio's balanced construction and the fact that many of the Q1 valuations for the Trust's illiquid partnerships are not in. He expects those write-downs to impact performance for May and June.

*Mr. Mark Steed
Mr. Allan Martin*

11. **Presentation and discussion regarding asset allocation for the PSPRS Trust.**

Mr. Steed introduced the asset allocation process and summarized the committee's work over the last several meetings with the System's actuary to understand the System's cash flows and the link between portfolio volatility and contribution rates. Steed said that research laid the groundwork for the Trust's risk profile which Staff and NEPC used to determine potential changes to the Trust's asset allocation. Mr. Martin reviewed the asset allocation presentation, including alternative asset mixes more in line with the Trust's new risk appetite. Mr. Martin also discussed allowing 10% leverage at the fund level. Mr. Heinrichs then talked about how the alternate asset mixes are expected to impact contribution rates, noting that all of them increase the odds of reducing contribution rates over time without materially changing the odds of increasing contribution rates over time. Chairman Papp requested that Staff and NEPC present a final recommendation at the next meeting.

*Mr. Mark Steed
Mr. Allan Martin
Mr. Brad Heinrichs
Foster & Foster*

12. **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.**

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

Mr. Harry A. Papp

14. **Adjournment. 12:13**
Motion: Will Buivadas
Second: Dean Scheinert

Mr. Harry A. Papp

Mr. Harry Papp, Trustee, Chairman

Date