

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

May 19, 2021

## MINUTES

Present: Mr. Harry Papp, Chairman  
Mr. Jim Ameduri, Trustee (Joined at 10:52)  
Mr. Allan Maguire, Trustee (Left at 10:38)  
Mr. Dean Scheinert, Trustee

Others Present: Mr. Mark Steed, Chief Investment Officer  
Ms. Cheryl Cohen, Investment Executive Assistant  
Mr. James Ko, Deputy Chief Investment Officer, Sr. Portfolio Manager  
Mr. Shan Chen, Lead Portfolio Manager  
Mr. Bill Thatcher, Sr. Portfolio Manager  
Mr. Jefferson Weston, Portfolio Manager  
Ms. Laura Long, Sr. Investment Analyst  
Ms. Katherine Boligitz, Investment Analyst  
Mr. Kevin Chen, Investment Analyst  
Mr. Mike Townsend, Administrator  
Mr. Mike Smarik, Deputy Administrator  
Mr. Allan Martin, Partner, NEPC, LLC  
Mr. Don Stracke, Partner, NEPC, LLC  
Mr. Bret Parke, Assistant Administrator/General Counsel  
Mr. Owen Zhao, Sr. Quantitative Investment & Risk Analyst  
Mr. Spencer Edge, Albourne Partners  
Mr. Terence Thompson, Esq., Gallagher & Kennedy  
Mr. Tim Jackson, Compliance Officer  
Ms. Claudia Martinez, Executive Assistant  
Ms. Jennifer Carlino, Esq., Investment Counsel  
Ms. Rose Crutcher, Paralegal Investments  
Ms. Vaida Maleckaite, Investment Operations Director

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

*The meeting was called to order by Chairman Papp at 10:03 AM, the Pledge of Allegiance was recited and roll was called.*

*Mr. Harry A. Papp  
Investment Committee Chairman*

2. Approval of the Minutes of the March 24, 2021 and April 21, 2021 Meetings of the PSPRS Investment Committee.

*Chairman Harry A. Papp*

Motion was made by Mr. Allan Maguire, and seconded by Mr. Dean Scheinert

**Vote: 3 - 0 Passed**

3. Approval of the Executive Session Minutes of the March 24, 2021 Meeting of the PSPRS Investment Committee.

*Chairman Harry A. Papp*

Motion was made by Mr. Allan Maguire, and seconded by Mr. Dean Scheinert

**Vote: 3 - 0 Passed**

4. 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.*

5. Discussion and possible **Action** on recommendation to the Board of Trustees regarding vice chair of the Investment Committee.

*Chairman Papp noted there has not been a vice chair for the committee for quite some time, and committee member Allan Maguire nominated committee member Jim Ameduri.*

*Chairman Harry A. Papp*

Motion was made by Mr. Allan Maguire, and seconded by Mr. Dean Scheinert

**Vote: 3 - 0 Passed**

6. Written report by Compliance Officer regarding quarterly investment manager compliance as of March 31, 2021.

*As of March 31, 2021, the asset allocation for private credit was 11.77%. This is 3.23% under the guideline of 15%. Investment staff are rebalancing the current allocations as opportunities become available during the current market situation. This is a carryover issue and was discussed with the Investment Committee at previous meetings. As of March 31, 2021, the asset allocation for cash was 7.73%. This is 2.73% over the upper range boundary of 5%. Investment staff is managing this issue in order to maintain cash at or as near to the upper boundary of the range as possible.*

*Mr. Kurtis Chandler  
Interim Compliance Officer*

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

*Mr. Steed reviewed the presentation and discussed the average size of the lending pool, average net earnings, and the average return for both AZ PSPRS Trust and Public Safety Cancer Insurance Policy Program.*

*Mr. Mark Steed  
Chief Investment Officer*

8. Written report and possible discussion regarding the Month-End and Fiscal Year-to-Date performance for the PSPRS Trust as of March 31, 2021 and written report regarding the asset allocation and performance of the Firefighters and Peace Officers Cancer Insurance Program.

*Chairman Papp reviewed and discussed the presentation, asset classes continue to perform well and still holding strong for the year.*

*Ms. Vaida Maleckaite  
Director of Investment Services*

9. Written report and possible discussion regarding Portfolio Risk as of March 31, 2021.

The Trust portfolio had a strong month in March. It returned 3.47% for the month and 20.35% for the fiscal year-to-date. While the asset allocation and forecasted risks remained largely unchanged, the rolling historical volatilities for public equities and Diversifying Strategies dropped significantly. In comparison, most of the private assets had slightly higher volatilities. Overall, the Trust portfolio's trailing volatility decreased by 1% to 2.2%. Regarding the risk decomposition by asset class, PE Buyout & VC's contribution increased by 1.5%, while Int'l Equity decreased by around 1%. Equities together accounted for over 74% of the total portfolio risk. Besides, we reviewed and updated the Real Estate proxy indices to reflect the underlying risk with higher accuracy. There were no material changes to the primary and secondary asset class risk drivers or the stress testing outcomes. But the portfolio's market upside participation rate increased to 45% from 43% because of the solid monthly performance.

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

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

*Mr. Ko reviewed observed changes in global financial markets over the past month and compared price changes versus its historical normal tendencies. The discussion focused on returns in global equities and global rates.*

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

11. Presentation, discussion and possible **Action** regarding the asset allocation for the PSPRS Trust and the Cancer Insurance Plan.

*The strategic outlook for real assets reflects a high level of uncertainty due to subdued inflation expectations. Real assets offer a meaningful portfolio diversification benefit, but are exposed to a wide range of potential inflation scenarios. Real assets exhibit different betas to inflation and each asset*

*class is exposed to various economic factors. Diversification and correlation benefits are helpful to a portfolio but must be carefully considered relative to the expected risk premium. Inflation-sensitivity and portfolio objectives influence an investor's strategic allocation to real assets. Mr. Martin encourages investors to remove commodity futures from strategic allocation targets due to persistent negative roll yield. Strategic targets to Gold should be carefully weighed relative to the long-term macroeconomic environment. Gold exposure can be a challenge to investor risk-tolerance given its volatility profile and lack of a consistent risk premium.*

*Mr. Allan Martin*

12. Review, discussion and possible **Action** on recommendation of the Board of Trustees Annual Personal Disclosure Form and Governance Manual - 5.14 Code of Ethics update.

*No discussion was held.*

*Chairman Harry A. Papp*

13. Written report on Executed Transactions During Prior Period.

*No discussion was held.*

*Mr. Mark Steed*

14. **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.**

15. The Committee may discuss future dates for meetings and direct Staff to place matters on future agendas. The next meeting is calendared for June 16, 2021.

*Chairman Papp noted and confirmed the next calendared meeting date.*

*Chairman Harry A. Papp*

16. Adjournment.

*The meeting adjourned at 11:59.*

*Chairman Harry A. Papp*

Motion was made by Mr. Dean Scheinert, and seconded by Mr. Jim Ameduri

**Vote: 3 - 0 Passed**

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Mr. Harry Papp, Trustee, Chairman - Date