

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

August 19, 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. Brian Duham, Senior Accountant
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. Claudia Martinez, Executive Assistant
Ms. Jennifer Carlino, Esq., Investment Counsel
Ms. Laura Long, Investment Analyst
Ms. Rose Crutcher, Paralegal Investments
Ms. Vaida Maleckaite, Investment Operations Director
Ms. Vivian Padilla, Media & Publications Specialist

1. Call to Order, Roll Call, Opening Remarks.
Meeting start: 10:04
No public email or present

*Mr. Harry A. Papp
Investment Committee Chairman*

2. Call to the Public:

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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.

None

3. Written quarterly report by Compliance Officer regarding quarterly investment manager compliance as of June 30, 2020.

Mr. Jackson reported the first full quarter, April, May and June completed virtual, went very well and everyone adhering to the policies and procedures.

*Mr. Tim Jackson
Compliance Officer*

4. Written quarterly Investment Operations reports for the period ending June 30th, 2020.

Mr. Steed discussed the quarterly investment reports and noted risks are well controlled in the securities lending program.

*Mr. Mark Steed
Chief Investment Officer
Ms. Vaida Maleckaite
Director of Investment Services
Mr. Allan Martin
NEPC, LLC*

5. Discussion and possible recommendation regarding future monthly and quarterly Investment Committee reports.

Mr. Steed asked the committee to consider whether the current monthly and quarterly committee reports are adequate or if changes need to be made. He said it was good to review the reporting packages from time to time to ensure Trustees have enough information to execute their duties but also to ensure Staff time is appropriately allocated. Committee Chair Papp asked the committee to review the reports in order to provide feedback to staff at a future meeting.

*Mr. Mark Steed
Ms. Vaida Maleckaite
Mr. Allan Martin*

6. Written report and possible discussion regarding the preliminary and unofficial Month-End and Fiscal Year-to-Date market value for the PSPRS Trust as of June 30, 2020; and written report regarding the asset allocation and performance of the Firefighters and Peace Officers Cancer Insurance Program.

Committee Chair Papp presented the Trust's unofficial return for the fiscal year. He explained that the fiscal year return does not include updated valuations for the Trust's illiquid investments as discussed previously. Updated valuations will not be received until the end of September. Mr. Steed shared that the Trust's custodian, BNY Mellon, will recalculate the fiscal year return once all the valuations are received, around the middle of October.

*Mr. Mark Steed
Ms. Vaida Maleckaite*

Mr. Allan Martin

7. Written report and possible discussion regarding Portfolio Risk as of June 30, 2020.

Mr. Owen Zhao
Portfolio Analyst - Risk

8. Written report and possible discussion regarding Global Financial Market Developments.

Mr. James Ko
Portfolio Manager
Mr. Mark Steed
Mr. Allan Martin

9. Presentation and discussion regarding the definition, character and implementation of leverage in institutional asset management and as it relates to the PSPRS Trust.

Mr. Steed outlined the different types of leverage that are common in institutional investment management and how they impact an investment's risk/return profile. He also discussed the risks to using leverage, highlighting several case studies where excessive leverage was cited as a contributing factor to a firm's collapse. Mr. Allan Martin detailed how other pension systems are using leverage, including the state of Wisconsin, and also identified other plans that are considering adding leverage. Mr. Steed said he does not want to add leverage right now as the current environment is unattractive. Staff will use leverage mostly to manage cash flows and maintain an appropriate risk profile and not to speculate on market directions.

Mr. Mark Steed
Mr. Allan Martin

10. Discussion and possible recommendation regarding the Investment Committee's review of external investment consultants.

Mr. Steed asked the committee to consider doing zoom calls with the Trust's external investment consultants in order to facilitate a more formal review later in the fiscal year. Committee Chair Papp recommended Staff schedule one consultant for each of the upcoming Investment Committee meetings as schedules permit.

Mr. Mark Steed

11. Written report on Executed Transactions During Prior Period.

Mr. Mark Steed

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.

14. Adjournment.

12:00

Mr. Harry Papp, Trustee, Chairman