

PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM BOARD OF TRUSTEES INVESTMENT COMMITTEE MEETING

October 19, 2022

MINUTES

Present: Mr. Harry Papp, Chairman
Mr. Chris Hemmen, Trustee - remote
Mr. Dean Scheinert, Trustee - remote

Absent: Ms. Randi Stein, Trustee

Others Present: Mr. Allan Martin, Partner, NEPC, LLC - remote
Mr. Don Stracke, Partner, NEPC, LLC - remote
Mr. James Ko, Deputy Chief Investment Officer - remote
Mr. Kevin Chen, Investment Analyst - remote
Mr. Mark Steed, Chief Investment Officer
Mr. Mike Smarik, Deputy Administrator - remote
Mr. Mike Townsend, Administrator
Mr. Owen Zhao, Sr. Quantitative Investment & Risk Analyst - remote
Mr. Shan Chen, Lead Portfolio Manager
Mr. Spencer Edge, Albourne Partners - remote
Mr. Tim Jackson, Investment Accountant - remote
Ms. Cheryl Cohen, Investment Executive Assistant - remote
Ms. Claudia Martinez, Executive Assistant - remote
Ms. Jennifer Carlino, Investment Counsel - remote
Ms. Katherine Boligitz, Investment Analyst - remote
Mr. Edward Bozaan, Portfolio Manager - remote

Attendees: Mr. Scott McCarty, Trustee - remote

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

The meeting was called to order at 9:34, the Pledge of Allegiance recited and a roll was called.

*Mr. Harry A. Papp
Investment Committee Chairman*

2. Review, discussion and possible **Action** to approve Investment Committee Minutes from September 21, 2022.

Chairman Harry A. Papp

Moved by: Trustee - remote Mr. Dean Scheinert

Second by: Trustee - remote Mr. Chris Hemmen

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 Call to the Public.

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:** Performance for the PSPRS Trust as of August 31, 2022.

Chairman Papp reviewed the presentation and highlighted the total market value.

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

The report was provided by Chairman Papp. No further discussion was held.

c. **Written report:** Portfolio Risk as of August 31, 2022.

The market volatility remained high in August, and the major equity indices were down 3-6%. The Trust returned -1.9% MTD, 0.7% FYTD, and 7.6% 7-year annualized. Capital Appreciation was attributed to 86 bps, Diversifying Strategies were flat and Contractual Income detracted 15 bps. The primary risk contributors were the public and private equities. US Equity accounted for about one-third of the total risk, and a quarter came from Int'l Equity. As the energy crisis continues to intensify, the Crude Oil WTI revealed a higher impact on the total portfolio risk and thus became the secondary risk driver.

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

Earnings are expected to increase by 8.0% annually over the next three years. This year's fall in equity prices has primarily been attributed to rising discount rates. The expectation is for the federal funds rate to increase by over ~100-150 bps over the next 12 months, which poses a meaningful risk to equity price appreciation. In September, an observation observed a decrease in the intrinsic value of the S&P 500 index when compared to the intrinsic value in August due to a 50 basis point increase in the risk-free rate.

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

The report was presented with no further discussion.

5. Presentation and discussion about Proxy Voting.

Mr. Steed described the proxy voting process and routine proposals and discussed common approaches amongst public pension plans.

Mr. Mark Steed

6. 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.

7. The Committee may discuss future dates for meetings and direct staff to place matters on future agendas. The next meeting is currently scheduled for Thursday, November 17, 2022.

Chairman Harry A. Papp

8. Adjournment.

The meeting concluded at 10:48

Chairman Harry A. Papp

Moved by: Trustee - remote Mr. Chris Hemmen

Second by: Trustee - remote Mr. Dean Scheinert

Vote: 3 - 0 Passed

Mr. Harry Papp, Trustee, Chairman