

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

December 15, 2020

MINUTES

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

Absent: Trustee Mr. Jim Ameduri

Others Present: Mr. Allan Martin, Partner, NEPC, LLC
Mr. Bill Thatcher, Sr. Portfolio Manager
Mr. Bret Parke, Assistant Administrator/General Counsel
Mr. Brian Dunham, Senior Accountant
Mr. Don Stracke, Partner, NEPC, LLC
Mr. Ian Aaker, StepStone Group
Mr. James Ko, Sr. Portfolio Manager
Mr. Jefferson Weston, Investment Analyst
Mr. Kevin Chen, Investment Analyst
Mr. Kevin O'Malley, Esq., Gallagher & Kennedy
Mr. Mark Steed, Chief Investment Officer
Mr. Mike Smarik, Deputy Administrator
Mr. Mike Townsend, Administrator
Mr. Owen Zhao, Sr. Quantitative Investment & Risk Analyst
Mr. Shan Chen, Lead Portfolio Manager
Mr. Spencer Edge, Albourne Partners
Mr. Terence Thompson, Esq., Gallagher & Kennedy
Mr. Tim Jackson, Compliance Officer
Ms. Cheryl Cohen, Investments Executive Assistant
Ms. Claudia Martinez, Executive Assistant
Ms. Jennifer Carlino, Esq., Investment Counsel
Ms. Katherine Boligitz, Investment Analyst
Ms. Laura Long, Sr. 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, and Opening Remarks.

The meeting was called to order by Chairman Papp at 10:02 A.M. The Pledge of Allegiance was recited and roll was called.

*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.

There was no response to the Call to the Public, due to COVID-19 physical presence of the public was not permitted.

3. Review, discussion and possible **Action** to approve Investment Committee Minutes from August 19, 2020.

Chairman Harry A. Papp

Moved by Trustee Mr. Dean Scheinert, seconded by Trustee Mr. William Buividas

Vote: 3 - 0 Passed

4. Written report and possible discussion regarding the Month-End and Fiscal Year-to-Date performance for the PSPRS Trust as of October 31, 2020; and written report regarding the asset allocation and performance of the Firefighters and Peace Officers Cancer Insurance Program.

Monthly investment performance review for PSPRS Trust and Cancer Insurance portfolios. Most current portfolio performance and asset balance available through custodial bank. Returns for month, quarter, fiscal year, calendar year and 1, 3, 5, 7 and 10-year periods.

*Ms. Vaida Maleckaite
Director of Investment Services*

5. Written report and possible discussion regarding Portfolio Risk as of October 31, 2020.

Report covers current period risk status, previous or "trailing" volatility, risk assessments for each asset class, exposure to major market factors, stress testing results, upside and downside performance.

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

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

Earnings and Earnings Growth: Analysts currently expect earnings to decline by 14.6% for 2020. Since the initial shock to earnings estimates in mid-March, 2020-2022 estimates have found a floor and stabilized over several months. Earnings are expected to increase by almost 20% annually over the next two years. Discount Rate: On June 10th, the Federal Reserve voted to keep short-term rates near zero and indicated that rates will stay at this level through 2022. Expectations for a small rate hike over the next nine months have diminished as indicated by recent surveys. In isolation, a Fed rate hike poses a meaningful risk to equity price appreciation. Our observed estimates for earnings and earnings growth held steady. Estimates for the risk-free rate and the implied equity risk premium remain unchanged, holding equity valuation constant.

*Mr. James KO
Portfolio Manager
Mr. Mark Steed
Chief Investment Officer
Mr. Allan Martin
NEPC, LLC*

7. Written report on Executed Transactions during Prior Period.

No discussion was held.

Mr. Mark Steed

8. Written report and possible discussion regarding Institutional investment trends and policy update.

Mr. Steed reported the Covid-19 pandemic has changed where we work, but not what we do. The Investment Team has been working remotely for nearly nine months. In that time, continued to close deals and remove or reduce positions in non-performing investments from the portfolio. Also continued to monitor the investment partners' performance with two rounds of quarterly virtual meetings and automated monitoring tools that are accessible from any connected computer. The consensus is that the due diligence we conducted into investment partners' operations paid off, none had issues with lack of continuity or system failure as they, too, transitioned to working remotely. The next challenge for the Trust and other institutional investors is how to achieve what we once did through travel. They will need to be innovative in how to gather the same information we once did through site visits and operation reviews. They will need to figure out how to be more than passive observers at annual general meetings that are now being held virtually.

Mr. Mark Steed

9. Review, discussion, and possible recommendation of the Board of Trustees Investment Disclosure Procedure and Annual Personal Investment Disclosure Form.

Mr. Jackson presents a new procedure for the additional transparency of Trustee personal investing activities as they may relate to the PSPRS non-public investment portfolio, as directed by the Investment Committee.

The annual procedure (attached in draft) addresses potential conflicts between personal investments and business activity of the Board of Trustees and the PSPRS non-public investment portfolio. It is applicable to the Board of Trustees, and is administered by the Compliance Officer.

The Annual Personal Investment Disclosure Form is a one-page document that includes a section to disclose potential conflicts and an attestation that each Trustee understands the procedure and has made full disclosure. A current listing of PSPRS non-public investment assets will be supplied to each Trustee every year in order to cross-reference personal investments with the PSPRS list.

*Mr. Tim Jackson
Compliance Manager
Mr. Mark Steed*

10. Presentation, discussion and possible action regarding assumed earning rates for Tier 3.

Mr. Steed and Mr. Heinrich discussed issues during asset allocation, with investment staff and consultants, aimed at estimating what the assets will approximately earn as a function of investment factors, policy factors.

*Mr. Brad Heinrich
Foster & Foster
Mr. Mark Steed
Mr. Mike Townsend*

11. Presentation and discussion by consultant Albourne America LLC.

Mr. Edge reviewed and discussed his presentation regarding Albourne Partners, Hedge Funds. Albourne advises more than 40 public pension funds across a variety of alternative investments. Based in London, Albourne has eight offices from San Francisco to Singapore. Key points of differentiation, Business Model and Resources, Advisory and Research, Fintech and Implementation.

*Mr. Spencer Edge, CFA, CAIA
Albourne America LLC
Mr. John Claisse
Chief Executive Officer*

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.

Chairman Harry A. Papp

14. Adjournment.

Chairman Harry A. Papp

Mr. Harry Papp, Trustee, Chairman