

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

**June 27, 2018**

**MINUTES**

Members Present: Mr. Brian P. Tobin, Chairman, Trustee  
Mr. William T. Buividas, Vice Chairman, Trustee  
Mr. William C. Davis, Trustee - Excused  
Mr. Edward J. McNeill, Trustee  
Mr. Harry A. Papp, Trustee  
Mr. Bryan Raines, Trustee - Excused  
Mr. Mike Scheidt, Trustee  
Mr. Dean Scheinert, Trustee  
Mr. Donald A. Smith, Jr. Trustee

Others Present: Mr. Jared Smout, Administrator  
Mr. Ryan Parham, Assistant Administrator and CIO  
Mr. Mark Steed, Deputy CIO and Chief of Staff  
Mr. Timothy Jackson, Compliance Officer  
Ms. Vaida Maleckaite, Director Investment Services  
Mr. Owen Zhao, Portfolio Analyst  
Ms. Patricia Shaner, Human Resources Director  
Mr. John Briney, Enterprise Systems Architect  
Mr. Christian Palmer, Communications Director  
Ms. Ivy Voss, Assistant Attorney General  
Ms. Jennifer Carlino, Chief In-House Investment Counsel  
Mr. Kevin Chen, Portfolio Analyst  
Mr. Shan Chen, Lead Portfolio Manager  
Mr. William Thatcher, Portfolio Manager  
Mr. Jefferson Weston, Investment Analyst  
Mr. James Ko, Portfolio Manager  
Mr. Phil Coleman, Employer Relationship Manager  
Ms. Rose Crutcher, Investment Paralegal  
Ms. Chrystal Angotti, Senior Executive Assistant  
Mr. Paul Hemmes, Information Technology  
Mr. Allan Martin, NEPC  
Mr. Chris Lavelle, NEPC  
Mr. Ed Schwartz, ORG  
Ms. Dianne McAllister, Public Policy Partners  
Mr. Jim Mann, Fraternal Order of Police, Executive Director

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

*Mr. Brian P. Tobin  
Chairman*

The meeting was called to order by Chairman Tobin at 12:37 p.m. The Pledge of Allegiance was recited and the roll was called. The Chairman regretfully announced the retirements of Ms. Ivy Voss, Mr. Ryan Parham and Mr. Jim Mann.

2. Call to the Public.

This is the time for the public to comment. Members of the Board of Trustees may not discuss items that are not specifically identified on the agenda, except to address criticism from the public. Therefore, pursuant to A.R.S. § 38-431.01(H), the Board of Trustees' reaction to any public comment is limited to addressing criticism

or recommending that the Board of Trustees or Staff respond or study such comment or schedule the subject matter for further consideration at a later date after appropriate notice.

There was no response to the Call to the Public.

3. Appropriate **Action** for approval of the items on the Consent Agenda (documentation concerning the matters on the consent agenda may be reviewed at the PSPRS office). Any matter on the Consent Agenda will be removed from the Consent Agenda and discussed as a regular agenda item upon the request of any member of the Board of Trustees.
- a. Acceptance of Elected Officials' Retirement Plan of survivor benefit of Susan Burdick.
  - b. Acceptance of Elected Officials' Retirement Plan of termination of survivor retirement benefit of Clara E. Chance.
  - c. Acceptance of Elected Officials' Retirement Plan of termination of survivor retirement benefit of Mary M. Coffeen.
  - d. Acceptance of Elected Officials' Retirement Plan of termination of survivor retirement benefit of Lucille L. Greer.
  - e. Acceptance of Elected Officials' Retirement Plan of termination of normal retirement benefit of Don R. Kirk.
  - f. Acceptance of Elected Officials' Retirement Plan of termination of survivor retirement benefit of Miriam S. Kuebler.
  - g. Acceptance of Elected Officials' Retirement Plan of normal retirement benefit of Peter C. Reinstein.
  - h. Acceptance of Elected Officials' Retirement Plan of termination of early retirement benefit of Greg Stanton.
  - i. Acceptance of Transfer Between State Retirement Systems of Lauren Connell.
  - j. Acceptance of Transfer between State Retirement Systems of Leslie Willoughby.
  - k. Acceptance of Transfer between State Retirement Systems of Neah Layno.
  - l. Acceptance of Transfer between State Retirement Systems of Esdras Agundez.
  - m. Acceptance of Transfer between State Retirement Systems of Adrian Gaona.
  - n. Acceptance of Transfer between State Retirement Systems of Monica McCall.
  - o. Acceptance of Transfer between State Retirement Systems of Aaron Laipple.
  - p. Acceptance of Transfer between State Retirement Systems of Jared Hardy.
  - q. Acceptance of Transfer between State Retirement Systems of Daniel Delligatti.
  - r. Acceptance of Transfer between State Retirement Systems of Brenda Smith.
  - s. Acceptance of Transfer between State Retirement Systems of Steven Loya.
  - t. Acceptance of Transfer between State Retirement Systems of Ronald Bibeau.
  - u. Acceptance of Transfer between State Retirement Systems of Paula Veach.
  - v. Acceptance of Transfer between State Retirement Systems of Debbie Baisley.
  - w. Approval of the Minutes of the **May 30, 2018** Meeting of the PSPRS Board of Trustees.

*Mr. Brian P. Tobin*

<b>MOTION:1-6/27/2018</b>	At 12:42 P.M.
<b>Motion:</b>	To approve the Consent Agenda as presented.
<b>Moved by:</b>	Mr. Smith.
<b>Seconded by:</b>	Mr. McNeill.
<b>Discussion by:</b>	None.
<b>Voted In Favor:</b>	Mr. Tobin, Mr. Buividas, Mr. McNeill, Mr. Papp, Mr. Scheidt, Mr. Scheinert, Mr. Smith.
<b>Voted Against:</b>	None. Messrs. Raines and Davis were excused/absent.
<b>Motion:</b>	Passes Unanimously.

4. Appropriate **Action** regarding the approval of The Fry Fire District's request to increase amortization period.

*Mr. Brian Tobin*

<b>MOTION:2-6/27/2018</b>	At 12:43 P.M.
<b>Motion:</b>	To approve The Fry Fire District's request to increase its amortization period.
<b>Moved by:</b>	Mr. McNeill
<b>Seconded by:</b>	Mr. Buividas
<b>Discussion by:</b>	None.
<b>Voted In Favor:</b>	Mr. Tobin, Mr. Buividas, Mr. McNeill, Mr. Papp, Mr. Scheidt, Mr. Scheinert, Mr. Smith.
<b>Voted Against:</b>	None. Messrs. Raines and Davis were excused/absent.

5. Appropriate **Action** regarding the approval of The Lake Mohave Ranchos Fire District's request to increase amortization period.

*Mr. Brian Tobin*

<b>MOTION:3-6/27/2018</b>	At 12:44 P.M.
<b>Motion:</b>	To approve The Lake Mohave Ranchos Fire District's request to increase its amortization period.
<b>Moved by:</b>	Mr. Buividas
<b>Seconded by:</b>	Mr. Smith
<b>Discussion by:</b>	None.
<b>Voted In Favor:</b>	Mr. Tobin, Mr. Buividas, Mr. McNeill, Mr. Papp, Mr. Scheidt, Mr. Scheinert, Mr. Smith.
<b>Voted Against:</b>	None. Messrs. Raines and Davis were excused/absent.
<b>Motion:</b>	Passes Unanimously.

6. Appropriate **Action** regarding the approval of The Pine-Strawberry Fire District's request to increase amortization period.

*Mr. Brian Tobin*

<b>MOTION:4-6/27/2018</b>	At 12:44 P.M.
<b>Motion:</b>	To approve The Pine-Strawberry Fire District's request to increase its amortization period.
<b>Moved by:</b>	Mr. Scheidt
<b>Seconded by:</b>	Mr. Papp
<b>Discussion by:</b>	None.
<b>Voted In Favor:</b>	Mr. Tobin, Mr. Buividas, Mr. McNeill, Mr. Papp, Mr. Scheidt, Mr. Scheinert, Mr. Smith.
<b>Voted Against:</b>	None. Messrs. Raines and Davis were excused/absent.
<b>Motion:</b>	Passes Unanimously.

7. Appropriate **Action** regarding the approval of The Timber Mesa Fire and Medical District's request to increase amortization period.

*Mr. Brian Tobin*

<b>MOTION:5-6/27/2018</b>	At 12:45 P.M.
<b>Motion:</b>	To approve The Timber Mesa Fire and Medical District's request to increase its amortization period.
<b>Moved by:</b>	Mr. Smith
<b>Seconded by:</b>	Mr. Scheidt
<b>Discussion by:</b>	None.
<b>Voted In Favor:</b>	Mr. Tobin, Mr. Buividas, Mr. McNeill, Mr. Papp, Mr. Scheidt, Mr. Scheinert, Mr. Smith.
<b>Voted Against:</b>	None. Messrs. Raines and Davis were excused/absent.
<b>Motion:</b>	Passes Unanimously.

8. Appropriate **Action** regarding the approval of The Pinetop Fire District's request to increase amortization period.

*Mr. Brian Tobin*

<b>MOTION:6-6/27/2018</b>	At 12:45 P.M.
<b>Motion:</b>	To approve The Pinetop Fire District's request to increase its amortization period.
<b>Moved by:</b>	Mr. Scheinert
<b>Seconded by:</b>	Mr. McNeill
<b>Discussion by:</b>	None.
<b>Voted In Favor:</b>	Mr. Tobin, Mr. Buividas, Mr. McNeill, Mr. Papp, Mr. Scheidt, Mr. Scheinert, Mr. Smith.
<b>Voted Against:</b>	None. Messrs. Raines and Davis were excused/absent.
<b>Motion:</b>	Passes Unanimously.

9. Appropriate **Action** regarding the approval of The Tubac Fire District's request to increase amortization period.

*Mr. Brian Tobin*

<b>MOTION:7-6/27/2018</b>	At 12:46 P.M.
<b>Motion:</b>	To approve The Tubac Fire District's request to increase its amortization period.
<b>Moved by:</b>	Mr. Smith
<b>Seconded by:</b>	Mr. Buividas
<b>Discussion by:</b>	None.
<b>Voted In Favor:</b>	Mr. Tobin, Mr. Buividas, Mr. McNeill, Mr. Papp, Mr. Scheidt, Mr. Scheinert, Mr. Smith.
<b>Voted Against:</b>	None. Messrs. Raines and Davis were excused/absent.
<b>Motion:</b>	Passes Unanimously.

**Report by Mr. Don Smith, Chairman of the Investment Committee, regarding agenda items 10 through 14, which were discussed at the Investment Committee meeting held today, Wednesday, June 27, 2018, on or after 10:00 a.m., and possible *Action* on the Committee's recommendations to the Board regarding same.**

10. Written report by Investment Department Staff regarding Portfolio Risk as of April 30, 2018.

*Mr. Owen Zhao*  
*Portfolio Analyst – Risk*

The written report was provided to the members of the Board. No discussion was held.

11. Presentation and report by Investment Department Staff and discussion regarding (i) the Month-End and Fiscal Year-to-Date performance for the PSPRS Trust as of April 30, 2018; and (ii) written report regarding the asset allocation and performance of the Firefighters and Peace Officers Cancer Insurance Program.

*Ms. Vaida Maleckaite*  
*Director of Investment Services*

Mr. Allan Martin of NEPC stated that, for the Fiscal Year-to-Date, the Trust's portfolio increased by 7.59% gross and an estimated 7.29% net.

12. Report and update by NEPC representatives on Multi-Plan Asset Allocation, and possible Board **Action**.

*Mr. Ryan Parham, Assistant Administrator*  
*and Chief Investment Officer*  
*Mr. Allan Martin, NEPC, LLC.*

PSPRS has been considering the possibility of separate asset allocations for each of the three Pension Plans. Mr. Allan Martin of NEPC stated that in-depth asset liability studies of each plan have been completed and reviewed. Mr. Chris Lavelle of NEPC has assisted in reviewing the asset allocation targets to determine if

changes are required. Key findings include that: the Plans, on an aggregate basis, are 45% funded; employer plan contributions are 49% of payroll, on average, current target asset allocations are expected to produce average returns of 8.2% over the next 30 years, which exceeds the expected return of 7.4%. Due to market trends, the 5-7 year return expectation is 7.1%. Current long-term asset allocation policy targets are well diversified without taking undue risk. At this point in time, excluding possible statutory changes, it has been determined to maintain current asset targets, as a whole, where they currently are and at a subsequent Trustee meeting, to review at what point in time would it be appropriate to make any changes and review the ranges and benchmarks. In their analysis of the future cash flows coming into the plans, there was discussion about the EORP employer contribution rate going to 61.5% and it was NEPC's understanding that rate was effective in 2020. Mr. Smout clarified that rate actually goes into effect in just a couple days, July 1, 2018.

13. Presentation and discussion by Investment Department Staff and Consultants regarding the annual Overview and Strategic Plan for the Real Estate portfolio.

*Mr. Mark Steed  
Deputy Chief Investment Officer*

Mr. Steed and Mr. Schwartz of ORG presented an overview of the performance of the Real Estate Portfolio, which is 9% of the Trust's total portfolio. The performance is at or above expectations. Topics discussed includes Core, Value-Added and Opportunistic Real Estate. Property types include Multi-family, Industrial, Office, Strip Malls and Hotels. There are 22 managers and 42 funds in the portfolio. Discussion also included returns, cash flow, co-investments and comparison to the benchmarks. Market commentary was provided by Mr. Schwartz, including supply, growth, demographics, risk, interest rates and supply and demand.

14. Disclosure by Investment Department Staff of the following Manager Selection Matters:

A. New and Potential Investments Considered this Period:

1. Disclosure of a potential investment of up to \$30 million for purposes of direct investment in the **Stepstone Endurance Fund, L.P.**, in the Private Equity portfolio, subject to final Staff and legal due diligence.
2. Disclosure of a potential investment of up to \$45 million for purposes of direct investment and up to \$20 million for purposes of co-investment with **TowerBrook Capital Partners in the TowerBrook Investors V Fund**, in the Private Equity portfolio, subject to final Staff and legal due diligence.

B. Finalized and Executed Transactions During Prior Period:

1. **Iguazu Partners, L.P.**; Committed amount of an additional \$11,470,000.00; Date Closed: June 1, 2018. This investment is allocated to PSPRS Asset class: Fixed Income.

C. Investments Completely Liquidated During Prior Period:

1. **Gotham 1000 Value Fund, L.P. and Gotham 2000 Value Fund, L.P.**; Date of original investment: February 20, 2013. These investments were allocated to PSPRS Asset Class: Absolute Return.
2. **BPE Asia Real Estate Fund Project Alliance**; Date of original investment: September 17, 2015. This investment was allocated to PSPRS Asset Class: Real Estate.

No discussion was held.

**Presentation by Mr. Edward J. McNeill, Chairman of the Operations, Governance Policy and Audit Committee, regarding agenda items 15 through 22. The Operations, Governance Policy and Audit Committee meeting scheduled for today, June 27, 2018 at 10:30 a.m. was canceled due to lack of quorum.**

15. Review and discussion of staff operation reports.

*Mr. Jared A. Smout  
Administrator*

- a. Operations Update Report
- b. Year to Date Budget Report
- c. Local Board & Employer Outreach Report
- d. Local Board Rehearing Report
  
- e. Law Firms' Billings for Legal Services
- f. HR Report
- g. Communication Efforts

PSPRS is currently 2.3% under budget as of 6/20/18.

Ms. Patricia Shaner, Human Resources Director discussed the 2018 Employee Engagement Report as compared to that of 2017.

16. Review and discussion of system development progress.

*Mr. John Briney  
Enterprise Systems Architect*

Discussion with Mr. Briney included information regarding software changes, completion dates and future plans.

17. Review, discussion and possible **Action** on the Strategic Plan Progress Report.

*Mr. John Briney*

The Board and Mr. Briney reviewed the Strategic Plan's missions, goals and objectives. The final plan will be presented during the September meeting.

18. Review, discussion and possible **Action** regarding the internal audit report.

*Ms. Lisa Sweeting  
Internal Auditor*

No issues were noted.

19. Review, discussion and possible **Action** regarding the compliance program.

*Mr. Timothy Jackson  
Compliance Officer*

Mr. Jackson presented a draft compliance program for discussion prior to the final program to be reviewed during the September meeting. Questions were discussed and recommendations were made.

20. Review, discussion and possible **Action** with respect to the FY2019 PSPRS Administrative Budget.

*Mr. Jared A. Smout*

An increase of 6.5% above last year's budget was presented by Mr. Smout due to restructuring in the security of the data systems, the cost of a strategic consultant and contractors needed for several positions.

<b>MOTION:8-6/27/2018</b>	At 2:42 P.M.
<b>Motion:</b>	To bring the final budget to the table for FY 2019.
<b>Moved by:</b>	Mr. Scheinert
<b>Seconded by:</b>	Mr. Buividas
<b>Discussion by:</b>	Mr. McNeill stated that just because the money has been voted upon, staff does not have to spend it.
<b>Voted In Favor:</b>	Mr. Tobin, Mr. Buividas, Mr. McNeill, Mr. Papp, Mr. Scheidt, Mr. Scheinert, Mr. Smith.
<b>Voted Against:</b>	None. Messrs. Raines and Davis were excused/absent.
<b>Motion:</b>	Passes Unanimously.

21. Review, discussion and possible **Action** regarding various interest and other rates utilized by staff for calculations.

*Mr. Jared A. Smout*

Most rates are set by Arizona statutes and the assumed earnings rate is set by the Board. Discussion was held regarding maintaining the 3% compounded annually rate for Tier I and the DC employer match rate at 6%.

<b>MOTION:9-6/27/2018</b>	At 2:47 P.M.
<b>Motion:</b>	To maintain the existing rates as demonstrated in the document Operations Committee Rate Approval dated 6/27/18. Tier 1 Refunds at a rate of 3% compounded annually; Tiers 2 and 3 Refunds rate of 3% compounded annually, and DC Plan employer match rate of 6%. For forfeitures due to felony convictions, to apply the refund policy that the member would fall under in this scenario.
<b>Moved by:</b>	Mr. McNeill
<b>Seconded by:</b>	Mr. Smith
<b>Discussion by:</b>	None.
<b>Voted In Favor:</b>	Mr. Tobin, Mr. Buividas, Mr. McNeill, Mr. Papp, Mr. Scheidt, Mr. Scheinert, Mr. Smith.
<b>Voted Against:</b>	None. Messrs. Raines and Davis were excused/absent.
<b>Motion:</b>	Passes Unanimously.

22. Review, discussion and possible **Action** on pending and passed legislative actions and potential legislative proposals.

*Mr. Jared A. Smout*

Ms. Dianne McAllister of Public Policy Partners led a discussion with The Board of Trustees regarding their support of Proposition 125, a pension reform measure designed to shore up EORP and CORP, which is intended to save an estimated \$275 million over the next several decades. This is similar to Proposition 124 that was passed in 2016. Efforts will be made for additional support.

<b>MOTION:10-6/27/2018</b>	At 1:30 P.M.
<b>Motion:</b>	To support Proposition 125,
<b>Moved by:</b>	Mr. Papp
<b>Seconded by:</b>	Mr. McNeill
<b>Discussion:</b>	To look into letters of support from League of Cities and Towns and other organizations.
<b>Voted In Favor:</b>	Mr. Tobin, Mr. Buividas, Mr. McNeill, Mr. Papp, Mr. Scheidt, Mr. Scheinert, Mr. Smith.
<b>Voted Against:</b>	None. Messrs. Raines and Davis were excused/absent.
<b>Motion:</b>	Passes Unanimously.

23. Review, discussion and possible **Action** regarding the use of legal counsel and the PSPRS guidelines for such.

*Mr. Jared A. Smout*

24. Discussion and consultation with legal counsel and Staff and possible **Action** regarding proposed legislation, real estate matters, investment matters, ongoing, contemplated or threatened legal action involving the Trust and Plans, including vendor disputes, public record requests, personnel matters and actual or potential litigation and claims based on contract, tort or statute, including matters involving judges Thompson and Hall. The Board may vote to discuss these matters in Executive Session pursuant to A.R.S. §§ 38-431.03(A)(1), (2), (3), (4) and (7) as set forth in item 25.

25. **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, including:**

- a. Discussion and consultation with legal counsel and Staff regarding matters arising from public record requests or subpoenas, and ongoing or threatened legal action or claims involving the Plans or Trust not otherwise referenced above in Item 13, including but not limited to those involving the status of lawsuits challenging provisions of SB1609, as authorized by A.R.S. §§ 38-431.03 (A) (2), (3), (7).
- b. Update and discussion on personnel matters, as authorized by A.R.S § 38-431.03 (A) (1).
- c. Discussion and consultation with legal counsel for the purpose of receiving legal advice regarding the use of legal counsel, as authorized by A.R.S. § 38-431.03 (A) (3).

<b>MOTION:11-6/27/2018</b>	At 2:49 P.M.
<b>Motion:</b>	To enter Executive Session.
<b>Moved by:</b>	Mr. Papp
<b>Seconded by:</b>	Mr. McNeill
<b>Discussion by:</b>	None.
<b>Voted In Favor:</b>	Mr. Tobin, Mr. Buividas, Mr. McNeill, Mr. Papp, Mr. Scheidt, Mr. Scheinert, Mr. Smith.
<b>Voted Against:</b>	None. Messrs. Raines and Davis were excused/absent.
<b>Motion:</b>	Passes Unanimously.

26. Discussion and appropriate **Action** regarding Board of Trustee member requests to participate in training, educational and due diligence opportunities.

*Mr. Brian P. Tobin*

No requests were presented.

27. Possible **Action** on future meeting dates (*Next meeting scheduled for July 25, 2018*).

The July 25, 2018 meeting was canceled. The next meeting will be held on August 29, 2018.

28. Adjournment.

The meeting was adjourned at 4:25 p.m.

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Brian P. Tobin, Trustee, Chairman

EXCUSED

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William T. Buividas, Trustee,  
Vice Chairman

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William C. Davis, Trustee

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Edward J. McNeill, Trustee

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Harry A. Papp, Trustee

EXCUSED

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Bryan Raines, Trustee

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Mike Scheidt, Trustee

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Dean M. Scheinert, Trustee

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Donald A. Smith, Jr., Trustee