

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

**August 22, 2017**

**MINUTES**

Present: Mr. Brian Tobin, Chairman, Trustee  
Mr. William T. Buividas, Vice Chairman, Trustee  
Mr. William C. Davis, Trustee  
Mr. Edward J. McNeill, Trustee  
Mr. Bryan Raines, Trustee  
Mr. Mike Scheidt, Trustee  
Mr. Dean M. Scheinert, Trustee – Excused at 3 p.m.  
Mr. Donald A. Smith, Jr., Trustee

Others Present: Mr. Jared Smout, Administrator  
Mr. Dave DeJonge, Deputy Administer  
Mr. Ryan Parham, Chief Investment Officer  
Mr. Mark Steed, Deputy Chief Investment Officer  
Ms. Ivy N. Voss, Esq., Assistant Attorney General  
Ms. Rose Crutcher, Investment Paralegal  
Mr. Paul Hemmes, Information Technology  
Mr. Christian Palmer, Communications Director  
Ms. Lisa Sweeting, Continuous Improvement Administrator - Excused  
Mr. John Briney, Enterprise Systems Architect  
Ms. Patricia Shaner, Human Resources Manager  
Mr. Allan Martin, NEPC, LLC.  
Mr. Marc Lieberman, Kutak Rock

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 12:05 P.M. The Pledge of Allegiance was recited and roll was called.

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 reply 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 normal retirement benefit of Edward W. Bassett.

- b. Acceptance of Elected Officials' Retirement Plan of termination of normal retirement benefit of Jimmy Claw.
- c. Acceptance of Elected Officials' Retirement Plan of normal retirement benefit of Steven Conn.
- d. Acceptance of Elected Officials' Retirement Plan of survivor benefit of Sylvia B. De Leon.
- e. Acceptance of Elected Officials' Retirement Plan of survivor benefit of Hazel Eidson.
- f. Acceptance of Elected Officials' Retirement Plan of normal retirement benefit of Jane Eikleberry.
- g. Acceptance of Elected Officials' Retirement Plan of termination of early retirement benefit of William J. English.
- h. Acceptance of Elected Officials' Retirement Plan of termination of early retirement benefit of Robert C. Fassett.
- i. Acceptance of Elected Officials' Retirement Plan of survivor benefit of Marjorie Fassett.
- j. Acceptance of Elected Officials' Retirement Plan of normal retirement benefit of Jimmie R. Hernandez.
- k. Acceptance of Elected Officials' Retirement Plan of normal retirement benefit of Richard Nichols.
- l. Acceptance of Elected Officials' Retirement Plan of termination of normal retirement benefit of Robert W. Pickrell.
- m. Acceptance of Elected Officials' Retirement Plan of survivor benefit of Lettie P. Pickrell.
- n. Acceptance of Elected Officials' Retirement Plan of termination of normal retirement benefit of Scott Sulley.
- o. Acceptance of Elected Officials' Retirement Plan of survivor benefit of Glenda Sulley.
- p. Acceptance of Elected Officials' Retirement Plan of early retirement benefit of Samuel E. Vederman.
- q. Acceptance of Elected Officials' Retirement Plan of termination of early retirement benefit of Forrest G. Wilkerson.
- r. Acceptance of Transfer Between State Retirement Systems of Michael Oolman.
- s. Acceptance of Transfer Between State Retirement Systems of Clinton Doyle.
- t. Acceptance of Transfer Between State Retirement Systems of Christine Mulleneaux.
- u. Acceptance of Transfer Between State Retirement Systems of Jesse Gamez.
- v. Acceptance of Transfer Between State Retirement Systems of Viviano Mendez.
- w. Acceptance of Transfer Between State Retirement Systems of Charles Barrett.
- x. Acceptance of Transfer Between State Retirement Systems of Jonathan Woglemuth.
- y. Acceptance of Transfer Between State Retirement Systems of Mark Sullivan.
- z. Acceptance of Transfer Between State Retirement Systems of Lainn Caldwell.
- aa. Acceptance of Transfer Between State Retirement Systems of Joseph Sakala.
- bb. Acceptance of Transfer Between State Retirement Systems of Timothy Smith.
- cc. Acceptance of Transfer Between State Retirement Systems of Art Esquivel.
- dd. Acceptance of Transfer Between State Retirement Systems of Lee Williams.
- ee. Acceptance of Transfer Between State Retirement Systems of David Dickey.
- ff. Acceptance of Transfer Between State Retirement Systems of Robert Gunther.
- gg. Acceptance of Transfer Between State Retirement Systems of Robert Welch.
- hh. Acceptance of Transfer Between State Retirement Systems of Rudy Acosta, Jr.
- ii. Acceptance of Transfer Between State Retirement Systems of Alexander Carranza.
- jj. Acceptance of Transfer Between State Retirement Systems of Christopher Jenkins.
- kk. Acceptance of Transfer Between State Retirement Systems of Richard Byrd.
- ll. Acceptance of Transfer Between State Retirement Systems of Steven Zukowski.
- mm. Acceptance of Transfer Between State Retirement Systems of Michael Dennison.
- nn. Acceptance of Transfer Between State Retirement Systems of Tyler Knight.
- oo. Acceptance of Transfer Between State Retirement Systems of Daniel Waltuch.
- pp. Acceptance of Transfer Between State Retirement Systems of Phillip Johnson.
- qq. Acceptance of Transfer Between State Retirement Systems of Shellie Miller.
- rr. Acceptance of Transfer Between State Retirement Systems of Matthew Thomas.
- ss. Acceptance of Transfer Between State Retirement Systems of Jason Snyder.
- tt. Acceptance of Transfer Between State Retirement Systems of James Welling.

- uu. Acceptance of Transfer Between State Retirement Systems of Douglas Whittaker.
- vv. Approval of the Minutes of the June 28, 2017 Meeting and Special Study Session of the PSPRS Board of Trustees.

*Mr. Brian P. Tobin*

<b>MOTION:1-8/22/17</b>	At 12:06 P.M.
<b>Motion:</b>	To approve the Consent Agenda in full.
<b>Moved by:</b>	Mr. McNeill
<b>Seconded by:</b>	Mr. Buividas
<b>Discussion:</b>	None
<b>In Favor:</b>	Unanimous
<b>Motion:</b>	Passes

- 4. Discussion and possible approval of allowing employers to include post-judgment interest related to the return of excess contributions in their employer credits.

*Mr. Jared A. Smout  
Administrator*

Two counties, Graham and La Paz, have requested to be able to apply the post-judgment interest for at least a 30 day period in their credits. This will be discussed further in Executive Session for legal advice.

**Report by Mr. William Davis, Chairman of the Investment Committee, regarding agenda items 5 through 10, which were discussed at the Investment Committee meeting held today, August 22, 2017, on or after 9:00 a.m., and possible Action on the Committee’s recommendations to the Board regarding same.**

- 5. Presentation and written report by Investment Department Staff regarding Portfolio Risk as of May 31, 2017 and June 30, 2017.

*Mr. Owen Zhao  
Portfolio Analyst - Risk*

Portfolio risk remains very similar as reported during the preceding month.

- 6. Presentation and written report by Investment Department Staff and discussion regarding (i) the Month-End and Fiscal Year-to-Date performance for the PSPRS Trust as of May 31, 2017 and June 30, 2017; 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*

The returns for the prior fiscal year are approximately 12%.

- 7. Discussion of current economic environment and summary of Q4 investment results (annual results and attribution will be discussed in detail at September Annual Meeting).

*Mr. Allan Martin  
NEPC, LLC.*

The economic environments in the U.S. and globally were discussed. PSPRS’ total Fund return, net of fees, as of June 30, 2017, for the one year period were 11.9%. For the five year period the Fund return was 8.8% and for the seven year period, the Fund’s return was 7.9%, outperforming the assumed rate of return of 7.4% for each period. The value of the Fund’s portfolio on the date of the meeting was \$9,289,496,615. On a risk adjusted basis, the Fund’s portfolio, based upon 55 public funds valued at over a billion dollars, is in the top 2% of peers relating to risk. By design, the

Fund's portfolio has a higher level of private market investments than public market investments. All targets are within policy.

8. Report by Investment Department Staff and counsel regarding the Securities Class Actions Program and related recoveries.

*Mr. Ryan Parham  
Assistant Administrator and Chief Investment Officer  
Marc Lieberman, Esq.  
Kutak Rock  
Jennifer Eichholz, Esq.*

Discussion was held regarding the Trust's Securities Class Action program, which recovers on average approximately \$764,000 per year. In 2010, a U. S. Supreme Court decision regarding foreign securities required the Trust to sue in the country where the exchange occurred to recover foreign securities losses. Foreign lawyers have to be hired and the loser has to pay legal fees. Due to this, the market has created "funders" who monitor lawsuits and who put up money for foreign lawyers. The funders take the risk of losing in exchange for allowing us to participate for a negotiated fee. In addition, PSPRS has four law firms charged with monitoring this area. There are currently five actions in process outside the U.S.

9. 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 \$75 million for purposes of direct investment with **Brevet Direct Lending Intermediate Fund**, in the Private Credit portfolio, subject to final Staff and legal due diligence.
  - B. Finalized and Executed Transactions During Prior Period:
    1. **Brevet Direct Lending Intermediate Fund**; Committed amount up to \$75 million; Date Closed: July 3, 2017. This investment is allocated to PSPRS Asset class: Private Credit.

This summary is for reporting and information purposes.

10. Presentation and discussion by Staff regarding System's 5 year cash-flow history of contributions and payouts.

*Mr. Ryan Parham  
Assistant Administrator and Chief Investment Officer  
Mr. John Hendricks  
Manager of Finance and Accounting*

Discussion was held regarding the Trust's cash flows. Due to the *Hall* case, there may be fewer contributions to EORP for the rest of the year since a contribution hiatus has been called.

**Presentation by Mr. Bryan Raines, Chairman of the Operations, Governance Policy and Audit Committee, regarding agenda items 11 through 20, which were discussed at the Operations, Governance Policy and Audit Committee meeting held today, August 22, 2017, on or after 10:30 a.m., and possible Action on the Committee's recommendations to the Board regarding same.**

11. Presentation of the Operations Update Report and possible **Action**.

*Mr. Dave DeJonge  
Deputy Administrator*

During the Operations meeting, an update on the *Hall* case was presented. PSPRS is in compliance with the follow-up to the Auditor General's report.

12. Presentation of the Month-to-Date Budget Report for FY 2018 and possible **Action** on same.  
*Mr. John Hendricks  
Manager of Finance and Accounting*

The Trust was under budget by 6.2% for the fiscal year ended June 30, 2017.

13. Presentation of the Strategic Plan Progress Report and possible **Action**.  
*Mr. John Briney  
Enterprise Systems Architect*

Discussion was held regarding progress update on the Strategic Plan.

14. Presentation of the Local Board & Employer Outreach Report and possible **Action**.  
*Mr. Don Mineer  
Local Board Training Coordinator*

The local board training staff has been attending meetings around the state.

15. Presentation of the Requests for Local Board Rehearing Report for the current month and possible **Action**.  
*Ms. Michelle Pechan  
Paralegal*

Information is in the packet for the trustees regarding five requests for local board rehearings.

16. Presentation on PSPRS communication efforts and possible **Action**.  
*Mr. Christian Palmer  
Communications Director*

Mr. Palmer discussed continuing outreach to the membership.

17. Presentation of HR Report and possible **Action**.  
*Ms. Patricia Shaner  
Human Resources Director*

A status report was presented.

18. Review and discussion regarding law firms' billings for legal services performed in June and July, 2017.  
*Ivy Voss, Esq.  
Assistant Attorney General*

Billings for legal services performed in June and July were approved for payment.

19. Review, discussion and possible **Action** on proposed, pending and passed legislative matters.  
*Jared A. Smout*

No discussion was held.

20. Review, discussion and possible **Action** on Governance Manual updates.  
*Mr. Dave DeJonge*

Various minor changes to the Governance Manual were discussed, including no longer requiring approval of the Board to pay monthly legal expenses and to separate the compliance and internal audit position into two separate job positions.

<b>MOTION: 3-8/22/17</b>	At 3:50 P.M.
<b>Motion:</b>	To update the Governance Manual to not require approval for legal bills to be paid, and to separate the compliance and internal audit positions into two separate positions.
<b>Moved by:</b>	As recommended by the Operations, Governance Policy and Audit Committee.
<b>Seconded by:</b>	-----
<b>Discussion:</b>	None
<b>In Favor:</b>	Unanimous
<b>Motion:</b>	Passes

21. Update, discussion and possible **Action** regarding A.R.S. §§ 38-611.02, 38-848(Q) and other personnel matters.

*Mr. Jared A. Smout*

To be discussed during Executive Session.

22. Discussion and possible **Action** to approve the retention of the firm Labaton Sucharow LLP as one of the Trust's securities class action firms.

*Jennifer Eichholz, Esq.  
In-House Investment Counsel*

<b>MOTION 4-8/22/17</b>	At 3:53 P.M.
<b>Motion:</b>	To approve the retention of the firm of Labaton Sucharow LLP.
<b>Moved by:</b>	Mr. Buividas
<b>Seconded by:</b>	Mr. McNeill
<b>Discussion:</b>	Mr. Buividas stated to begin an RFP process.
<b>In Favor:</b>	Unanimous
<b>Motion:</b>	Passes

23. Update on the Elected Officials' Retirement Plan Ad Hoc Committee.

*Mr. Brian P. Tobin*

An Ad Hoc Committee comprised of Chairman Tobin and Msrs. Scheinert, Smith and Davis will meet on September 5, 2017 at 1:00 P.M. to discuss issues with EORP stakeholders.

24. Discussion and possible **Action** concerning the vacant ninth Trustee position.

*Mr. Brian P. Tobin*

<b>MOTION:5-8/22/17</b>	At 3:54 P.M.
<b>Motion:</b>	To add Harry Papp as the third nominee for the open Trustee position for the Governor's consideration, along with the other prior two submissions, with the note requesting that Mr. Papp will resign from his Trustee position with ASRS and the Arizona Board of Investment, as the Board considers such additional trustee positions to be in conflict with his independence.
<b>Moved by:</b>	Mr. Davis
<b>Seconded by:</b>	Mr. Raines
<b>Discussion:</b>	None
<b>In Favor:</b>	Unanimous
<b>Motion:</b>	Passes

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

*Mr. Brian P. Tobin*

<b>MOTION:6-8/22/17</b>	At 3:59 P.M.
<b>Motion:</b>	To approve two travel expenditures for Mr. Buividas to participate in due diligence trips to D.C. and New York, NY this fall, 2017.
<b>Moved by:</b>	Requested by Mr. Buividas
<b>Seconded by:</b>	-----
<b>Discussion:</b>	None
<b>In Favor:</b>	Unanimous
<b>Motion:</b>	Passes

26. Discussion and consultation with legal counsel and Staff and possible **Action** regarding proposed legislation, 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 27.

27. **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, legislation, and ongoing or threatened legal action or claims involving the Plans or Trust not otherwise referenced above in Item 26, 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).
- b. Update and discussion with legal counsel concerning A.R.S. §§ 38-611.02, 38-848(Q) and other personnel matters, as authorized by A.R.S. § 38-431.03(A)(1) and (3).
- c. Discussion and consultation with legal counsel concerning the vacant ninth Trustee position, as authorized by A.R.S. § 38-431.03(A)(4).

<b>MOTION:2-8/22/17</b>	At 1:13 P.M.
<b>Motion:</b>	To recess Open Session and to enter Executive Session.
<b>Moved by:</b>	Mr. Smith
<b>Seconded by:</b>	Mr. Davis
<b>Discussion:</b>	None
<b>In Favor:</b>	Unanimous
<b>Motion:</b>	Passes

Open Session resumed at 3:44 P.M.

28. Schedule future meeting date(s). (*The Board of Trustees Annual Meeting is currently scheduled for Thursday, September 28, 2017 and Friday, September 29, 2017.*)

The Board of Trustees Annual Meeting will be held on September 28, 29, 2017.

29. Adjournment.

The meeting was adjourned at 4:02 P.M.

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Brian P. Tobin, Trustee, Chairman

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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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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