

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

**September 24 and 25, 2014**

**MINUTES**

Present: Mr. Brian Tobin, Chairman, Trustee – Excused on 9/24/14  
Mr. Gregory Ferguson, Vice Chairman, Trustee  
Mr. Jeff McHenry, Trustee  
Ms. Randie Stein, Trustee – Excused on 9/25/14  
Mr. Richard Petrenka, Trustee - Excused on 9/25/14  
Mr. Lauren Kingry, Trustee  
Mr. William Davis, Trustee

Others Present: Mr. Jared Smout, Deputy Administrator  
Mr. Ryan Parham, Chief Investment Officer  
Mr. Marty Anderson, Deputy Chief Investment Officer  
Ms. Ivy Voss, Assistant Attorney General  
Mr. Shan Chen, Lead Portfolio Manager  
Mr. Mark Steed, Lead Portfolio Manager and Chief of Staff  
Ms. Vaida Maleckaite, Investment Operations Analyst  
Mr. Mark Lundin, Deputy Chief Investment Officer  
Mr. Marc Lieberman, Fiduciary Counsel, Kutak Rock  
Mr. Allan Martin, Partner, NEPC, LLC  
Ms. Bridget Feeley, Internal Audit and Compliance Officer  
Ms. Jennifer Eichholz, In-House Investment Counsel  
Mr. Don Rissmiller, Partner and Chief Research Officer Strategas  
Mr. Filippo Cardini, COO, General Counsel and Managing Director  
Towerbrook Capital Partners  
Mr. Caleb Kramer, Managing Director and Portfolio Manager Oaktree  
Capital Management  
Mr. Michael Wilds, COO and Managing Director Magnetar Capital  
Mr. Scott McCarty, Finance Director, Town of Paradise Valley

1. Call to Order; Roll Call; Opening remarks

*Mr. Brian P. Tobin  
Chairman  
Mr. Gregory Ferguson  
Vice Chairman*

The meeting was called to order at 1:00 p.m. by Vice Chairman Ferguson who stated on the first day of the Annual Meeting, Agenda items 1-19 will be reported upon and the second day Agenda items 20-25 will be reported upon.

Deputy Administrator Smout corrected a statement he had made during the Board Meeting held last month which was PSPRS had not been paying into the state personnel system, however we had been paying since July of last year.

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 on September 24, 2014.

A second Call to the Public was held at 11:59 a.m. on September 25, 2014 to which there was no reply.

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 early retirement benefit of Michael E. Johnson.
- b. Acceptance of Elected Officials' Retirement Plan of normal retirement benefit of Thomas Sheahan.
- c. Acceptance of Elected Officials' Retirement Plan of termination of normal retirement benefit of John K. Milam.
- d. Acceptance of Elected Officials' Retirement Plan of early retirement benefit of Andrew P. Thomas.
- e. Acceptance of Elected Officials' Retirement Plan of early retirement benefit of Eileen S. Willett.
- f. Acceptance of Transfer Between State Retirement Systems of James Ray.
- g. Acceptance of Transfer Between State Retirement Systems of Anthony Pankowski.
- h. Acceptance of Transfer Between State Retirement Systems of Mark O'Connell.
- i. Acceptance of Transfer Between State Retirement Systems of Michael Dando.
- j. Acceptance of Transfer Between State Retirement Systems of Dennis Higgins.
- k. Acceptance of Transfer Between State Retirement Systems of Steve Iker.
- l. Acceptance of Transfer Between State Retirement Systems of Gerald Bills.
- m. Acceptance of Transfer Between State Retirement Systems of John Long.
- n. Acceptance of Transfer Between State Retirement Systems of Michael Lee.
- o. Acceptance of Transfer Between State Retirement Systems of Eric Oldenburg.
- p. Acceptance of Transfer Between State Retirement Systems of Aaron Williams.
- q. Acceptance of Transfer Between State Retirement Systems of Carol Pinson.
- r. Acceptance of Transfer Between State Retirement Systems of Michael Ennis.
- s. Acceptance of Transfer Between State Retirement Systems of Matt Giralde.
- t. Acceptance of Transfer Between State Retirement Systems of Paul D. Matson.
- u. Acceptance of Transfer Between State Retirement Systems of James McDonough.

- v. Acceptance of Transfer Between State Retirement Systems of Jason Adler.
- w. Acceptance of Transfer Between State Retirement Systems of Fernando Gomez.
- x. Acceptance of Transfer Between State Retirement Systems of David Bullard.
- y. Acceptance of Transfer Between State Retirement Systems of John Bennett.
- z. Acceptance of Transfer Between State Retirement Systems of Iain Anderson.
- aa. Acceptance of Transfer Between State Retirement Systems of Kevin Johnston.
- bb. Acceptance of Transfer Between State Retirement Systems of Marc Christensen.
- cc. Acceptance of Transfer Between State Retirement Systems of Richard Hollibaugh.
- dd. Acceptance of Transfer Between State Retirement Systems of Bruce Greenberg.
- ee. Acceptance of Transfer Between State Retirement Systems of Timothy Edwards.
- ff. Acceptance of Transfer Between State Retirement Systems of Kathleen Wadley.
- gg. Acceptance of Transfer Between State Retirement Systems of Michael Terrinoni.
- hh. Acceptance of Transfer Between State Retirement Systems of Keith Wagner.
- ii. Acceptance of Transfer Between State Retirement Systems of Brian Moore.
- jj. Acceptance of Transfer Between State Retirement Systems of L. Jeanette Brambila.
- kk. Acceptance of Transfer Between State Retirement Systems of Michael Fry.

<b>MOTION: 1 – 9/24/14</b>	At 1: 03 p.m.
<b>Motion:</b>	To approve the Consent Agenda as presented.
<b>Moved by:</b>	Mr. Petrenka
<b>Seconded by:</b>	Mr. Kingry
<b>Discussion:</b>	None
<b>In Favor:</b>	Unanimous
<b>Motion:</b>	Passes

4. Appropriate **Action** regarding the Minutes of the August 27, 2014 Meeting of the PSPRS Board of Trustees.

*Mr. Brian P. Tobin  
Mr. Gregory Ferguson*

<b>MOTION: 2 – 9/24/14</b>	At 1: 04 p.m.
<b>Motion:</b>	To accept the Minutes of the August 27, 2014 Meeting of the PSPRS Board of Trustees as written.
<b>Moved by:</b>	Mr. McHenry
<b>Seconded by:</b>	Mr. Davis
<b>Discussion:</b>	None
<b>In Favor:</b>	Unanimous
<b>Motion:</b>	Passes

5. Appropriate **Action** regarding the Joinder Agreement with the Timber Mesa Fire and Medical District (which District resulted from a merger of Lakeside Fire District, Linden Fire District and Show Low Fire District).

*Mr. Brian P. Tobin  
Mr. Gregory Ferguson*

<b>MOTION: 3 – 9/24/14</b>	At 1: 06 p.m.
<b>Motion:</b>	Move to approve the Joinder Agreement with the Timber Mesa Fire and Medical District (which District resulted from a merger of Lakeside Fire District, Linden Fire District and Show Low Fire District).
<b>Moved by:</b>	Mr. Kingry
<b>Seconded by:</b>	Mr. Petrenka
<b>Discussion:</b>	None
<b>In Favor:</b>	Unanimous
<b>Motion:</b>	Passes

6. Report by Investment Department Staff and discussion regarding (i) the Month-End and Fiscal Year-to-Date performance for the PSPRS Trust as of July 31, 2014, (ii) the net-of-fees performance for the PSPRS Trust as of prior Fiscal Year End; and (iii) written report regarding the asset allocation and performance of the Firefighters and Peace Officers Cancer Insurance Program as of July 31, 2014.

*Ms Vaida Maleckaite  
Sr. Investment Operations Analyst*

The performance for Month-End was down by 57 basis points as compared to the benchmark which was down 68 basis points. The Fiscal Year-to-Date was the same since July is the first month of the fiscal year. Net of Fees performance was up 13.28% for the Fund which trails the benchmark by 54 basis points. Return for the Firefighters and Peace Officers Cancer Insurance Program was down 1.11% as of July 31, 2014. Discussion was held regarding hedge funds and CALPERS.

7. Report by Investment Department Staff regarding Portfolio Risk as of September 12, 2014.

*Mr. Mark Lundin  
Deputy Chief Investment Officer-Risk*

Global and sub-portfolio risk was discussed as well as the financial market environment. U. S. consumer price inflation remains low, but modest wage gains indicate businesses may be planning wage increases. Volatility and value at risk forecasts increased by 10% again this month, drivers of sub-portfolio and the PSPRS Trust, lessons from the past and risk adjusted returns relative to peer groups were presented.

PSPRS has been in the top decile (lowest risk) of public trusts in the nation for five years; portfolio efficiency in the top decile for the past four years; and the PSPRS Trust portfolio is one of the top or second to the top of the most efficient public, defined benefit plans in the nation. We currently perceive the PSPRS portfolio to be prepared for market environment risks while remaining fully invested.

8. Approved Transaction Report for the period August 2014 through September 2014.

*Portfolio Managers*

- a. Centerbridge Capital Partners III; Projected Closing: October 24, 2014.

*Mr. Shan Chen  
Lead Portfolio Manager*

There were no requests from board members for review of this topic.

9. Closed Transaction Report for the period August 2014 through September 2014  
*Jennifer Eichholz, Esq.*  
*In-House Investment Counsel*
- a. Davidson Kempner Special Opportunities Fund II; Date Closed: August 27, 2014
  - b. Iron Point Real Estate Partners III, L.P.; Date Closed: September 5, 2014
  - c. Baring Asia Private Equity Fund VI; Date Closed: September 10, 2014
  - d. Melody Capital Partners Onshore Credit Fund, L.P.; Date Closed: September 4, 2014

This agenda item was informational only with no requests for clarification from board members.

10. Report by the System's Internal Audit and Compliance Officer and discussion regarding investment compliance, holdings and transactions as of July 31, 2014.  
*Ms. Bridget Feeley*  
*Internal Audit and Compliance Officer*

As of July 31, 2014 holdings and transactions were in compliance with investment guidelines.

11. Round Table Discussion on Macro Economic Developments by certain investment partners will be held on Thursday, September 25, 2014, starting at 10 a.m.
- Mr. Mark Steed**  
*Lead Portfolio Manager*  
**Mr. Don Rissmiller**  
*Partner and Chief Research Officer*  
*Strategas*  
**Mr. Filippo Cardini**  
*COO, General Counsel and Managing Director*  
*Towerbrook Capital Partners*  
**Mr. Caleb Kramer**  
*Managing Director and Portfolio Manager*  
*Oaktree Capital Management*  
**Mr. Michael Wilds**  
*COO and Managing Director*  
*Magnetar Capital Partners*  
**Mr. Anil Gorthy**  
*Partner and Portfolio Manager*  
*Pacific Alliance Group*

Mr. Parham and Mr. Steed introduced the panelists and stated how each contributes to the investment portfolio. Mr. Gorthy was unable to attend the meeting.

Mr. Wilder described the business of Magnetar Capital Partners and what he contributes to the business of managing assets. He works specifically for their energy fund. The panel included Mr. Cardini of Towerbrook Capital Partners which specializes in private equity in Europe and North America. Mr. Kramer of Oaktree Capital Management

focuses on credit strategies and Mr. Rissmiller of Strategas represented the macroeconomic strategy and research firm.

The first question asked of the panel was where do they see opportunities and what drives those opportunities. The next question was about the risk of investing in energy, the environmental and political risks and how to reduce the volatility of investing in this area and reduce the downside risk. Discussion was held regarding the business cycle, labor costs and commodity prices. Additional topics included the place of gold in the portfolio, what keeps the panel members up at night, future development of U.S. and other oil fields as relates to international political tensions. The final topic asked of the panel related to the acquisition and development of talent.

12. Presentation of the Month-to-Date Budget Report for FY 2015 and possible **Action** on same.

*Mr. John Hendricks  
Manager of Finance and Accounting*

Mr. Hendricks stated we are over budget due to legal expenses, but the budget amount for this line item was understated. Once the in-house investment counsel becomes more familiar with the portfolio, this amount will decrease.

13. Update on the progress of the Local Board Training Program and discussion and possible **Action** regarding the same.

*Mr. Robert Ortega  
Local Board Training Coordinator and Human Resources Manager  
Mr. Don Mineer  
Local Board Training Specialist*

Mr. Mineer said local seminars have been presented throughout the state, the newsletter has some informational additions to it, and a webinar is being developed as to how to process retirements.

14. Presentation of the "Requests for Local Board Rehearing" Report for the current month.

*Mr. Jared A. Smout  
Deputy Administrator*

There is one new issue.

15. Review, discussion and **Action** regarding law firms' billings for legal services performed in August, 2014.

*Mr. Jared A. Smout*

<b>MOTION: 4 – 9/24/14</b>	At 2:20 p.m.
<b>Motion:</b>	To approve the \$224,383.62 law firms' billings for legal services performed in August, 2014
<b>Moved by:</b>	Mr. McHenry
<b>Seconded by:</b>	Ms. Stein
<b>Discussion:</b>	Mr. Lieberman explained the fees for the investment department paralegal; discussion of mechanisms and possible legislation regarding possible defaults and bankruptcies by employers and their payments of pension obligations will be held in the near future. The Board asked for a schedule or diagram of which legal firm was engaged for which responsibility and who on staff can engage the firm. Ms. Voss stated a draft of this has been prepared, but it must first be reviewed by the Attorney General's Office.
<b>In Favor:</b>	Unanimous
<b>Motion:</b>	Passes

It was suggested that the Chairman of the Board contact the Office of the Attorney General so that next month this report can be presented to the Board following review by the Operations, Governance Policy and Audit Committee.

16. Report and possible **Action** on FY 2015 Compliance and Internal Audit Plan.  
*Ms. Bridget Feeley*

The Compliance and Internal Audit Plan schedule is on track. The Board suggested review of a sample of the reported investment fees as compared to our terms and work completed.

17. Update, discussion and possible **Action** concerning the process to select the next System Administrator.  
*Mr. Lauren Kingry  
Trustee and Administrator Selection Committee Chairman*

The selection committee has met once and has created and posted a position announcement which, as of September 23, 2014, has resulted in 27 applications. The first review of the applications is scheduled for October 10, 2014 with the goal of bringing to the board 3-5 finalists, if this is satisfactory to its members.

18. Update on Arizona's Open Meeting Law, A.R.S § 38-431, as it applies to the PSPRS Board and Committees.  
*Ivy N. Voss, Esq.  
Assistant Attorney General*

The focus of the presentation was on PSPRS' statutes and what is required to adhere to the Open Meeting Law. Details were presented regarding when a meeting is considered public, who must comply, defining a quorum, conflict of interest, and daisy chain calls. The posting of notices and agendas and their availability to the public were discussed. Other topics included how to conduct a Call to the Public, Executive Session and voting

following Executive Sessions. Minutes of the meetings were topics as were violations of the Open Meeting Law.

19. Presentation by the Chairman of the League of Arizona Cities and Towns Pension Task Force.

*Mr. Scott McCarty  
Finance Director  
Town of Paradise Valley*

Mr. McCarty discussed the makeup, work and direction to be taken by the League of Arizona Cities and Towns Pension Task Force. Three meetings of the task force were for education and information regarding Arizona pension plans and the next three meetings will focus on what is going on across the U. S. retirement systems concerning pension benefit increase structure, investment strategy and actuarial assessments. A description was given as to what the task force has done for Paradise Valley with the help of PSPRS to increase the assets and to add value to the Paradise Valley Pension Fund.

**The first day of the Annual Meeting recessed at 3:15 p.m. on Wednesday, September 24, 2014; and was scheduled to resume on Thursday, September 15, 2014 at 9:00 a.m.**

20. Election of Officers of the PSPRS Board of Trustees.

*Mr. Brian P. Tobin*

<b>MOTION: 6 – 9/25/14</b>	At 11: 56 a.m.
<b>Motion:</b>	To nominate Mr. Brian Tobin for Chairman of the PSPRS Board of Trustees.
<b>Moved by:</b>	Mr. McHenry
<b>Seconded by:</b>	Mr. Ferguson
<b>Discussion:</b>	None
<b>In Favor:</b>	Unanimous – Mr. Tobin was elected by acclamation.
<b>Motion:</b>	Passes

<b>MOTION: 7 – 9/25/14</b>	At 11: 57 a.m.
<b>Motion:</b>	To nominate Mr. Gregory Ferguson for Vice Chairman of the PSPRS Board of Trustees.
<b>Moved by:</b>	Mr. McHenry
<b>Seconded by:</b>	Mr. Davis
<b>Discussion:</b>	None
<b>In Favor:</b>	Unanimous – Mr. Ferguson was elected by acclamation.
<b>Motion:</b>	Passes

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

*Mr. Brian P. Tobin*

This item was skipped until the next meeting.



22. Discussion and consultation with legal counsel and Staff and possible **Action** regarding IRS determination letter requests, proposed legislation, investment matters, ongoing, contemplated or threatened legal action involving the Trust and Plans, including vendor disputes, public record requests, personnel matters, internal investigations (including those arising from UNITE HERE!'s allegations concerning ORG Portfolio Management) and actual or potential litigation and claims based on contract, tort or statute, including matters involving, judges Thompson and Hall, retired judges Fields and Lankford, retired police officers Rappleyea and Everson, active police officers Parker, Griego, Manganiello and Robles, Jack Cross, Anton Orlich, the Pivotal Group, the Seldins, Stroh Ranch Development, Timbervest, Jennifer Wright, Desert Troon Companies, the Arizona Republic, Judicial Watch, Crain Publications (Pensions and Investments Magazine), Mark Selfridge, Paul Corens, Stacy Alcott, and Michele Weigand, as well as claims raised by the survivors of deceased fire fighters John Percin, Jr., Sean Misner and Garret Zuppiger. 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 23.

<b>MOTION: 5 – 9/25/14</b>	At 9: 05 a.m.
<b>Motion:</b>	To recess Open Session and enter Executive Session.
<b>Moved by:</b>	Mr. Ferguson
<b>Seconded by:</b>	Mr. McHenry
<b>Discussion:</b>	None
<b>In Favor:</b>	Unanimous
<b>Motion:</b>	Passes

<b>MOTION: 8 – 9/25/14</b>	At 11: 58 a.m.
<b>Motion:</b>	Move to authorize Mr. Lieberman to proceed in lawsuit concerning Saipem in Italy as discussed in Executive Session.
<b>Moved by:</b>	Mr. Ferguson
<b>Seconded by:</b>	Mr. Kingry
<b>Discussion:</b>	None
<b>In Favor:</b>	Unanimous
<b>Motion:</b>	Passes

23. **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 setting policies in regards to the use of employment agreements, as authorized by A.R.S. §§ 38-431.03 (A) (3) and (4).
  - b. Update and discussion concerning the process to select the next System Administrator, as authorized by A.R.S §§ 38-431.03(A)(1) and (3).
  - c. Discussion regarding an Agreement with the Arizona Department of Administration, as authorized by A.R.S. §§ 38-431.03(A)(1), (3) and (4).

- d. Status report from Steptoe & Johnson LLP regarding the four (4) lawsuits challenging provisions of Senate Bill 1609, which lawsuits involve judges Thompson and Hall, retired judges Fields and Lankford, retired police officers Rappleyea and Everson, and police officers Parker, Griego, Manganiello and Robles, as authorized by A.R.S. § 38-431.03(A)(4).
  - e. Discussion with legal counsel (and possible recommendation to the Board of Trustees) regarding IRS determination letter requests and legal developments, claims and issues (including settlement discussions) involving investment-related public record requests as well as the Trust and Plans' contracts and investments, including legal matters concerning the Trust's custodians, lenders, securities lending agents, investment contracts, vendors, advisors, investment managers or joint venturers (as well as any investments managed by the Trust's investment managers or joint venturers), as authorized by A.R.S. §§ 38-431.03(A) (2), (3), (4) & (7). Matters discussed may include claims or potential claims by, against or involving (or issues concerning) Stroh Ranch Development, Timbervest, the Pivotal Group, Desert Troon Companies, Judicial Watch, Crain Publications (Pensions and Investments Magazine), the Arizona Republic, and/or Millard and Scott Seldin. Discussion may also include the Trust's negotiations regarding disposition of its joint venture real estate portfolios, as authorized by A.R.S. §38-431.03(A)(7).
  - f. Discussion and consultation with legal counsel and Staff regarding internal investigations (including those arising from UNITE HERE!'s allegations concerning ORG Portfolio Management), public record requests, and ongoing or threatened legal action involving the Plans or Trust not otherwise referenced above, including claims involving employee bonuses and plan valuations, Jack Cross, Anton Orlich, Ken Fields, Jennifer Wright, Mark Selfridge, Paul Corens, Stacy Alcott, and Michele Weigand, as well as claims raised by the survivors of deceased fire fighters John Percin, Jr., Sean Misner, and Garret Zuppiger, all as authorized by A.R.S. §§ 38-431.03(A) (2), (3) and (4).
  - g. Discussion with legal counsel and staff relating to employer defaults and withdrawals and legislation to address same, as authorized by A.R.S. 38-431.03(A)(3).
24. Set the next meeting date. (*Currently scheduled for Wednesday, October 22, 2014.*)
- The next meeting will be held on Wednesday, October 22, 2014.
25. Adjournment.

The meeting was adjourned at 12:00 p.m.

---

Brian P. Tobin, Chairman

---

Gregory Ferguson, Trustee,  
Vice Chairman

---

Randie A. Stein, Trustee

---

Jeff Allen McHenry, Trustee

---

Richard J. Petrenka, Trustee

---

Lauren Kingry, Trustee

---

William C. Davis, Trustee