

PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM BOARD OF TRUSTEES INVESTMENT COMMITTEE MEETING

NOVEMBER 29, 2017

MINUTES

Present: Mr. William Davis, Chairman, Trustee
Mr. William T. Buividas, Vice Chairman, Trustee
Mr. Donald A. Smith, Jr., Trustee
Mr. Harry A. Papp, Trustee
Mr. Dean M. Scheinert, Trustee –Arrived at 11:10 A.M.

Others Present: Mr. Ryan Parham, Chief Investment Officer
Mr. Mark Steed, Deputy Chief Investment Officer
Ms. Jennifer Eichholz, Senior In-House Investment Counsel
Ms. Rose Crutcher, Investment Paralegal
Mr. Paul Hemmes, Information Technology
Mr. Shan Chen, Lead Portfolio Manager
Mr. William Thatcher, Lead Portfolio Manager - Excused
Ms. Vaida Maleckaite, Director Investment Services - Excused
Mr. Jefferson Weston, Investment Analyst
Mr. Owen Zhao, Portfolio Analyst-Risk
Mr. Kevin Chen, Investment Analyst
Mr. Allan Martin, NEPC, LLC.
Mr. Ed Schwartz, ORG
Ms. Barbara McDowell, ORG

1. Call to Order, Roll Call, Opening Remarks.

Mr. William C. Davis
Committee Chairman

The meeting was called to order at 11:06 A.M.

2. Review, discussion and possible **Action** to approve Investment Committee Minutes from October 26, 2017.

Mr. William C. Davis

MOTION:1-11/29/17	At 11:06 A.M.
Motion:	To approve the Investment Committee Minutes from the meeting of October 26, 2017.
Moved by:	Mr. Buividas
Seconded by:	Mr. Smith
Discussion:	None
In Favor:	Unanimous
Motion:	Passes

3. Presentation and quarterly report by Investment Department Staff regarding Portfolio Risk as of September 30, 2017.

Mr. Owen Zhao
Portfolio Analyst – Risk

A brief update was provided. There has been no major change in Portfolio Risk since September, 2017. The Trust is 74% less volatile than the public stock market and has captured approximately 40% of the upside and 23% of the downside. The back testing results from different stress scenarios were stable. Discussion was held between Mr. Zhao and committee members regarding risk versus return/volatility objectives, portfolio design and factors in decision making.

4. Presentation and quarterly report by Investment Department Staff and discussion regarding (i) the Month-End and Fiscal Year-to-date performance for the PSPRS Trust as of September 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

No discussion was held. An oral report will be presented quarterly.

5. Presentation and discussion by NEPC representative(s) on the 1st Fiscal Quarter (3rd Calendar Quarter) investment performance and the 2016-2017 Fiscal Year investment performance for the Arizona PSPRS Trust.

Mr. Allan Martin
NEPC, LLC.

The report indicated the November, 2017 holdings for the Trust were 26% up over October, 2017 and the Fiscal Year-to-Date gross return was up 3.38%. Discussion was held regarding strategies for downside corrections in this economic cycle. Currently the market is earning more than the 7.4% assumed rate of return. The total Trust performance net of fees: Year-to-Date, 8.1%; One Year, 10.3%; 3 Year, 6.4%; 5 Year, 7.7%; 7 Year, 7.2% and 10 Year, 3.9%. For the five years ending September 30, 2017, PSPRS is among the lowest total funds as to Risk/Return. Summaries were presented regarding asset classes and asset class managers' performance.

6. 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. Ed Schwartz, ORG
Marc Lieberman, Esq. Kutak Rock

This topic will be discussed during the Board of Trustees meeting this afternoon.

7. Presentation and discussion regarding Section 5001 of the House Tax Reform Bill and Unrelated Business Taxable Income ("UBTI").

Jennifer Eichholz, Esq., Chief In-House Investment Counsel
Marc Lieberman, Esq.

This topic will be discussed during the Board of Trustees meeting this afternoon.

8. 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 direct investment purposes with **KKR Revolving Credit Partners II, L.P.**, in the PSPRS Private Credit portfolio, subject to final Staff and legal due diligence.
2. Disclosure of a potential investment of up to \$100,000,000.00 for direct investment in a separately managed account with **Audax Senior Debt Fund**; in the PSPRS Private Credit Fund, subject to final Staff and legal due diligence.

- B. Finalized and Executed Transactions During Prior Period:

1. **Charlesbank Equity Fund IX**; Committed amount up to \$60 million for direct investment purposes and up to \$30 million for purposes of co-investments; Date Closed: October 6, 2017. This investment is allocated to PSPRS Asset class: Private Equity.

A description of the manager selection process was given. No questions were asked and no discussion was held.

9. The Committee may discuss future dates for meetings and direct Staff to place matters on future agendas (currently scheduled for December 20, 2017.)

The next meeting is scheduled for December 20, 2017.

10. 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 reply to the Call to the Public.

11. Adjournment.

The meeting was adjourned at 11:59 A.M.

/s/ William Davis
Mr. William Davis
Chairman