

**PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM
INVESTMENT COMMITTEE MEETING**

March 1, 2017

MINUTES

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

Others Present: Mr. Ryan Parham, Chief Investment Officer
Mr. Mark Steed, Deputy Chief Investment Officer
Ms. Jennifer Eichholz, 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
Ms. Vaida Maleckaite, Director Investment Services
Mr. Jefferson Weston, Investment Analyst
Mr. Owen Zhao, Portfolio Analyst-Risk
Mr. Christian Palmer, Communications Director
Mr. Jay Rose, Stepstone
Mr. Weichou Su, Stepstone
Mr. David Hutchings, Albourne Consultants
Mr. Allan Martin, NEPC, LLC.

1. Call to Order; Roll Call; Opening remarks.

*Mr. William Davis
Committee Chairman*

The meeting was called to order at 10:14 a.m. by Chairman Davis.

2. Review, discussion and possible **Action** to approve Investment Committee Minutes from January 25, 2017.

Mr. William Davis

MOTION:1-3/01/17	At 10:14 A.M.
Motion:	To approve the Investment Committee Minutes from January 25, 2017.
Moved by:	Mr. Smith
Seconded by:	Mr. Scheinert
Discussion:	None
In Favor:	Unanimous
Motion:	Passes

3. Presentation/Written report by Investment Department Staff regarding Portfolio Risk as of December 31, 2016.

*Mr. Owen Zhao
Portfolio Analyst - Risk*

Discussion was held regarding the risk report. Areas of interest that were discussed included volatility and value at risk, risk contribution of all asset classes to the total portfolio risk, exposure to major market factors on both asset classes and global Trust levels and stress test results. The PSPRS Global Trust is approximately 55% less volatile than the market. Drivers of asset class risk and portfolio risk were discussed. It was requested that an analysis of the best case scenarios might be included in the report to give balance and to identify positive drivers of the portfolio.

4. 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 December 31, 2016; 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*

In December 2016 the Trust added 1.3% and outperformed the benchmark by 8 basis points. For the Fiscal Year-to-Date, the Trust earned 6.43% and outperformed the benchmark by 4.36%. Regarding the Calendar Year-to-Date, the Trust was up by 8.49% as compared to the benchmark which was up 7.73%.

5. Presentation and discussion by NEPC representative(s) on the 2nd FY Quarter (4th CY Quarter) investment performance and the 2016/2017 Fiscal Year-to-Date investment performance for the Arizona PSPRS Trust.

*Mr. Allan Martin
NEPC, LLC.*

Discussion was held regarding investment performance. At the end of the calendar year, the Fund's market value was \$8,889,789,497. The one year results were up 8.0% and achieved the primary objective of surpassing the 7.5% assumed earnings rate. The three year return of 5.3% ranks in the first quartile of our peer universe and the five year return of 7.5% ranks in the third quartile of our peer universe. Mr. Martin discussed the history of asset allocation of the Fund from 2008-2016. Information was presented about the remaining assets in the Real Estate portfolio. GTAA and Fixed Income asset classes outperformed in this quarter's report.

6. Presentation and discussion by Investment Department Staff and Consultants regarding the annual Overview and Strategic Plan for the Private Equity portfolio.

*Mr. Shan Chen, Lead Portfolio Manager
Mr. William Thatcher, Lead Portfolio Manager
Mr. Jay Rose, Stepstone
Mr. Weichou Su, Stepstone
Mr. David Hutchings, Albourne Consultants*

Discussion was held regarding Private Equity Asset Class. Investment strategies were listed and a snapshot of the PSPRS Private Equity portfolio since inception was provided. The Trust has invested in 73 funds and currently has 65 active funds. Cash flow for the 2016 calendar year was reported as were returns for prior years. This portfolio was described in terms of geographical areas of investments, vintage years, small and mid-market buyouts and seasoned secondaries. Performance as of 12/31/16 since inception was 12.28%.

7. 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 £50 million for direct investment and a reserve allocation of up to £30 million for purposes of co-investment with **Clearbell Fund 3**, in the Real Estate portfolio, subject to final Staff and legal due diligence.
 - 2. Disclosure of a potential investment of up to \$25,000,000 for direct investment purposes and a reserve allocation of up to \$20,000,000 with **Biolnnovation Capital Partners**, in the Private Equity portfolio, subject to final Staff and legal due diligence.
 - B. Disclosure of closed transactions for this period:
 - 1. **Mountain Capital Partners LP Fund**; Committed amount up to \$65 million direct and a reserve allocation of up to \$30 million for purposes of co-investment; Date Closed: November 15, 2016; This investment is allocated to PSPRS Trust Asset Class: Real Assets.
 - 2. **Actis Energy 4 Fund**; Committed amount of up to \$60 million direct and a reserve allocation of up to \$30 million for purposes of co-investment; Date Closed: December 22, 2016; This investment is allocated to PSPRS Trust Asset Class: Real Assets.
 - 3. **Catalyst European Property Fund II**; Committed amount of up to €15 million direct investment; Date Closed: December 15, 2016; This investment is allocated to PSPRS Trust Asset Class: Real Estate.
 - 4. **Bluescape Energy Recapitalization & Restructuring Fund III**; Committed amount of up to \$50 million direct and a reserve allocation of up to \$40 million for purposes of co-investment; Date Closed: December 5, 2016; This investment is allocated to the PSPRS Trust Asset Class: Real Assets.
 - 5. **Trident VII, LP Fund**; Committed amount of up to \$30 million direct and a reserve allocation of up to \$30 million for purposes of co-investment; Date Closed: December 2, 2016; This investment is allocated to PSPRS Trust Asset Class: Private Equity.
 - C. Disclosure of completed transactions:
 - 1. **Brevan Howard Master Fund**; This investment was allocated to PSPRS Asset Class: GTAA.
 - 2. **Eagle Small Cap Growth Strategy**; This investment was allocated to PSPRS Asset Class: US Equity.
 - 3. **THB Micro Cap Strategy and THB Small Cap Strategy**; These investments were allocated to PSPRS Asset Class: US Equity.
 - 4. **Gotham Institutional Select Fund; AZ Gotham Hedged Value Strategies (GHVS) 140-40; AZ Gotham Diversified Hedge Strategy (GDH) 115-65; AZ Gotham Diversified Hedge Strategy (GDH) 140-40; and AZ Gotham Hedged Value Strategies (GHVS) 115-65**. These investments were allocated to PSPRS Asset Class: US Equity.

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

The above are the transactions in process and those that have closed.

8. Schedule future meeting date(s). (*Currently scheduled for Wednesday, March 29, 2017.*)

The next meeting is scheduled for Wednesday, March 29, 2017 beginning at 9:00 a.m.

9. 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

10. Adjournment.

The meeting was adjourned at 12:13 p.m.

/s/ William Davis, Committee Chairman

Mr. William Davis, Committee Chairman