

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

January 15, 2014

MINUTES

Present: Mr. Richard Petrenka, Chairman, Trustee
Mr. Lauren Kingry, Vice Chairman, Trustee, Excused
Mr. William Davis, Trustee

Others Present: Mr. Ryan Parham, Chief Investment Officer
Mr. Marty Anderson, Deputy Investment Officer
Mr. Mark Steed, Lead Portfolio Manager and Chief of Staff
Mr. Shan Chen, Lead Portfolio Manager
Mr. Mark Lundin, Deputy Chief Investment Officer – Risk
Ms. Vaida Maleckaite, Sr. Investment Operations Analyst
Mr. Allan Martin, Partner, NEPC, LLC
Mr. Marc Lieberman, Fiduciary Counsel, Kutak Rock
Mr. David Hutchings, Head of Private Equity, Albourne Partners
Mr. Tom Keck, StepStone Group

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

*Mr. Richard Petrenka
Committee Chairman*

Chairman Petrenka called the meeting to order at 10:09 a.m.

2. Review, discussion and possible **Action** to approve the Investment Committee Minutes from December 18, 2013.

Mr. Richard Petrenka

MOTION:1-1/15/14	At 10:09 a.m.
Motion:	To accept the December 18, 2013 Investment Committee Minutes as presented.
Moved by:	Mr. Davis
Seconded by:	Mr. Petrenka
Discussion:	None
In Favor:	Unanimous
Motion:	Passes

3. Report by Investment Department Staff and discussion regarding the Month-End and Fiscal Year-to-Date performance of the portfolio as of the November 2013 month-end.

*Ms. Vaida Maleckaite
Sr. Investment Operations Analyst*

Ms Maleckaite reported that for the month ended November 2013, the portfolio was up by 54 basis points, but trailed the benchmark by 39 basis points. She indicated that it was a good month for equities, absolute return, GTAA, and credit opportunities. The

Fiscal Year-to-Date return was 7.02%, which trailed the benchmark by 41 basis points, and the Calendar Year-to-Date had a 12.55% all over return.

With respect to the Cancer Insurance Program, Ms Maleckaite indicated that as the System gets more actuarial experience with the Program, the Investment staff and the Investment Consultants will be in a better position to recommend a more appropriate asset allocation than the one currently in place.

4. Report by Investment Department Staff regarding PSPRS Trust Portfolio Risk for the Period-Ended November, 2013.

Mr. Mark Lundin
Deputy Chief Investment Officer – Risk

As of January 3, 2014 the Risk Report included information regarding volatility, value at risk forecasting, results of stress testing and interpretation of the results, and exposures to major market factors for the Trust and its portfolios. Mr. Lundin reported that there was little change in the risk profile from last month. He added that PSPRS invests at levels of volatility that are half of what they are in the public stock markets, but that the System can expect returns similar to the returns in those markets.

5. Manager Selection Report by Investment Department Staff and possible discussion regarding a potential investment of up to \$30 million direct and \$30 million in co-investments with Alcion Investment Partners or its affiliates, in the Alcion Real Estate Partners Tax-Exempt Parallel Fund III, L.P. or appropriate feeders, blockers or associated or parallel funds of same, subject to final Staff and legal due diligence.

Mr. Marty Anderson
Deputy Chief Investment Officer

This item was included within the Consent Agenda.

6. Manager Selection Report by Investment Department Staff and possible discussion regarding a potential investment of up to \$40 million with ORG Portfolio Management or its affiliates, in the ORG AZ Secondary Fund or appropriate feeders, blockers or associated or parallel funds of same, subject to final Staff and legal due diligence.

Mr. Marty Anderson

This item will be reported upon next month.

7. Manager Selection Report by Investment Department Staff and possible discussion regarding a potential investment of up to \$20 million direct and \$20 million in co-investments with Stone Point Capital LLC or its affiliates, in the Trident VI, L.P. or appropriate feeders, blockers or associated or parallel funds of same, subject to final Staff and legal due diligence.

Mr. Shan Chen
Lead Portfolio Manager

This item was included within the Consent Agenda.

8. Manager Selection Report by Investment Department Staff and possible discussion regarding a potential investment of up to \$75 million with Alphadyne Asset Management LLC or its affiliates, in the Alphadyne International Rates Fund or appropriate feeders, blockers or associated or parallel funds of same, subject to final Staff and legal due diligence.

Mr. Mark Lundin

This item was included within the Consent Agenda.

9. Manager Selection Report by Investment Department Staff and possible discussion regarding a potential investment of up to \$75 million with TPG Opportunities Partners, LP or its affiliates, in the TPG Opportunities Partners III, L.P. Fund or appropriate feeders, blockers or associated or parallel funds of same, subject to final Staff and legal due diligence.

*Mr. Mark Steed
Lead Portfolio Manager and Chief of Staff*

This item was included within the Consent Agenda.

10. Manager Selection Report by Investment Department Staff and possible discussion regarding a potential investment of up to \$30 million with Wellington Hedge Management LLC or its affiliates, in the Iguazu Partners, L.P. Fund or appropriate feeders, blockers or associated or parallel funds of same, subject to final Staff and legal due diligence.

Mr. Mark Steed

This item was included within the Consent Agenda.

11. Report by the Chief Investment Officer regarding Manager Selections for which Staff has completed legal and other due diligence.

*Mr. Ryan Parham
Chief Investment Officer*

Mr. Parham reported that the Investment Department staff members are reviewing the performance of the managers and that, over time, the System will have more money with fewer managers. He also reported that the legal expenses associated with the investments are within expected ranges.

12. Presentation and discussion by Investment Department Staff and Specialty Consultants regarding the annual Private Equity Overview and Strategic Plan.

*Mr. Shan Chen
Mr. David Hutchings, Head of Private Equity
Albourne Partners
Mr. John Coelho, Partner
StepStone Group*

Mr. Chen reported that as of December 31, 2013, there were 54 private equity funds, with 37 managers and \$1.5 billion of committed capital in the portfolio. He described the performance over time within the portfolio, cash flow and pacing. He then presented an overview of the program.

Mr. Tom Keck of the StepStone Group presented performance information. The Private Equity Portfolio is up 16.7% year over year as of June 30, 2013. Since inception the IRR has risen from 8.6% as of June 30, 2012 to 10.2% as of June 30, 2013. Other topics discussed included exposure by vintage year, sector exposure and geographic exposure. The five year weighted return of 7.1% ranks the PSPRS seventh among 146 public pension fund Private Equity Portfolios. An overview of venture capital markets and secondary investments was also presented.

Mr. David Hutchings of Albourne Partners discussed the effectiveness of the Private Equity Portfolio and future growth potential of European and Asian leveraged buyouts. He also provided a review of distressed private equity in the U.S. and Europe, due diligence and monitoring of the Private Equity portfolio, and the investment process.

13. Presentation and discussion regarding the role of leverage in institutional investment portfolios.

*Mr. Mark Lundin
Mr. Alan Martin, Partner
NEPC, LLC*

This item was tabled until the next Board of Trustees meeting.

14. Discussion and possible **Action** to recommend to the Board of Trustees adoption of certain proposed revisions to the Amended and Restated Statement of Investment Policy.

Mr. Ryan Parham

Mr. Parham stated that any changes in the leverage section of the Amended and Restated Statement of Investment Policy will be discussed next month after the presentation regarding leverage. He indicated that proposed changes can be adopted for sections other than that for leverage.

Wording on page 65 will be discussed at the full Board meeting this afternoon. That wording indicates that, after January 15, 2014, the trust will not enter into any new joint venture real estate with external managers who are real estate developers as opposed to real estate private equity and hedge fund managers without consent of the Investment Committee or the Board.

15. Discussion with Staff and counsel and possible **Action** to recommend to the Board of Trustees that they renew through October 23, 2015 the System's consulting contract with New England Pension Consultants ("NEPC") to enable NEPC to continue to serve as the System's general investment consultant as well as the specialty consultant for credit opportunities.

Mr. Ryan Parham

MOTION:2-1/15/14	At 12:30 p.m.
Motion:	To bring this recommendation to the Board of Trustees for approval, since NEPC is working without a current contract.
Moved by:	Mr. Mr. Davis
Seconded by:	Mr. Mr. Petrenka
Discussion:	None
In Favor:	Unanimous
Motion:	Passes

16. 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 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, Cross, the Pivotal Group, the Seldins, US Bank, Bank of America, Stroh Ranch Development and Timbervest. 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 17.
17. **Executive Session for Legal Matters.** Discussion with legal counsel (and possible recommendation to the Board of Trustees) about 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 and Plans' custodians, lenders, securities lending agents, investment contracts, vendors, advisors, investment managers or joint venturers (as well as any investments managed by the Trust's or Plans' investment managers or joint venturers). The Investment Committee may vote to discuss these matters, wholly or in part, in Executive Session pursuant to 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, Orlich 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).

There was no call for Executive Session.

18. Schedule next meeting. (*Calendared for February 26, 2014*)

The next meeting will be held on February 26, 2014.

19. 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 response to the Call to the Public.

20. Adjournment

The meeting was adjourned at 12:32 p.m.

Mr. Richard Petrenka, Chairman