

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

**March 26, 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. Don Stracke, Senior Consultant, NEPC, LLC  
Mr. Marc Lieberman, Fiduciary Counsel, Kutak Rock

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

*Mr. Richard Petrenka  
Committee Chairman*

The meeting was called to order at 10:00 a.m. by Chairman Petrenka.

2. Review, discussion and possible approval of Investment Committee Minutes from February 26, 2014.

*Mr. Richard Petrenka*

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| <b>MOTION:1-3/26/14</b> | At 10:01 a.m.  |
| <b>Motion:</b>          | To approve the February 26, 2014 Investment Committee Minutes. |
| <b>Moved by:</b>        | Mr. Davis  |
| <b>Seconded by:</b>     | Mr. Petrenka   |
| <b>Discussion:</b>      | None   |
| <b>In Favor:</b>        | Unanimous  |
| <b>Motion:</b>          | Passes   |

3. Report by Investment Department Staff and discussion regarding (i) the Month-End and Fiscal Year-to-Date performance for the PSPRS Trust as of January 31, 2014; (ii) a written report regarding the asset allocation and performance of the Firefighters and Peace Officers Cancer Insurance Program; and (iii) an overview of the securities lending program.

*Ms. Vaida Maleckaite  
Sr. Investment Operations Analyst*

For the month ending January 31, 2014, the PSPRS Trust performance declined 1.09% as compared to the benchmark which declined 1.17%. The Fiscal Year-to-Date performance for the Trust was 6.53% which included a write off for real estate. For the Calendar Year-to-Date, performance was 9.91% which was 85 basis points above the benchmark and above the assumed earnings rate of 7.85%.

A summary report was presented which included major points regarding the securities lending program. Regarding the Firefighters and Peace Officers Cancer Insurance Program, major discussion points included amortization, average net earnings and returns, and overall earnings.

4. Report by Investment Department Staff regarding Portfolio Risk for the Period-Ended February, 2014.

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

Mr. Lundin's report reviewed stress test results, value at risk, volatility, diversification, sub portfolios and management of risk. He also reported on economic indicators and economic history.

5. Presentation and discussion by Investment Department Staff and Specialty Consultants regarding the annual Overview and Strategic Plan for the Real Assets portfolio.

*Mr. Marty Anderson*  
*Deputy Chief Investment Officer*

The report included how certain investments were aggregated into this asset class which includes tangible and physical assets such as energy, core capital assets, commodities, infrastructure, special situations (secondary investments) and natural resources. Discussion was held as to the short term and long term outlook for the Real Assets portfolio.

6. 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 Investment Committee.

- a. 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 AZ Real Estate Secondary Opportunity Fund, subject to final Staff and legal due diligence.

*Mr. Marty Anderson*  
*Deputy Chief Investment Officer*

Regarding the ORG AZ Real Estate Secondary Opportunity Fund, Mr. Anderson reported that real assets and real estate have been separated and that we are looking for final Staff approval and due diligence on this item.

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

*Mr. Ryan Parham*

Mr. Parham reported that the Alcion Investment Partners III, L.P. and Walton Street Real Estate Fund VII, L.P. manager selections have progressed through all approvals and have been closed.

7. 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, Anton Orlich, the Seldins, Judicial Watch, 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 8.
8. **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, Judicial Watch, Anton 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).

An Executive Session was not held.

9. Schedule next meeting. (*Calendared for April 23, 2014*)

The next meeting is to be held on April 23, 2014.

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 response to the Call to the Public.

11. Adjournment

The meeting was adjourned at 12:30 p.m.

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Mr. Richard Petrenka, Chairman