

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

June 19, 2013

Minutes

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

Others Present: Mr. Mark Steed, Acting Assistant Administrator/Chief Investment Officer
Mr. Andrew Carriker, Chief Investment Officer
Mr. Mark Selfridge, Lead Portfolio Manager
Mr. Shan Chen, Lead Portfolio Manager
Ms Michele Weigand, Senior Contracts Specialist
Ms Vaida Maleckaite, Investment Operations Analyst
Mr. Allan Martin, Partner, NEPC, LLC
Mr. Don Stracke, Senior Consultant, NEPC

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

*Mr. Richard Petrenka
Committee Chairman*

The meeting was called to order at 10:06 a.m. by Chairman Petrenka.

2. Review, discussion and possible approval of Investment Committee Minutes from May 22, 2013.

Mr. Richard Petrenka

MOTION: 1 – 6/19/13	At 10:07 a.m.
Motion:	To approve the Investment Committee Minutes from May 22, 2013.
Moved by:	Mr. Kingry
Seconded by:	Mr. Davis
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 April 30, 2013 month-end.

*Mr. Mark Selfridge
Lead Portfolio Manager*

Mr. Selfridge reported that in April the total fund was up 1.14% as compared with the benchmark which was up 1.34%. Regarding the Fiscal Year-to-Date, the Trust was up 11.80% as compared to the benchmark which was up 11.39%. U. S. Equities underperformed the benchmark by 61 basis points (bps). Real Assets was down (-1.10%) and underperformed the benchmark which was down (-0.16).

4. Report by Investment Department Staff regarding Portfolio Risk for the Period-Ended April 30, 2013.

*Ms. Vaida Maleckaite
Investment Operations Analyst*

Ms. Maleckaite reported that there were no material changes; only fluctuations in market value.

5. Written report by Investment Department Staff regarding the asset allocation and performance of the Firefighters and Peace Officers Cancer Insurance Program.

Mr. Mark Selfridge

In addition to submitting a written report, Mr. Selfridge told the Committee members that the Firefighters and Peace Officers Cancer Insurance Program Plan is now over \$20 million in value as of 4/30/13. Performance for the Fiscal Year-to-Date is 13.06% versus the benchmark of 13.23%. He discussed with the Committee members the holdings, volatility, growth and the current asset allocation. He concluded by saying that we need to have additional experience with this new plan before we contemplate any significant new changes.

6. Report by Chief Investment Counsel regarding Manager Selections for which Staff has completed legal and other due diligence.

*Mr. Andrew Carriker
Chief Investment Counsel*

Mr. Carriker reported that legal and other due diligence with respect to Alterna Core Capital Assets was completed this past month. The Manager Selection was reported to the Board of Trustees at their May 22, 2013 meeting and the investment closed on May 23, 2013 with a \$40,000 commitment to that fund.

7. Presentation by Investment Department and NEPC representatives and discussion and possible **Recommendation** regarding certain proposed revisions to Appendix I (Asset Allocation Policy) of the Amended and Restated Statement of Investment Policy.

*Mr. Mark Steed
Acting Assistant Administrator / CIO
Mr. Allan Martin, Partner, NEPC*

Mr. Martin reported that every year, NEPC refreshes their outlook regarding asset allocation and reviews and updates its markets forecasts for the prior year. He and his staff review current asset allocations regarding expected returns, expected volatility and Sharpe Ratio for 5 to 7 years out and 30 years out. He said that, based upon their latest review, NEPC is recommending a reduction in core fixed income exposure and an increase in alternative exposure in GTAA, Private Equity and Real Estate to achieve expected returns over the long term of 7.85%.

NEPC compared current targets with their proposed mix and looked at the average public plan current targets in coming to their recommendations. No changes in the benchmarks were recommended and the ranges shift to accommodate the proposed policy targets. Mr. Martin concluded by discussing their recommended ranges and benchmarks.

MOTION: 2 – 6/19/13	At 10:47 a.m.
Motion:	To Recommend to the Board of Trustees approval of the proposed revisions to Appendix I (Asset Allocation Policy) of the Amended and Restated Statement of Investment Policy.
Moved by:	Mr. Davis
Seconded by:	Mr. Kingry
Discussion:	None
In Favor:	Unanimous
Motion:	Passes

8. Presentation by Investment Department Staff and discussion and possible **Recommendation** regarding certain proposed revisions to Appendix V (Securities Lending Policy) of the Amended and Restated Statement of Investment Policy.

Mr. Mark Steed

Staff has conducted a review of the Securities Lending Policy and the current agreement with BNY Mellon and a proposed amendment to that agreement. Revisions have been proposed to Appendix V (Securities Lending Policy) of the Amended and Restated Statement of Investment Policy regarding borrowing risk and indemnification in order to comply with the proposed amended agreement. The current contract is due to expire at the end of June.

The committee members directed Staff to go back to BNY Mellon and negotiate further rather than change the Securities Lending Policy.

9. Discussion and consultation with legal counsel and Staff and possible **Recommendation** 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 10.

The Board of Trustees did not call for an Executive Session.

10. **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) US Bank, Stroh Ranch

Development, Timbervest, The Pivotal Group, Bank of America, 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).

11. Schedule next meeting. (*Calendared for July 17, 2013*)

12. 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.

13. Adjournment

A copy of the agenda background material that is provided to the Board of Trustees (with the exception of materials relating to possible executive sessions and/or materials exempt by law from public inspection) is available for public inspection at the administrative offices of the Public Safety Personnel Retirement System, 3010 East Camelback Road, Suite 200, Phoenix, Arizona during regular business hours. The agenda is subject to revision up to 24 hours prior to the meeting.