

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

October 26, 2011

**MINUTES**

Mr. Richard J. Petrenka, Chair, Trustee  
Mr. Lauren Kingry, Trustee – Arrived at 10:07 a.m.  
Mr. Brian Tobin, Trustee  
Mr. James Hacking, Administrator – attended at 11:05 a.m.  
Mr. Ryan Parham, Assistant Administrator / Chief Investment Officer  
Mr. Marty Anderson, Deputy Chief Investment Officer  
Mr. Pascal Stalder, Deputy Chief Investment Officer – Risk  
Mr. Paul Corens, Senior Investment Analyst  
Mr. Shan Chen, Senior Analyst  
Mr. Mark Selfridge, Senior Analyst  
Mr. Mark Steed, Senior Investment Analyst  
Mr. Anton Orlich, Senior Analyst  
Ms. Michele Weigand, Senior Contracts Specialist  
Ms. Bridget Feeley, Internal Audit and Compliance Officer  
Ms. Manika Rastogi, Investment Intern  
Mr. Allan Martin, Partner, NEPC, Inc.  
Mr. Don Stracke, Senior Consultant, NEPC, Inc,  
Mr. Jay Rose, Partner, StepStone Group – by teleconference  
Mr. Lincoln Smith, Senior Portfolio Analyst, Albourne America, LLC  
Mr. John Shearman. Partner, Albourne America, LLC  
Mr. Alex Waxman, CIO, TPG Opportunities Partners II, L.P.  
Mr. Charles Froeb, Principal, Investor Relations, TPG Opportunities Partners II, L.P.  
Mr. Michael E. Tobin, Taylor Woods Capital Management  
Mr. Marc Lieberman, Partner, Kutak Rock

1. Call to Order, Roll Call, Opening remarks.....Mr. Richard J. Petrenka  
.....Committee Chairman

The meeting was called to order at 10:05 a.m. by Chairman Petrenka.

2. Review, discussion and possible approval of Investment Committee Minutes from September 21, 2011.....Mr. Richard J. Petrenka

<b>MOTION: 10-14-11</b>	At 10:06 a.m.
<b>Motion:</b>	To approve the Investment Committee Minutes from September 21, 2011 as presented.
<b>Moved by:</b>	Mr. Tobin
<b>Seconded by:</b>	
<b>Discussion:</b>	None
<b>In Favor:</b>	Unanimous
<b>Motion:</b>	Passes

3. Report by Investment Department Staff and discussion regarding the Month Ended and

Fiscal Year-to-Date performance/portfolio .....Mr. Mark Steed  
.....Senior Investment Analyst

Mr. Steed reported that, for the month ending September 30th, the fund's rate of return was -3.50% as compared to the benchmark return of -3.81%. Private equity was a -.08% compared to the benchmark of -7.61%. There is a disconnect in private equity, real estate, credit opportunities and real assets due to the quarterly reporting lag of benchmark returns.

Mr. Tobin requested more details on fixed income asset losses and both Mr. Parham and Mr. Steed stated they will provide to the Board. Mr. Petrenka requested a separate report for any non-performing assets.

4. Presentation by Investment Department Staff, StepStone Group (who may be participating by teleconference) and TPG Opportunities II Management, LLC, and / or its affiliates or representatives and discussion and possible **Recommendation** regarding an investment of up to \$100 million in TPG Opportunities Partners II, L.P. or appropriate feeders, blockers, or associated or parallel funds of same  
.....Mr. Mark Steed  
.....Mr. Jay Rose  
.....Partner, StepStone Group  
.....Mr. Alex Waxman, CIO  
.....Mr. Charles Froeb, Principal, Investor Relations  
.....TPG Opportunities II Management, LLC

Mr. Steed explained TPG Opportunities Partners II, L.P. is a special situations fund specializing in distressed credit opportunities in non-performing loans, corporate special situations and structured financing. Attractive to PSPRS is their impressive team's background, good performance, and attractive economics. This is a three year draw down fund with attractive yields. Mr. Rose (by conference call) added that their sourcing is direct and they have three areas of specialization: corporate distressed special situations, non-performing assets both commercial and residential, and sector dislocations.

Mr. Steed added they do not use leverage for downside protection. Regarding their draw down structure, Staff speaks with TPG at least quarterly and typically 2.5% to 5% cash goes into each opportunity.

<b>MOTION: 10-15-11</b>	At 10:50 a.m.
<b>Motion:</b>	To recommend to the full board an investment of up to \$100 million in TPG Opportunities Partners II, L.P. or appropriate feeders, blockers, or associated or parallel funds of same.
<b>Moved by:</b>	Mr. Tobin
<b>Seconded by:</b>	Mr. Kingry
<b>Discussion:</b>	None
<b>In Favor:</b>	Unanimous
<b>Motion:</b>	Passes

5. Presentation by Investment Department Staff, Albourne America LLC and Taylor Woods Capital Management, LLC representatives and discussion and possible **Recommendation** regarding an investment of up to \$25 million in Taylor Woods Master Fund Ltd. or appropriate feeders, blockers, or associated or parallel funds of same.....Mr. Paul Corens  
.....Senior Investment Analyst  
.....Messrs. Lincoln Smith and John Shearman  
.....Albourne America, LLC  
.....Michael E. Tobin  
.....Taylor Woods Capital Management

Mr. Corens summarized the history of the PSPRS commodities hedge fund exposure which began in 2009 with highly rated companies in the subclasses of real estate, distress corporate credit, distressed structured credit, and relative value. When looking for highly rated hedge funds, the System looks for excellent managers with sound strategies, regions of the globe and security measures. Currently, PSPRS has four managers in the commodities portfolio which at this time has a capacity for six managers who could take advantage of extraordinary dislocations and conditions in the credit markets that have more scope, scale, and/or magnitude than opportunities that are regularly available with low volatility minimum liquidity risks.

Mr. Michael Tobin of Taylor Woods Capital Management stated that their focus is on energy commodities, oil products, industrial and precious metals, and agricultural commodities. They invest in commodity futures and swaps, have a long volatility bias, and utilize an in depth understanding of the market fundamentals and trade flows in order to develop a directional bias across a broad spectrum of commodities markets.

<b>MOTION: 10-16-11</b>	At 11:32 a.m.
<b>Motion:</b>	To recommend to the full board an investment of up to \$25 million in Taylor Woods Master Fund Ltd. or appropriate feeders, blockers, or associated or parallel funds of same.
<b>Moved by:</b>	Mr. Kingry
<b>Seconded by:</b>	Mr. Tobin
<b>Discussion:</b>	None
<b>In Favor:</b>	Unanimous
<b>Motion:</b>	Passes

6. Presentation by Investment Department Staff and Albourne America, LLC representatives and discussion and possible **Recommendation** regarding an additional investment of up to \$50 million in the All Weather Portfolio, LLC managed by Bridgewater Associates.....Mr. Ryan Parham  
.....Chief Investment Officer  
.....Mr. Mark Steed  
.....Messrs. Lincoln Smith and John Shearman  
.....Partner, Albourne America, LLC

The All Weather Portfolio, managed by Bridgewater Associates, is a risk parity strategy that invests across board markets. The pure alpha profits from Bridgewater will go into

the All Weather portfolio as a repository for reinvesting the proceeds. This will allow up to \$120 million to be invested in this strategy and the correlation between the two strategies is almost zero. The prudent addition of \$50 million would then have about a \$400 million capacity in the Bridgewater fund which is 6-7% of this diversified portfolio. Mr. Shearman added the investment will be in well diversified emerging markets and equities.

<b>MOTION: 10-17-11</b>	At 11:41 a.m.
<b>Motion:</b>	To recommend an additional investment of up to \$50 million in the All Weather Portfolio, LLC managed by Bridgewater Associates.
<b>Moved by:</b>	Mr. Kingry
<b>Seconded by:</b>	Mr. Tobin
<b>Discussion:</b>	None
<b>In Favor:</b>	Unanimous
<b>Motion:</b>	Passes

7. Report by Investment Department Staff regarding the redemption of assets (liquidation of its Class C and other limited partnership interests) from Bluegold Global Fund L.P. and possible **Recommendation** regarding same.....Mr. Paul Corens

Mr. Ryan Parham suggested that agenda items 7,8, and 9 be considered together since they are conceptually related. Pursuant to hedge fund redemptions, PSPRS sent, with the concurrence of Albourne, an intra-month redemption notice to Bluegold Global Fund L.P., a discretionary commodities trading manager, since the returns has had a 17% loss. Staff and Albourne have been concerned with the way the Bluegold team has invested relative to the strategy they adopted. He stated that the staff is recommending taking money from Bluegold and adding an additional \$5 million to Helios Associates and an additional \$12 million to Vermillion Asset Management. This then leads to a rebalancing of our commodities portfolio which will now include an investment in Taylor Woods which then becomes a more attractive risk adjusted portfolio.

Mr. Shearman explained Bluegold has been very volatile and disappointing in a very difficult market for commodity trading. Albourne has lost confidence since the Bluegold team is not sure what to do next. We are compelled to protect our downside risk. After spending many hours with Bluegold in the last couple of months, Albourne has concluded that it is prudent to cut losses. Mr. Parham stated PSPRS sent an intra-month redemption notice to Bluegold per the policy so as not to incur penalties and we are then asking the Board to ratify the notice. The funds are to be returned by the end of this calendar year or the first of 2012.

<b>MOTION: 10-18-11</b>	At 12:05 p.m.
<b>Motion:</b>	To recommend to the Board the ratification of the redemption of assets (liquidation of its Class C and other limited partnership interests) from Bluegold Global Fund L.P.
<b>Moved by:</b>	Mr. Kingry
<b>Seconded by:</b>	Mr. Tobin
<b>Discussion:</b>	None
<b>In Favor:</b>	Unanimous
<b>Motion:</b>	Passes

8. Presentation by Investment Department Staff and Albourne America, LLC representatives and discussion and possible **Recommendation** regarding an additional investment of up to \$5 million in the Sunbeam Opportunities Fund, LLC. managed by Helios Associates.....Mr. Ryan Parham  
.....Chief Investment Officer  
.....Mr. Paul Corens  
.....Mr. John Shearman  
.....Partner, Albourne America, LLC

**MOTION: 10-19-11** At 12:06 p.m.

**Motion:** To recommend an additional investment of up to \$5 million in the Sunbeam Opportunities Fund, LLC. managed by Helios Associates.  
**Moved by:** Mr. Kingry  
**Seconded by:** Mr. Tobin  
**Discussion:** None  
**In Favor:** Unanimous  
**Motion:** Passes

9. Presentation by Investment Department and Albourne America, LLC representatives and discussion and possible **Recommendation** regarding an additional investment of up to \$12 million in the Viridian Fund, L.P. managed by Vermillion Asset Management.  
.....Mr. Ryan Parham  
.....Chief Investment Officer  
.....Mr. Paul Corens  
.....Mr. John Shearman  
.....Partner, Albourne America, LLC

**MOTION: 10-20-11** At 12:07 p.m.

**Motion:** To recommend an additional investment of up to \$12 million in the Viridian Fund, L.P. managed by Vermillion Asset Management.  
**Moved by:** Mr. Kingry  
**Seconded by:** Mr. Tobin  
**Discussion:** None  
**In Favor:** Unanimous  
**Motion:** Passes

10. Report by Investment Department Staff and/or legal counsel, and discussion by them with the Committee (and possible recommendation by the Committee to the Board of Trustees) about recent legal developments and issues (including settlement discussions) involving the investments of the Arizona PSPRS Trust, the System or the System's sister plans (EORP or CORP) (collectively, the "Plans"). Such discussion (and recommendations) may include legal issues (and disputes involving) the Plans' custodians, lenders, securities lending agents, investment contracts, vendors, advisors, investment managers or joint venture partners (as well as any investments managed by the Plans' investment managers or joint venture partners). The Committee may vote to discuss these matters, including public record requests, in Executive Session pursuant to A.R.S. §§ 38-431.03(A)(2),(3), (4), and (7) as set forth in item 11. Matters discussed may include claims by Bank of America, Stroh Ranch Development, The Pivotal Group,

APEX Capital, U.S. Bank and/or Millard and Scott Seldin.

This agenda item is to be discussed at the full Board of Trustees meeting at 1:00 p.m.

11. **Executive Session for Legal Matters.** Discussion with legal counsel (and possible recommendation to the Board of Trustees) about legal developments and issues (including settlement discussions) involving public record requests and the Plans' investments, including legal matters concerning the Plans' custodians, lenders, securities lending agents, investment contracts, vendors, advisors, investment managers or joint venture partners (as well as any investments managed by the Plans' investment managers or joint venture partners). 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), and (7). Matters discussed may include claims by Bank of America, Stroh Ranch Development, The Pivotal Group, APEX Capital, U.S. Bank and/or Millard and Scott Seldin.

There was no Executive Session.

12. Schedule next meeting. (*Calendared for November 30, 2011*)

13. 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.

No members of the public came forward to speak.

14. Adjournment

**MOTION: 10-21-11** At 12:07 p.m.

**Motion:** To adjourn the meeting.

**Moved by:** Mr. Kingry

**Seconded by:** Mr. Tobin

**Discussion:** None

**In Favor:** Unanimous

**Motion:** Passes

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Mr. Richard J. Petrenka, Chair, Trustee

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Mr. Lauren Kingry, Trustee

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Mr. Brian Tobin, Trustee