

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

October 31, 2012

MINUTES

Mr. Richard J. Petrenka, Chairman, Trustee
Mr. Lauren Kingry, Trustee, Vice Chairman
Mr. William Davis, Trustee
Mr. James Hacking, Administrator
Mr. Martin Anderson, Deputy Chief Investment Officer
Mr. Andrew Carriker, Chief Investment Counsel
Mr. Anton Orlich, Portfolio Manager
Mr. Paul Corens, Portfolio Manager
Mr. Mark Steed, Portfolio Manager
Mr. Mark Selfridge, Portfolio Manager
Ms. Michele Weigand, Senior Contracts Specialist
Mr. Don Stracke, Senior Consultant, NEPC,LLC
Ms. Vaida Maleckaite

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

Mr. Petrenka called the meeting to order at 10:07 a.m.

2. Review, discussion and possible approval of Investment Committee Minutes from
September 19, 2012.....Mr. Richard Petrenka

MOTION: 10-9-12 At 10:08 a.m.

Motion:	To accept the September 19, 2012 Investment Committee Minutes.
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 Ended and
Fiscal Year-to-Date performance of the portfolio.Mr. Marty Anderson
Deputy Chief Investment Officer

The portfolio performance was positive for the month ending September 30, 2012. For the Fiscal Year-to-Date every asset class index is in positive territory. For the month, the Fund was up 1.35%; but that was less than the benchmark which was up 1.77%. Equities had a strong quarter, private equity underperformed; but, there is a lagging quarterly report. The absolute return portfolio for the Month-to-Date was positive by 72 basis points as compared to the benchmark which was up 18 basis points. For the Year-to-Date, the absolute return portfolio was up 4% as compared to the benchmark which was up ½%.

4. Discussion and possible **Recommendation to Re-affirm** the Custody Agreement by and between Arizona PSPRS Trust and The Bank of New York Mellon.....
Mr. Marty Anderson

MOTION:10-10-12 At 10:33 a.m.

Motion: To recommend the Board of Trustees Re-affirm the Custody Agreement by and between the Arizona PSPRS Trust and The Bank of New York Mellon.

Moved by: Mr. Kingry

Seconded by: Mr. Davis

Discussion: None

In Favor: Unanimous

Motion: Passes

5. Discussion and possible **Recommendation to Re-affirm** the Custody Agreement by and between the Fire Fighter and Peace Officer Cancer Insurance Policy Program and The Bank of New York Mellon.Mr. Marty Anderson

MOTION:10-11-12 At 10:34 a.m.

Motion: To recommend the Board of Trustees Re-affirm the Custody Agreement by and between the Fire Fighter and Peace Officer Cancer Insurance Policy Program and The Bank of New York Mellon.

Moved by: Mr. Kingry

Seconded by: Mr. Davis

Discussion: None

In Favor: Unanimous

Motion: Passes

6. Presentation by Investment Department Staff and Wellington Hedge Management LLC representatives and possible discussion regarding Emerging Markets Debt, a sub-asset class within the Fixed Income Portfolio, and the Trust's investment with Iguazu Partners, L.P.Mr. Mark Steed
 Portfolio Manager
 Ms. Maura Neely, Vice President, Investment Director
 Mr. Scott Geary, Vice President, Business Development Manager

This agenda item was tabled until next month. Mr. Steed discussed emerging market debt for which PSPRS has allocated \$190 million across three emerging market debt managers. He discussed the strategies of each of these managers.

7. Manager Selection Report by Investment Department Staff and possible discussion regarding the approval of a \$10 million loan to DT Commercial, LLC, an Arizona limited liability company, wholly-owned subsidiary of DTR1, LLC, which is managed by Desert Troon Limited, LLC.....Mr. Marty Anderson

Mr. Anderson told the Committee that, because this is full recourse debt, we have the obligation to reduce the loan by \$10 million.

8. Manager Selection Report by Investment Department Staff and possible discussion regarding investment in a separately managed account of up to \$75 million in a strategy replicating the Cross Border Equity Fund strategy managed by The Emerging Sovereign Group, subject to final Staff and / or legal due diligenceMr. Anton Orlich
Portfolio Manager

Mr. Anderson explained that the Cross Border Equity Fund investment would be set up as a separately managed account for the purpose of more detailed, transparent reporting and liquidity. Mr. Orlich added that this is the first active manager that has been proposed and is in the equity bucket in the emerging market equity long/short space. The Emerging Sovereign Group uses the two strategies of equity long/short and macro. This fund has been in business since 2004; it uses a bottom up decision-making processes and the managers concentrate on non-commodities emerging markets.

Mr. Stracke added that NEPC has recommended this manager. He also indicated that the manager selection process was followed, and that the Compliance Officer verified that the manager selection process was followed. A discussion was then held to indicate how references are obtained for interviewing managers by the Staff for possible selection.

9. Manager Selection Report by Investment Department Staff and possible discussion regarding an investment of up to \$75 million in Emerging Sovereign Group's Country Macro Event Fund or any appropriate feeder, blocker, affiliated or parallel fund of the same, subject to final Staff and / or legal due diligenceMr. Mark Steed

Mr. Steed explained that the Country Macro Event Fund invests in credits where they hope the price of the debt will fall and that's how they achieve return. They generate return by buying a credit default swaps or by shorting bonds. The Country Macro Event Fund has focused on strategy and cash flow since 2007 and will do so in the future.

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 and public record requests) 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 Trust's custodians, lenders, securities lending agents, investment contracts, vendors, advisors, investment managers or joint venture partners (as well as any investments managed by the Trust's' 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 or potential claims by, against or involving (or issues concerning) BNY Mellon, Stroh Ranch Development, 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. **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 or potential claims by, against or involving (or issues concerning) BNY Mellon, Stroh Ranch Development, 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).

No Executive Session was held.

12. Schedule next meeting. (*Calendared for November 28, 2012*)

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.

A Call to the Public was held without any response.

13. Adjournment

The meeting was adjourned at 11:16 a.m.

Mr. Richard Petrenka, Trustee, Chairman