

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

JANUARY 31, 2018

MINUTES

Present: Mr. William Davis, Chairman, Trustee
Mr. William T. Buividas, Vice Chairman, Trustee
Mr. Donald A. Smith, Jr., Trustee
Mr. Harry A. Papp, Trustee
Mr. Dean M. Scheinert, Trustee –Arrived at 9:50 A.M.

Others present: Mr. Ryan Parham, Chief Investment Officer
Mr. Jared A. Smout, Administrator
Mr. Mark Steed, Deputy Chief Investment Officer
Ms. Jennifer Eichholz, Esq., Chief In-House Investment Counsel
Mr. Shan Chen, Lead Portfolio Manager
Mr. Jefferson Weston, Investment Analyst
Ms. Vaida Maleckaite, Director Investment Services
Mr. Owen Zhao, Portfolio Analyst-Risk
Mr. William Thatcher, Lead Portfolio Manager
Ms. Rose Crutcher, Investment Paralegal
Mr. Paul Hemmes, Information Technology
Mr. Kevin Chen, Investment Analyst
Ms. Chrystal Angotti, Executive Assistant
Christian Palmer, Communications Director
Mr. Tim Jackson, Compliance Officer
Mr. Allan Martin, NEPC, LLC
Mr. Marc Lieberman, Esq., Kutak Rock

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

*Mr. William C. Davis
Committee Chairman*

The meeting was called to order at 9:37 A.M.

2. Review, discussion and possible **Action** to approve Investment Committee Minutes from November 29, 2017.

Mr. William C. Davis

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| MOTION:1-01/31/18 | At 9:38 A.M. |
| Motion: | To approve the Investment Committee Minutes from the meeting of November 29, 2017. |
| Moved by: | Mr. Buividas |
| Seconded by: | Mr. Smith |
| Discussion: | None |
| In Favor: | Unanimous |
| Motion: | Passes |

3. Written report by Investment Department Staff regarding Portfolio Risk as of October 31, 2017 and November 30, 2017.

Mr. Owen Zhao
Portfolio Analyst – Risk

No discussion was held. An oral report will be presented quarterly.

4. Written report by Investment Department Staff and discussion regarding (i) the Month-End and Fiscal Year-to-Date performance for the PSPRS Trust as of October 31, 2017 and November 30, 2017; and (ii) written report regarding the asset allocation and performance of the Firefighters and Peace Officers Cancer Insurance Program.

Ms. Vaida Maleckaite
Director of Investment Services

No discussion was held. An oral report will be presented quarterly.

5. Presentation and discussion by NEPC representative(s) on multi-plan accounting / asset allocation strategy for the Arizona PSPRS Trust.

Mr. Allan Martin
NEPC, LLC.

Discussion was held regarding the possibility of increasing the System's exposure to risk in establishing asset allocations. This was followed by a brief discussion of the current economic environment. The forecasts for the portfolio for 5, 7 and 10 years was presented including as to the bond market, European economies and emerging markets. This was followed by analysis of the current asset mix for the

coming 5, 7 and 30 year periods and a discussion of measured changes in risk while being mindful of diversification and volatility. A brief topic was that of the assumed rate of return.

The concept of multi-plan accounting and how it might be implemented was discussed. In addition, the Committee asked to consider cost and companies able to assist PSPRS with multi-plan accounting.

6. Presentation and discussion by Investment Department Staff regarding the proposed calendar for asset reviews in calendar year 2018.

Mr. Ryan Parham
Assistant Administrator and Chief Investment Officer

The proposed schedule for asset reviews for calendar year 2018 was presented and as were possible changes to the Fire Fighters Cancer Insurance Plan.

7. Disclosure by Investment Department Staff of the following Manager Selection Matters:

A. New and Potential Investments Considered this Period:

1. Disclosure of a potential investment of up to \$100 million for purposes of direct investment in a SMA with **Audax Senior Debt Fund**, in the Private Credit portfolio, subject to final Staff and legal due diligence.
2. Disclosure of a potential investment of up to \$75 million for purposes of direct investment with Stellus Capital Management in its **Stellus Credit Fund II, L.P.**, in the Private Credit portfolio, subject to final Staff and legal due diligence.
3. Disclosure of a potential investment of up to \$30 million direct and a reserve allocation of up to \$10 million for purposes of co-investment with **LightBay Investment Partners A, L.P.**, in the Private Equity portfolio, subject to final Staff and legal due diligence.
4. disclosure of a potential investment of up to \$75 million for purposes of direct investment in **Crestline Specialty Lending Fund II, L.P.**, in the Private Credit portfolio, subject to final Staff and legal due diligence.

B. Finalized and Executed Transactions During Prior Period:

1. **KKR Revolving Credit Partners II, L.P. Fund**; Committed amount up to \$75 million; Date Closed: November 21, 2017. This investment is allocated to PSPRS Asset class: Private Credit.

No discussion was held.

8. Review, discussion and possible **Recommendations** on Governance Manual updates.

Jennifer Eichholz, Esq.
Chief In-House Investment Counsel
Ivy Voss, Esq.
Assistant Attorney General

Updates to sections of the Governance Manual regarding the Charter for the Investment Committee Chair, Charter of Independent Investment Consultant, Charter of Fiduciary Counsel, Travel Policy, Monitoring and Reporting Policy and Code of Conduct were reviewed. A change to clarify one paragraph of the Code of Conduct was discussed.

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| MOTION:2-01/31/18 | At 11:10 A.M. |
| Motion: | To recommend the Board of Trustees remove that last sentence of the Code of Conduct on p. 29 of the Governance Manual. |
| Moved by: | Mr. Buividas |
| Seconded by: | Mr. Smith |
| Discussion: | None |
| In Favor: | Unanimous |
| Motion: | Passes |

9. The Committee may discuss future dates for meetings and direct Staff to place matters on future agendas (currently scheduled for February 28, 2018.)

No discussion was held.

10. Call to the Public:

There was no response to the Call to the Public.

11. Adjournment

Meeting was adjourned at 11:12 A.M.

/s/ William Buividas
William Buividas
Acting Chairman Investment Committee