

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

April 22, 2015

MINUTES

Present: Mr. Lauren Kingry, Chairman, Trustee, Chairman
Mr. Richard Petrenka, Vice Chairman, Trustee
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. Allan Martin, Partner, NEPC, LLC
Ms. Wendy Malaspina, GMO LLC
Mr. Rick Firedman, GMO LLC
Mr. Marc Lieberman, Fiduciary Counsel, Kutak Rock

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

*Mr. Lauren Kingry
Committee Chairman*

2. Review, discussion and possible Action to approve Investment Committee Minutes from March 25, 2015.

Mr. Lauren Kingry

MOTION:1-4/22/15	At 11:01 a.m.
Motion:	Move to approve the Investment Committee Minutes from March 25, 2015 as presented.
Moved by:	Mr. Davis
Seconded by:	Mr. Kingry
Discussion:	None
In Favor:	Unanimous
Motion:	Passes

3. Written report and possible discussion of monthly review of Management Fees.

*Ms. Bridget Feeley
Internal Audit and Compliance Officer*

The report was written since there was nothing specific to report upon orally.

4. Presentation and discussion by Investment Department Staff and representatives of GMO LLC regarding asset allocation and investment philosophy.

Mr. Martin Anderson
Deputy Chief Investment Officer
Ms. Wendy Malaspina
GMO LLC
Mr. Rick Firedman
GMO LLC

Mr. Martin Anderson introduced the presentation regarding the investment philosophy and asset allocation of the GTAA portfolio. Ms. Wendy Malaspina stated the goal of the management of GMO is to achieve returns of inflation plus 5% over a full market cycle with a reasonable level of volatility which has been much lower than the broad equity markets, but higher than bonds within an asset allocation framework. GMO can allocate to a broad number of assets.

Mr. Rick Firedman stated the company is a value based investor that analyzes drivers of return today and in the future. Forecasts are built to guide us toward opportunities and to cast a wide net across the globe. He discussed GMO's view regarding currency hedging and they place companies into four categories: natural resource companies which trace currencies in U. S. dollars; multi-nationals with multi-currency exposure; exporters which benefit when their home currency falls and domestically oriented companies so currencies can be hedged to protect money. All of this depends on and is influenced by your time horizon.

Discussion was held regarding fixed income allocations and expectations of capital markets for the next seven years which is the average time for a market to move through a full cycle. Credit dislocation was discussed with the committee and NEPC.

5. Report by Investment Department Staff and In-House Legal Counsel regarding discussion of approved transactions that did not close.

Mr. Ryan Parham
Assistant Administrator and CIO

Mr. Ryan Parham stated these were approved transactions that did not close which are listed in an anonymous fashion. They were investments that we liked, but due to various reasons they were not consummated. This will give a better understanding to the committee and the board as to processes followed by the Investment Department staff.

- a. "Fund F," with a projected commitment of \$30 million, with \$20 million set aside for a potential co-investment, for the Real Estate Asset Class.

Mr. Marty Anderson
Deputy Chief Investment Officer

This a real estate fund in Asia with which we have invested in the past but, for various reasons, documentation was different this time. We were not able to get Arizona state mandated legal language into the documents, so we walked away.

- b. "Fund S," with a projected co-investment of \$8 million, in the Real Estate Asset Class.

*Mr. Marty Anderson
Deputy Chief Investment Officer*

This was a co-investment with certain assets. The documents were reviewed by a lot of different people and it became difficult to negotiate and alter the documents. We are very meticulous with our documents and we require reasonable protections on either side. It is our obligation to do so.

- c. "Fund T," with a projected investment of \$75 million in the Credit Ops Asset Class.

*Mr. Mark Steed
Lead Portfolio Manager*

Fund T has a compelling and sound strategy, but different legal issues have to be negotiated which we thought were not appropriate to the close since we can invest in other things.

- d. "Fund H," with a projected investment of \$50 million in the GTAA Asset Class.

*Mr. Mark Lundin
Portfolio Manager*

This is a hedge fund with unique characteristic that would have made an interesting investment for the GTAA portfolio. This had not been examined deeply enough by the specialty consultant. The investment team proceeded with the examination process faster than the specialty consultant and then the consultant did so in high gear. An on-site examination revealed deal killers. The specialty consultant did not charge PSPRS. This shows that due diligence is important to accomplish and with two sets of eyes. In addition, there was a legal review.

- e. "Fund U," for a projected investment of \$10 million in the Real Assets Class.

*Mr. Marty Anderson
Deputy Chief Investment Officer*

This was a co-investment with certain assets. The documents were reviewed by a lot of different people and it became difficult to negotiate and alter the documents. We are very meticulous with our documents; we have reasonable protections on either side which is our obligation to do so.

6. Disclosure by Staff regarding manager selection matters:

- a. Disclosure of an additional investment of up to \$30 million in the Taylor Woods Partners, L.P., Fund, subject to final Staff and legal due diligence.
- b. Disclosure of an investment of up to \$50 million direct, and up to \$20 million for co-investments, with EnCap Investments L.P., or its affiliates, in the EnCap Energy Capital Fund X, L.P., Fund, subject to final Staff and legal due diligence.

- c. Disclosure of a direct investment of up to \$70 million with Stellus Capital Management, LLC, or its affiliates, in the Stellus Credit Master Fund I, LLC, Fund, subject to final Staff and legal due diligence.
- d. Disclosure of an investment of up to \$50 million direct, and up to \$30 million for co-investments, with Fundamental Partners, or its affiliates, in the Fundamental Partners III, L.P., Fund, subject to final Staff and legal due diligence.

There were no questions.

- 7. Disclosure of closed transactions for the period February 13, 2015, through April 10, 2015.

*Jennifer Eichholz, Esq.
In-House Investment Counsel*

- a. Taylor Woods Partners, L.P.; Date Closed: March 31, 2015
- b. EnCap Energy Capital Fund X, L.P.; Date Closed: April 7, 2015
- c. Stellus Credit Master Fund I, LLC; Date Closed: April 10, 2015
- d. Fundamental Partners III, L.P.; Date Closed: February 15, 2015
- e. Comvest Capital III, L.P.; Date Closed: March 31, 2015
- f. Vivo Capital VIII, L.P.; Date Closed: March 17, 2015

There were no unique qualities to report.

- 8. Written reports by Investment Department Staff as of February 28, 2015, regarding (i) the Month-End and Fiscal Year-to-Date performance for the PSPRS Trust; and (ii) the asset allocation and performance of the Firefighters and Peace Officers Cancer Insurance Program.

*Ms. Vaida Maleckaite
Senior Investment Operations Analyst*

This report was written and there will be a quarterly report presented during the next meeting (in May), which will be both written and oral and will be coordinated with NEPC's quarterly report.

- 9. Schedule next meeting. (*Calendared for May 27, 2015*)

The next meeting will be held on May 27, 2015.

- 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 10:42 a.m.

/s/ Richard J. Petrenka, for
Mr. Lauren Kingry, Chairman