

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

**June 25, 2014**

**MINUTES**

Present: Mr. Brian Tobin, Chairman, Trustee  
Mr. Gregory Ferguson, Vice Chairman, Trustee  
Mr. Jeff McHenry, Trustee - Excused  
Ms. Randie Stein, Trustee.  
Mr. Richard Petrenka, Trustee - Excused  
Mr. Lauren Kingry, Trustee  
Mr. William Davis, Trustee

Others Present: Mr. Jim Hacking, Administrator  
Mr. Jared Smout, Deputy Administrator  
Mr. Ryan Parham, Chief Investment Officer  
Mr. Marty Anderson, Deputy Chief Investment Officer  
Ms. Ivy Voss, Assistant Attorney General  
Mr. Shan Chen, Lead Portfolio Manager - Excused  
Mr. Mark Steed, Lead Portfolio Manager and Chief of Staff  
Ms. Vaida Maleckaite, Investment Operations Analyst  
Mr. Mark Lundin, Deputy Chief Investment Officer  
Ms. Leslie Clark, Senior Financial Accountant/Great Plains DBA  
Mr. Marc Lieberman, Fiduciary Counsel, Kutak Rock  
Mr. Allan Martin, Partner, NEPC, LLC  
Ms. Bridget Feeley, Internal Audit and Compliance Officer  
Ms. Dianne McAllister, Public Policy Partners  
Mr. Joel Whidden, Senior Relationship Manager, Bridgewater Associates  
Mr. Paul Podolsky, Portfolio Strategist, Bridgewater Associates

1. Call to Order; Roll Call; Opening remarks

*Mr. Brian P. Tobin  
Chairman*

Chairman Tobin called the meeting to order at 1:00 p.m.

2. Call to the Public.

This is the time for the public to comment. Members of the Board of Trustees may not discuss items that are not specifically identified on the agenda, except to address criticism from the public. Therefore, pursuant to A.R.S. § 38-431.01(H), the Board of Trustees' reaction to any public comment is limited to addressing criticism or recommending that the Board of Trustees or Staff respond or study such comment or schedule the subject matter for further consideration at a later date after appropriate notice.

There was no response to the Call to the Public.

3. Appropriate **Action** for approval of the items on the Consent Agenda (documentation concerning the matters on the consent agenda may be reviewed at the PSPRS office). Any matter on the Consent Agenda will be removed from the Consent Agenda and discussed as a regular agenda item upon the request of any member of the Board of Trustees.
- a. Acceptance of Elected Officials' Retirement Plan of survivor benefit of Charles Brotherton.
  - b. Acceptance of Elected Officials' Retirement Plan of normal retirement benefit of Vonda Y. McKinney.
  - c. Acceptance of Elected Officials' Retirement Plan of early retirement benefit of Douglas Rayes.
  - d. Acceptance of Elected Officials' Retirement Plan of termination of normal retirement benefit of Tom Smith.
  - e. Acceptance of Elected Officials' Retirement Plan of survivor benefit of Sarah Jane Smith.
  - f. Acceptance of Elected Officials' Retirement Plan of normal retirement benefit of Mary Rose Wilcox.
  - g. Acceptance of Elected Officials' Retirement Plan of normal retirement benefit of Harriet E. Chavez.
  - h. Acceptance of Elected Officials' Retirement Plan of normal retirement benefit of James Soto.
  - i. Acceptance of Transfer Between State Retirement Systems of David Byars.
  - j. Acceptance of Transfer Between State Retirement Systems of Frederick Fricke.
  - k. Acceptance of Transfer Between State Retirement Systems of Brian Peasley.
  - l. Acceptance of Transfer Between State Retirement Systems of Gary Schmitz.
  - m. Acceptance of Transfer Between State Retirement Systems of Bryan Coley.
  - n. Acceptance of Transfer Between State Retirement Systems of Joe Bianchi.
  - o. Acceptance of Transfer Between State Retirement Systems of Roland Wagenbach.
  - p. Acceptance of Transfer Between State Retirement Systems of Angela Cofield.
  - q. Acceptance of Transfer Between State Retirement Systems of Edwin Lowerre.
  - r. Acceptance of Transfer Between State Retirement Systems of Donald Voakes.
  - s. Acceptance of Transfer Between State Retirement Systems of Debra Wooten.
  - t. Acceptance of Transfer Between State Retirement Systems of Daniel Hutchison.
  - u. Acceptance of Transfer Between State Retirement Systems of Lynette Butcher.
  - v. Acceptance of Transfer Between State Retirement Systems of Richard Spencer.

<b>MOTION: 1 – 6/25/14</b>	At 1:02 p.m.
<b>Motion:</b>	To approve the Consent Agenda as presented.
<b>Moved by:</b>	Mr. Ferguson
<b>Seconded by:</b>	Mr. Kingry
<b>Discussion:</b>	None
<b>In Favor:</b>	Unanimous
<b>Motion:</b>	Passes

4. Appropriate **Action** regarding the Minutes of the May 28, 2014 Regular Meeting and the June 5, 2014 Special Meeting of the PSPRS Board of Trustees.

*Mr. Brian P. Tobin*

<b>MOTION: 2 – 6/25/14</b>	At 1:03 p.m.
<b>Motion:</b>	To amend the Regular Meeting Minutes of May 28, 2014, agenda item 3, to state that Mr. Ferguson made the motion and it was seconded by Mr. Davis. To amend Regular Meeting Minutes of May 28, 2014, agenda item 4 to state it was seconded by Mr. Davis. To approve the Minutes of the May 28, 2014 Regular Meeting as amended.
<b>Moved by:</b>	Mr. Ferguson
<b>Seconded by:</b>	Mr. Kingry
<b>Discussion:</b>	None
<b>In Favor:</b>	Unanimous
<b>Motion:</b>	Passes

5. Appropriate **Action** regarding the Agreement to Participate in the Supplemental Defined Contribution Plan with the City of Tucson, Police and Fire Departments.

*Mr. Brian P. Tobin*

Tabled until next month.

**Report by Mr. Richard Petrenka, Chairman of the Investment Committee, regarding agenda items 6. through 15., which were discussed at the Investment Committee meeting held today, June 25, 2014, on or after 10:00 a.m., and possible Action on the Committee's recommendations to the Board regarding same.**

6. Report by Investment Department Staff and discussion regarding (i) the Month-End and Fiscal Year-to-Date performance for the PSPRS Trust as of the March 31, 2014; and (ii) written report regarding the asset allocation and performance of the Firefighters and Peace Officers Cancer Insurance Program.

*Ms. Vaida Maleckaite  
Sr. Investment Operations Analyst*

As of April 30, 2014, (the agenda date of March 31, 2014 is incorrect) the value of the Fund was just shy of \$8 billion in market value. For the Month-to-Date the Trust was up .32 basis points as compared to .15% for the benchmark. Except for U. S. Equities, the other asset classes performed well. For the Calendar Year-to-Date there was an outperformance of .50 basis points and for the Fiscal Year-to-Date the Trust was up 10.74% which slightly underperformed the benchmark and outperformed our assumed earnings rate of 7.85%.

7. Report by Investment Department Staff regarding Portfolio Risk as of June 13, 2014.

*Mr. Mark Lundin  
Deputy Chief Investment Officer – Risk*

Two summer interns were introduced to the Board by Mr. Mark Steed.

Mr. Lundin summarized the volatility and value at risk forecasts, results of stress tests and our interpretation of the results in order to provide perspective. The portfolio has performed according to design and surpassed the benchmark by 2% in May. There has been little change in any of the sub-portfolios as compared to last month. With a portfolio that focuses on efficiency, the Trust delivered positive returns in March and April. In the past 2 years, 19 out of 24 months, the returns have been positive.

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

*Mr. Ryan Parham  
Chief Investment Officer  
Mr. Allan Martin  
Partner, NEPC*

Asset allocations were reviewed. Small changes were suggested: an additional 1% into Private Equities and an additional 1% into Credit Opportunities now labeled Private Credit. To balance this out, it was suggested to reduce the Public Equity and Fixed Income portfolios by 1% each. A diversified portfolio over 5 to 7 years is expected to have a return of 7.4% and the 30 year picture the expected return is to be 8.4% which is in excess of the 7.85% assumed earnings rate.

<b>MOTION: 3 – 6/25/14</b>	At 1:56 p.m.
<b>Motion:</b>	To accept a recommendation from the Investment Committee effective July 1, 2014 to go to the proposed asset mix.
<b>Moved by:</b>	Mr. Kingry
<b>Seconded by:</b>	<i>As recommended by the Investment Committee</i>
<b>Discussion:</b>	None
<b>In Favor:</b>	Unanimous
<b>Motion:</b>	Passes

It is proposed that the Fire Fighters and Peace Officers Cancer Fund valued at \$20 million adopt a formal asset allocation and due to a lack of actuarial experiential time frame for strong historic and statistical data, it is proposed that a prudent, diversified and liquid asset allocation be adopted. Five asset classes were suggested: U.S. Equities, Non-U.S. Equities, Core Bonds, TIPS and Commodities.

<b>MOTION: 4 – 6/25/14</b>	At 2:06 p.m.
<b>Motion:</b>	To approve the recommendation from Staff and NEPC for the proposed asset allocation.
<b>Moved by:</b>	Mr. Kingry
<b>Seconded by:</b>	<i>As recommended by the Investment Committee</i>
<b>Discussion:</b>	None
<b>In Favor:</b>	Unanimous
<b>Motion:</b>	Passes

9. Presentation and discussion by NEPC representatives regarding industry practices as to the accounting treatment of returned management fees in draw-down structures.

*Mr. Allan Martin, Partner  
NEPC*

This agenda item was tabled.

**REGARDING AGENDA ITEMS 10 THROUGH 15, THE INFORMATION WAS PROVIDED TO THE BOARD MEMBERS. THE BOARD DID NOT REQUEST AN ORAL REVIEW OF THIS WRITTEN INFORMATION.**

10. Manager Selection Report by Investment Department Staff and possible discussion regarding an investment of up to \$30 million with Vista Equity Partners or its affiliates in the Vista Equity Partners Fund V, subject to final Staff and legal due diligence.

*Mr. Shan Chen  
Lead Portfolio Manager*

11. Manager Selection Report by Investment Department Staff and possible discussion regarding the Trust's investment of up to \$80 million with Bridgewater Associates or its affiliates in the Bridgewater Real Asset Fund.

*Mr. Ryan Parham*

12. Manager Selection Report by Investment Department Staff and possible discussion regarding the Trust's investment of up to \$30 million direct and up to \$20 million for co-investments with Greenfield Acquisition Partners or its affiliates in the Greenfield Acquisition Partners Fund VII.

*Mr. Marty Anderson  
Deputy Chief Investment Officer*

13. Manager Selection Report by Investment Department Staff and possible discussion regarding the Trust's investment of up to \$20 million with Patria Investimentos or its affiliates in the Patria Private Equity Fund V, L.P.

*Mr. Shan Chen*

14. Manager Selection Report by Investment Department Staff and possible discussion regarding a potential investment of up to \$80 million direct and up to \$40 million for co-investments with Magnetar Capital or its affiliates in the Magnetar Capital MTP Energy Fund, L.P., subject to final Staff and legal due diligence.

*Mr. Marty Anderson*

15. Report by the Chief Investment Officer regarding Manager Selections for which Staff has completed legal and other due diligence

*Mr. Ryan Parham*

16. Presentation and discussion by representatives from Bridgewater Associates regarding future expected returns of traditional institutional portfolios.

*Mr. Ryan Parham  
Mr. Joel Whidden  
Senior Relationship Manager, Bridgewater Associates  
Mr. Paul Podolsky  
Portfolio Strategist, Bridgewater Associates*

Mr. Whidden discussed the global return and investment environments. In addition he stated Bridgewater Associates is an asset management firm that has been in business over 40 years and focuses on building long term strategic portfolios by considering all aspects of their clients' needs and concerns.

Mr. Podolsky reviewed three economic forces: productivity, long-term debt cycle and short-term debt cycle. In aggregate, the U. S. Public pension plans disbursements have been about 4% larger, on average, than contributions coming in. The longer U.S. public pension plans take to correct the problem, the more acute it becomes; therefore, discussions need to be held as to what can be done to meet target returns. Three main influences on returns are the price of cash over which we have no control, the returns from asset allocations and manager tactical shifts.

17. Discussion and possible **Action** to amend the Amended and Restated Statement of Investment Policy to define "leverage" and impose reasonable restrictions on the use of leverage.

*Mr. Ryan Parham  
Mr. Mark Lundin*

Discuss regarding the definition of "leverage" was held.

<b>MOTION: 6- 6/25/14</b>	At 3:33 p.m.
<b>Motion:</b>	I move the Board to amend the investment policy as provided in the document distributed to all trustees and on file with the Administrator (and attached to this motion as Exhibit A) which bars the use of leverage with the potential of exposing the Trust to losses in excess of its committed capital without prior approval by the fiduciary consultant and the Board.
<b>Moved by:</b>	Mr. Ferguson
<b>Seconded by:</b>	Mr. Davis
<b>Discussion:</b>	None
<b>In Favor:</b>	Unanimous
<b>Motion:</b>	Passes

18. Report by the System's Internal Audit and Compliance Officer and discussion regarding investment compliance, holdings and transactions as of April 30, 2014.

*Ms. Bridget Feeley  
Internal Audit and Compliance Officer*

The Investment Portfolio as of April 30, 2014 was in compliance.

**Presentation by Mr. Gregory Ferguson, Chairman of the Operations, Governance Policy and Audit Committee, regarding agenda items 19. through 28., which were discussed at the Operations, Governance Policy and Audit Committee meeting held today, June 25, 2014, on or after 11:00 a.m., and possible Action on the Committee's recommendations to the Board regarding same.**

19. Presentation of the Month-to-Date Budget Report for FY 2014 and possible **Action** on same.

*Mr. John Hendricks  
Manager of Finance and Accounting*

It is projected that the PSPRS will be 6.31% over budget for FY 2015 and if litigation is included, the budget will be over by 7.89%.

20. Update on the progress of the Local Board Training Program and discussion and possible **Action** regarding the same.

*Mr. Robert Ortega  
Local Board Training Coordinator and Human Resources Manager  
Mr. Don Mineer  
Local Board Training Specialist*

This report was written.

21. Presentation of the "Requests for Local Board Rehearing" Report for the current month.

*Mr. Jim Hacking  
Administrator*

There were no new requests and one pending request.

22. Review and discussion regarding law firms' billings for legal services performed in May, 2014.

*Mr. Jim Hacking*

The Operations, Governance Policy and Audit Committee approved payment of \$189,943.47 for law firms' billings for legal services performed in May, 2014.

23. Report and possible **Action** on FY 2015 Compliance and Internal Audit Plan.

*Ms. Bridget Feeley*

The Operations, Governance Policy and Audit Committee approved the change in the Compliance and Internal Audit Plan to review of disability retirements and benefits to FY 2016 and to move review service purchases to FY 2015. The committee approved the revised Audit Plan for FY 2015.

24. Consideration of, revisions to, and possible **Action** on the FY 2015 PSPRS Administrative Budget.

*Mr. Jim Hacking*

To update the 2015 Administrative Budget by \$77,009 mostly for actuarial changes due to the new GASB rules.

<b>MOTION: 7- 6/25/14</b>	At 3:41 p.m.
<b>Motion:</b>	To accept the Operations, Governance Policy and Audit Committee recommendation to approve Budget Plan A.
<b>Moved by:</b>	Mr. Ferguson
<b>Seconded by:</b>	<i>As recommended by the Operations, Governance Policy and Audit Committee</i>
<b>Discussion:</b>	None
<b>In Favor:</b>	Unanimous
<b>Motion:</b>	Passes

25. Status report on the filling of the vacant staff positions.

*Mr. Jim Hacking*

Two positions are about to be filled which are the investment accountant position and the in-house legal counsel. There are no other vacancies.

26. Presentation, discussion and possible **Action** regarding renewal contracts between the PSPRS and the actuary, outside counsel and lobbyist.

*Mr. Jared A. Smout  
Deputy Administrator*

<b>MOTION: 8- 6/25/14</b>	At 3:47 p.m.
<b>Motion:</b>	To accept the recommendation of the Operations, Governance Policy and Audit Committee to approve the contracts.
<b>Moved by:</b>	Mr. Ferguson
<b>Seconded by:</b>	Mr. Davis
<b>Discussion:</b>	None
<b>In Favor:</b>	Unanimous
<b>Motion:</b>	Passes

27. Report and possible **Action** on the ballot initiative with respect to constitutional amendment(s) and conforming statutory changes designed to improve significantly the financial status of one or more of the PSPRS - administered plans.

*Mr. Jim Hacking*

Ms. McAllister reported on the progress of the proposed special session regarding SB1609 and the fire fighters' proposals to improve the financial status of one or more of the PSPRS – administered plans. There has been no movement regarding a special session due to time constraints and legislature's focus on election campaigns. Nothing will happen in time to be included on the November ballot and we are looking towards a possible special session after November elections.

28. Consideration of and possible **Action** on, an Actuarial Funding Policy made necessary by GASB statements numbers 67 and 68.

*Mr. Jim Hacking*



The Operations, Governance Policy and Audit Committee recommended this agenda item be brought before the Board and possible approval. GASB requires a written PSPRS Actuarial Funding Policy. Gabriel, Roeder and Smith has drafted a letter that includes this information. This draft includes the actuarial cost method entry age normal with a seven year smoothing period. The amortization method is the closed method and as of June 30, 2013 there were 23 years left on the amortization period which started at 30 years as determined by the Board of Trustees. Due to the Fields and Hall decisions there is a three year period of increased contributions beginning with June 30, 2014 actuarial valuation.

Discussion was held regarding details to be changed in the draft policy.

<b>MOTION: 9- 6/25/14</b>	At 3:54 p.m.
<b>Motion:</b>	To recommend approval of the Actuarial Funding Policy as presented with the exception for item 3a to place a period after "a closed period" and to delete "of 23 years as of June 30, 2013". Under item 5 b, change 25 years to 30 and eliminate item 4.
<b>Moved by:</b>	Mr. Ferguson
<b>Seconded by:</b>	Ms. Stein
<b>Discussion:</b>	None
<b>In Favor:</b>	Unanimous
<b>Motion:</b>	Passes

29. Discussion and appropriate **Action** regarding Board of Trustee member requests to participate in training, educational and due diligence opportunities.

*Mr. Brian P. Tobin*

There were no requests for training, educational and due diligence opportunities.

30. Discussion and consultation with legal counsel and Staff and possible **Action** 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, internal investigations (including those arising from UNITE HERE!'s allegations concerning ORG Portfolio Management) 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, Jack Cross, Anton Orlich, the Pivotal Group, the Seldins, Stroh Ranch Development, Timbervest, Jennifer Wright, Desert Troon Companies, the Arizona Republic, Judicial Watch, Crain Publications (Pensions and Investments Magazine), Mark Selfridge, Paul Corens, Stacy Alcott, and Michele Weigand, as well as claims raised by the survivors of deceased fire fighters John Percin, Jr., Sean Misner and Garret Zuppiger. 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 31.
31. **The Board of Trustees may vote to go into Executive Session (which will not be open to the public) to discuss matters pursuant to A.R.S. §§ 38-431.03(A) (1), (2), (3), (4) and (7), as applicable, including to receive legal advice from the Board's attorneys on any matter listed on the agenda, including:**

- a. Status report from Steptoe & Johnson LLP regarding the four (4) lawsuits challenging provisions of Senate Bill 1609, which lawsuits involve judges Thompson and Hall, retired judges Fields and Lankford, retired police officers Rappleyea and Everson, and police officers Parker, Griego, Manganiello and Robles, as authorized by A.R.S. § 38-431.03(A)(4).
- b. Discussion with legal counsel (and possible recommendation to the Board of Trustees) regarding IRS determination letter requests and 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 custodians, lenders, securities lending agents, investment contracts, vendors, advisors, investment managers or joint venturers (as well as any investments managed by the Trust's investment managers or joint venturers), as authorized by 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) Stroh Ranch Development, Timbervest, the Pivotal Group, Desert Troon Companies, Judicial Watch, Crain Publications (Pensions and Investments Magazine), the Arizona Republic, 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).
- c. Discussion and consultation with legal counsel and Staff regarding internal investigations (including those arising from UNITE HERE!'s allegations concerning ORG Portfolio Management), public record requests, and ongoing or threatened legal action involving the Plans or Trust not otherwise referenced above, including claims involving employee bonuses and plan valuations, Jack Cross, Anton Orlich, Ken Fields, Jennifer Wright, Mark Selfridge, Paul Corens, Stacy Alcott, and Michele Weigand, as well as claims raised by the survivors of deceased fire fighters John Percin, Jr., Sean Misner, and Garret Zuppiger, all as authorized by A.R.S. §§ 38-431.03(A) (2), (3) and (4).

<b>MOTION: 5- 6/25/14</b>	At 3:07 p.m.
<b>Motion:</b>	To recess Open Session and enter Executive Session.
<b>Moved by:</b>	Mr. Kingry
<b>Seconded by:</b>	Mr. Davis
<b>Discussion:</b>	None
<b>In Favor:</b>	Unanimous
<b>Motion:</b>	Passes

The Board resumed Open Session.

32. Set the next meeting date. (*Currently scheduled for Wednesday, July 23, 2014.*)

<b>MOTION: 10- 6/25/14</b>	At 3:55 p.m.
<b>Motion:</b>	To skip the July 23 meeting.
<b>Moved by:</b>	Ms. Stein
<b>Seconded by:</b>	Mr. Kingry
<b>Discussion:</b>	None
<b>In Favor:</b>	Unanimous
<b>Motion:</b>	Passes

33. Adjournment.

The meeting was adjourned at 3:55 p.m.

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Brian P. Tobin, Chairman

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Gregory Ferguson, Trustee,  
Vice Chairman

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Randie A. Stein, Trustee

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Jeff Allen McHenry, Trustee

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Richard J. Petrenka, Trustee

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Lauren Kingry, Trustee

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William C. Davis, Trustee

## MOTION TO AMEND LEVERAGE LIMITATIONS

The System's Amended and Restated Statement of Investment Policy having included limitations on the use of leverage that do not define what leverage is and are ambiguous and difficult to enforce, and the System's fiduciary counsel and investment staff having recommended changes to the Investment Policy's leverage provisions to make those provisions clear and easy to police, and the Investment Committee having approved these changes as reasonable and prudent,

**I MOVE THE BOARD TO AMEND THE INVESTMENT POLICY AS PROVIDED IN THE DOCUMENT DISTRIBUTED TO ALL TRUSTEES AND ON FILE WITH THE ADMINISTRATOR (AND ATTACHED TO THIS MOTION AS EXHIBIT A) WHICH BARS THE USE OF LEVERAGE WITH THE POTENTIAL OF EXPOSING THE TRUST TO LOSSES IN EXCESS OF ITS COMMITTED CAPITAL WITHOUT PRIOR APPROVAL BY THE FIDUCIARY CONSULTANT AND THE BOARD.**

## EXHIBIT A

The PSPRS Amended and Restated Statement of Investment Policy shall be amended as follows:

**Appendix II (Derivatives Policy): Section D(1) of the appendix shall be amended as follows** (additional language underlined, with language excised reflected by strikeouts):

“1. Leverage. As used throughout this Investment Policy, the term “Leverage” means the degree to which the amount of an investment is increased through the use of borrowed money. Derivatives shall not be used to magnify exposure to an asset, asset class, interest rate, or any other financial variable beyond that which would be allowed by a manager’s IMA. Except as otherwise authorized in Section V(F) (Overlay Liability) of the Investment Policy, or by the IMA of a particular External Manager, derivatives shall not be employed so as to subject the Plans or Trust to liability in excess of their committed capital to any investment.”

**Appendix VI (Requirements for Management of the Credit Opportunities Portfolio): Section G(4) of the appendix shall be amended as follows** (additional language underlined, with language excised reflected by strikeouts):

“4. Leverage. Many underlying Credit Opportunities investment programs will utilize Leverage. The intent of the Plans and Trust is not to rely on External Managers employing high degrees of Leverage. It is the policy of the Plans and Trust to avoid any individual External Manager ~~/strategy utilizing leverage in excess of 5:1~~whose strategy utilizes Leverage which will expose the Plans or Trust to losses in excess of their committed capital. Any use of Leverage by an External Manager or Staff which might expose the Plans or Trust to losses in excess of their committed capital must be approved both by the Fiduciary Consultant and the Board.”

**Appendix VII (Requirements for Management of the Private Equity Portfolio): Section I(7) of the appendix shall be amended as follows** (additional language underlined, with language excised reflected by strikeouts):

“7. Leverage. Many underlying Private Equity funds will utilize Leverage. The intent of the Plans and Trust is not to rely on External Managers employing high degrees of Leverage. It is the policy of the Plans and Trust to avoid any individual External Manager ~~/strategy utilizing leverage in excess of 3:1 at the fund level. However, the Plans and Trust recognize that at the portfolio company level, leverage may be used for prudent tactical and strategic reasons~~whose strategy utilizes Leverage which will expose the Plans or Trust to losses in excess of their committed capital. Any use of Leverage by an External Manager or Staff which might expose the Plans or Trust to losses in excess of their committed capital must be approved both by the Fiduciary Consultant and the Board.”

**Appendix VIII (Requirements for Management of the Real Assets Portfolio): Section H(4) of the appendix shall be amended as follows** (additional language underlined, with language excised reflected by strikeouts):

“4. Leverage. Many underlying Real Assets investment programs will utilize Leverage. The intent of the Plans and Trust is not to rely on External Managers employing high degrees of Leverage. It is the policy of the Plans and Trust to avoid any individual External Manager ~~/strategy utilizing net leverage in excess of 5:1~~whose strategy utilizes Leverage which will expose the Plans or Trust to losses in excess of their committed capital. Any use of Leverage by an External Manager or Staff which might expose the Plans or Trust to losses in excess of their committed capital must be approved both by the Fiduciary Consultant and the Board.”

**Appendix IX (Requirements for Management of the Real Estate Portfolio): Section I(7) of the appendix shall be amended as follows** (additional language underlined, with language excised reflected by strikeouts):

“7. Leverage. Many underlying Real Estate investment programs will utilize Leverage. The intent of the Plans and Trust is not to rely on External Managers employing high degrees of Leverage. It is the policy of the Plans and Trust to avoid any individual External Manager ~~/strategy utilizing net leverage in excess of 5:1 at the fund level. Generally, strategies that include cross collateralization of the leverage projects within a fund will be avoided and investment in funds with leveraged structures that provide for recourse to the total fund/Trust in excess of the amount of committed capital are prohibited~~whose strategy utilizes Leverage which will expose the Plans or Trust to losses in excess of their committed capital. Any use of Leverage by an External Manager or Staff which might expose the Plans or Trust to losses in excess of their committed capital must be approved both by the Fiduciary Consultant and the Board.”