

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

April 25, 2012

MINUTES

Mr. Brian Tobin, Trustee, Chairman
Mr. Gregory Ferguson, Vice Chairman, Trustee
Mr. Jeff McHenry, Trustee
Ms. Randie Stein, Trustee – Arrived at 1:17 pm
Mr. Richard Petrenka, Trustee
Mr. Lauren Kingry, Trustee
Mr. William Davis, Trustee
Mr. Ryan Parham, Assistant Administrator / Chief Investment Officer
Mr. Jared Smout, Deputy Administrator
Mr. Marty Anderson, Deputy Chief Investment Officer
Mr. Pascal Stalder, Deputy Chief Investment Officer – Risk
Mr. Anton Orlich, Lead Investment Analyst
Mr. Paul Corens, Senior Investment Analyst
Mr. Mark Selfridge, Senior Investment Analyst
Mr. Shan Chen, Senior Investment Analyst
Mr. Mark Steed, Lead Investment Analyst
Ms. Michele Weigand, Senior Contracts Specialist
Mr. Fred Stork, Assistant Attorney General
Mr. John Hendricks, Accounting Manager
Mr. Don Stracke, Senior Consultant, NEPC, LLC
Mr. Lincoln Smith, Portfolio Analyst, Albourn America
Mr. Jay Rose, Partner, StepStone Group
Mr. Kristan Bodden, Helios Advisors LLC
Messrs. John Eggemeyer, Managing Principal, Mr. J. Mikesell
Thomas, Principal and Mr. Sundeep V. Rana Director Castle Creek
Capital LLC
Ms. Elise Hebb, Director Investor Relations, Madrona Venture
Group, LLC
Mr. Chad Nelson, Principal/Portfolio Manager, Thomson Horstmann
and Bryant, Inc.
Mr. Marc Lieberman, Partner, Kutak Rock
Mr. Doug Cole, HighGround
Ms. Dianne McAllister, Public Policy Partners

1. Call to Order; Roll Call; Opening remarksMr. Brian Tobin
.....Chairman

The meeting was called to order at 1:05 pm by Chairman Tobin.

2. Appropriate **Action** for approval of 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 early normal benefit of Melody Caps
- b. Acceptance of Transfer Between State Retirement Systems of John Westmoreland
- c. Acceptance of Transfer Between State Retirement Systems of Timothy Macleod
- d. Acceptance of Transfer Between State Retirement Systems of Gregory Stanton
- e. Acceptance of Transfer Between State Retirement Systems of Jessie Faircloth
- f. Acceptance of Transfer Between State Retirement Systems of Scott D. Mueller
- g. Acceptance of Transfer Between State Retirement Systems of Kenneth C. Hawkins
- h. Acceptance of Transfer Between State Retirement Systems of George Ramirez
- i. Acceptance of Transfer Between State Retirement Systems of Russell Frederiksen
- j. Acceptance of Transfer Between State Retirement Systems of Edwina La Fontain
- k. Acceptance of Transfer Between State Retirement Systems of Yvonne Rabie
- l. Acceptance of Transfer Between State Retirement Systems of Megan Miller

MOTION: 4-102-12	At 1:05 p.m.
Motion:	To accept the Consent Agenda as presented.
Moved by:	Mr. Ferguson
Seconded by:	Mr. Petrenka
Discussion:	None
In Favor:	Unanimous
Motion:	Passes

3. Appropriate **Action** regarding the Minutes of the April 4, 2012 meeting of the PSPRS Board of Trustees.....Mr. Brian Tobin

MOTION: 4-103-12	At 1:06 p.m.
Motion:	To accept the Minutes of the April 4, 2012 meeting as presented.
Moved by:	Mr. Ferguson
Seconded by:	Mr. Petrenka
Discussion:	None
In Favor:	Unanimous
Motion:	Passes

4. Status report regarding HB 2571 and other proposed 2012 legislation and possible **Action**.....Mr. Jim Hacking

Mr. Doug Cole of HighGround said that the legislature is trying to wrap up, but the state budget is still being discussed. The legislative team representing ASRS, the PSPRS Administrator, the PSPRS lobbyists and ADOA staff have conducted numerous meetings regarding a draft of an amendment to HB 2571, the personnel reform initiative, and it is 98% complete. Questions were answered regarding the proposed amendment. Mr. Lieberman stated that the language creates some ambiguity between the provision in § 38-611.022 and the striking of the words "agency wide" He said that he thinks the language limits employment agreements and any compensation plan to just incentive based compensation and cuts the ability of the agency to have a separate

compensation plan. He suggested Inserting back the words “agency wide”.

Mr. Cole responded that ADOA is trying to keep uniformity statewide. Mr. Hacking said that that the language at the top of page 4 makes the issue of our having employment agreements for certain staff clear. Mr. Tobin added that the proposed statute can be revised over time by other amendments.

Report by Mr. Richard Petrenka, Chairman of the Investment Committee regarding agenda items 5. through 10. which were discussed at the Investment Committee meeting held today, April 25, 2012, on or after 10:00 a.m., and possible Action on the Committee’s recommendations to the Board regarding same.

5. Report by Investment Department Staff and discussion regarding the Month Ended and Fiscal Year-to-Date performance/portfolio with an overview of the Public Equities asset classMr. Martin Anderson
.....Deputy Chief Investment Officer

Mr. Anderson reported that on an absolute and relative basis the System was up 1.06% as compared to the benchmark of .59% which brings us on an annualized basis to 1.54% return versus the benchmark of 2.20%. He added that our private equity returns are strong and are being reported on a quarterly basis.

6. Presentation by Investment Department Staff and Albourne America LLC representatives and discussion and possible **Action** regarding an investment of up to \$30 million in a separately managed account in the Helios Maritime Strategy and / or affiliated strategies managed by Helios Advisors LLCMr. Paul Corens
.....Senior Investment Analyst
.....Mr. Lincoln Smith, Portfolio Analyst
.....Albourne America, LLC

This is a liquidity traded credit strategy of maritime assets. These assets are secured with a mortgage type ownership title. Maritime assets are distressed; bank lending has dried up and with delivery of ships ordered prior to 2008 coming up, the supply will be higher but uses for the ships has declined. Technologically advanced newer ships are in higher demand; whereas, older ones are in less demand so users are driving hard bargains.

Mr. Corens said that Helios has a broad flow of information and capital market experience. They obtain control of the entity that owns the asset and can cherry pick those assets. Mr. Smith added they can go into credits or equities and can structure the credit. They own the loan once the ship is built, and they can structure the contracts to be beneficial to Helios. Because of the required high collateral, they can off sell loans and still make money. PSPRS will own the assets which will not be mingled with other accounts. There is a percentage management fee.

MOTION: 4-104-12	At 1:44 p.m.
Motion:	To approve an investment of up to \$30 million in a separately managed account in the Helios Maritime Strategy and/or affiliated strategies managed by Helios Advisors LLC.
Moved by:	Mr. Petrenka
Seconded by:	Mr.
Discussion:	None
In Favor:	Unanimous
Motion:	Passes

7. Presentation by Investment Department Staff and NEPC, LLC representatives and discussion and possible **Action** regarding an investment of up to \$30 million in Castle Creek AZ TARP Special Situations Fund, L.P. managed by Castle Creek Capital LLC
-Mr. Mark Steed
.....Lead Investment Analyst
.....Mr. Don Stracke
.....Senior Consultant, NEPC, LLC

Castle Creek AZ TARP Special Situations Fund, L.P. is a private equity fund specializing in small community regional banks. The U. S. Treasury is unwinding their position in TARP (Troubled Asset Relief Program) which has approximately 350 banks remaining in the program. These fit nicely with Castle Creek's program. This is a preferred security with a 5% coupon which steps up to 9% after five years. PSPRS can recoup the discount on the auction plus 5% dividend payment at the same time. Castle Creeks' expertise is in private investing and regional and community banks. Castle Creek provides the underwriting. We may or may not win the auctions and banks that have to pay off TARP securities within 18 – 24 months are targeted. Castle Creek and PSPRS will be co-investors.

MOTION: 4-105-12	At 1:55 p.m.
Motion:	To approve an investment of up to \$30 million in Castle Creek AZ TARP Special Situations Fund, L.P. managed by Castle Creek Capital LLC.
Moved by:	Mr. Petrenka
Seconded by:	Mr.
Discussion:	None
In Favor:	Unanimous
Motion:	Passes

8. Presentation by Investment Department Staff and StepStone Group representatives and discussion and possible **Action** regarding an investment of up to \$20 million in Madrona Venture Fund V, L.P. or appropriate feeders, blockers, or associated or parallel funds of same managed by Madrona Venture Group, LLC.....Mr. Shan Chen
.....Senior Investment Analyst
.....Mr. Jay Rose
.....Partner, StepStone Group

Mr. Shan Chen told the Board that Madrona Venture Fund V, L.P. will be placed in the equity portfolio. It is a venture capital firm focusing on early stage technology investments. Each of their previous four funds was within the top quartile. Entrepreneurs often do not have business experience; therefore, they work with venture capital partners. Madrona Venture Fund works with technology companies located close to each other in the Pacific Northwest area centered near- Seattle, WA. This is an area which has many technology company offices and many high quality early stage deal flow opportunities.

Mr. Jay Rose stated this is a seasoned team which partners with the University of Washington. Their focus is on early stage opportunities that have the possibility of being the object of a merger or acquisition.

MOTION: 4-106-12		At 2:08 p.m.
Motion:	To approve an investment of up to \$20 million in Madrona Venture Fund V, L.P. or appropriate feeders, blockers, or associated or parallel funds of same managed by Madrona Venture Group, LLC.	
Moved by:	Mr. Petrenka	
Seconded by:	Mr.	
Discussion:	None	
In Favor:	Unanimous	
Motion:	Passes	

9. Presentation by Investment Department Staff, NEPC, LLC representatives and discussion and possible **Action** regarding an investment of up to \$55 million in a separately managed account in the THB Micro Small Cap Strategy and \$15 million in a separately managed account in the THB Small Cap Strategy and/or affiliated strategies managed by Thomson Horstmann and Bryant, Inc. Mr. Anton Orlich
..... Lead Investment Analyst
..... Mr. Don Stracke

This micro small cap strategy focuses on domestic smaller cap equities. Mr. Stracke said that NEPC supports the staff recommendation for this investment since this has significantly greater return than larger cap markets. Small cap opportunities have slightly greater risk but there is a reward over time for taking that risk. THB has done 9% greater than the benchmark over the last ten years. We are moving some of our assets from passive index fund management at State Street to active management with this investment.

MOTION: 4-107-12	At 2:13 p.m.
Motion:	To approve an investment of up to \$55 million in a separately managed account in the THB Micro Small Cap Strategy and \$15 million in a separately managed account in the THB Small Cap Strategy and/or affiliated strategies managed by Thomson Horstmann and Bryant, Inc.
Moved by:	Mr. Petrenka
Seconded by:	Mr.
Discussion:	None
In Favor:	Unanimous
Motion:	Passes

10. Presentation by Investment Department Staff and Albourne America, LLC and discussion and possible **Action** regarding the possible redemption of assets (liquidation of its Capital Account and other partnership interests) from the Geosphere Fund L.P.
.....Mr. Paul Corens
.....Mr. Lincoln Smith

Mr. Parham stated that the Board has the right as per the Investment Policy to hire and terminate managers; but we recently incorporated into the investment policy a provision that permits Staff to send a redemption notice prior to Board approval if we feel there is urgency. We acted in accordance with this new authority intra-month between two Board and Investment Committee meetings.

Mr. Corens said that on April 9, 2012 Staff submitted a full redemption notice effective June 30, 2012 to Geosphere. Since 2009, Geosphere has been a trusted and performing part of the commodities portfolio. The redemption notice was not prompted by concern about performance. Certainly this has been a difficult market for many hedge funds; but this hedge fund has had a 1% to 2 % return where others had a negative 7% return. However, other investors, for various reasons, have redeemed their investment and our concern is that if we wait and do not preserve our right to redeem, we may not be able to receive our full capital. Our \$20 million investment is now worth \$21.48 million. Mr. Smith added the fund is performing satisfactorily; but there is concern regarding a possible death spiral as assets are withdrawn and the fund ends up at a level where it cannot keep performing. Since the underlying investments are liquid, we do not want to be the last to redeem.

MOTION: 4-108-12	At 2:28 p.m.
Motion:	To ratify the redemption of assets (liquidation of its Capital Account and other partnership interests) from Geosphere Fund L.P.
Moved by:	Mr. Petrenka
Seconded by:	Mr.
Discussion:	None
In Favor:	Unanimous
Motion:	Passes

11. Presentation by Investment Department Staff and NEPC, LLC representatives and discussion and possible **Action** regarding the approval of certain proposed revisions to the Asset Allocation ranges, targets, and benchmarks which are stated in Appendix I *Asset Allocation Policy*; and replacing and superseding those ranges, targets, and benchmarks.....Mr. Ryan Parham
.....Chief Investment Officer
.....Mr. Don Stracke

Mr. Parham told the Board that this proposal is only a small departure from the old policy positions and that it preserves sufficient prudent liquidity to manage our cash flow over the next several years and enhance diversification. Revision of the asset allocations, ranges, targets, and benchmarks occurs every two to three years. The Asset Allocation Policy is intended to be long term and does not change frequently due to market conditions.

Mr. Stracke discussed the new asset targets, ranges, and benchmarks. NEPC recommends that their public fund clients recognize that global deleveraging is a multi-year process and recommends that their clients should consider appropriate sectors in fixed income; continue to increase exposure to emerging markets; and use active asset management strategies. He also discussed credit opportunities, fixed income, core bonds, and allocation mixes and percentages. Additional topics discussed included Global Tactical Asset Allocation, emerging international equities, emerging market debt and risk parity. Risk parity is maximizing diversification by taking equal risk in each investment type. Risk is evened out over total diversification of the portfolio. Regarding risk parity, PSPRS already has some assets that would fit well in this portfolio and perhaps TIPS and other assets will be moved into this portfolio.

There is, however, some tension between the need to diversify and the need to achieve our expected return through increased risk. One must also consider inflationary environments. Risk budgeting enables investors to improve prospects for achieving long term objectives. Staff will do some testing of expected return versus volatility of various asset classes.

MOTION: 4-109-12		At 3:36 p.m.
Motion:	To replace the recommended ranges and targets in Appendix I of the Asset Allocation Policy with the recommended targets and ranges as presented by Staff and NEPC on page 5 of the NEPC Asset Allocation presentation dated April 25, 2012.	
Moved by:	Mr. Petrenka	
Seconded by:	Mr. Kingry	
Discussion:	None	
In Favor:	Unanimous	
Motion:	Passes	

The discussion (and decision-making) regarding benchmarks was tabled.

12. 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.

13. Discussion and consultation with legal counsel and Staff regarding proposed legislation, investment matters, ongoing, contemplated or threatened legal action involving the Plans, including vendor disputes, public record requests, personnel matters and actual or potential litigation and claims based on contract, tort or statute, including matters involving Bank of America, BNY Mellon, judges Thompson and Hall, retired judges Fields and Lankford, Huggins, retired police officers Rappleyea and Everson, active police officers Parker, Griego, Manganiello and Robles, Cross, the Pivotal Group, APEX Capital Management 1, U.S. Bank, the Seldins, and Stroh Ranch Development. 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 14 of the Agenda.
14. **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 obtain legal advice from the Board's attorney on any matter listed on the agenda, including:**
 - a. Status report from Ben Cooper of 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, and retired police officers Rappleyea and Everson, and police officers Parker, Griego, Manganiello and Robles.
 - a.1. Discussion with NEPC, Counsel and staff of a possible change in the role of the Board with respect to the selection, retention and termination of investment managers.
 - b. Discussion of the Administration's personnel reform initiative (HB2571).
 - c. Discussion with legal counsel (and possible recommendation to the Board of Trustees) about legal developments, claims and issues (including settlement discussions) involving investment-related public record requests as well as the Plans' contracts and investments, including legal matters concerning the Plans' custodians, lenders, securities lending agents, investment contracts, vendors, advisors, investment managers or joint venturers (as well as any investments managed by the Plans' investment managers or joint venturers). The Board 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) & (7). Matters discussed may include claims or potential claims by or against (or issues concerning) Bank of America, BNY Mellon, Stroh

Ranch Development, The Pivotal Group, Apex Capital Management 1, U.S. Bank and/or Millard and Scott Seldin.

- d. Discussion and consultation with legal counsel and Staff regarding ongoing or threatened legal action involving the Plans not otherwise referenced above, including internal investigations, public record requests, and actual or potential litigation and claims based on contract, tort or statute, including those involving Huggins & Cross, pursuant to A.R.S. §§ 38-431.03(A) (2), (3) and (4).

MOTION: 4-110-12		At 3:37 p.m.
Motion:	To recess Open Session and enter Executive Session to consult with attorneys regarding the legal status of Agenda items 14a and 14a.1. Attendees of the Executive Session include Mr. Ben Cooper, Mr. Hacking, Mr. Parham, Mr. Smout and Mr. Lieberman.	
Moved by:	Mr. Ferguson	
Seconded by:	Mr. McHenry	
Discussion:	None	
In Favor:	Unanimous	
Motion:	Passes	

- 15a. Discussion with NEPC, Counsel and staff of a possible change in the role of the Board with respect to the selection, retention and termination of investment managers.....
.....Mr. Ryan Parham

Mr. Parham informed the members of the Board that several on the Board have voiced interest in delegating to staff responsibility for selection of managers and to accentuate the Board's responsibility for monitoring performance, due diligence and activities of the investment and operations departments. This will be a reallocation of the Board of Trustees' time and energy. Mr. Petrenka added that the advantage is the ability to spend more time on asset classes, the role of managers and performance review rather than reviewing each investment at a granular level.

It was suggested that staff prepare a summary of each investment and another summary setting forth what they will be planning to do in the coming months. This will keep review at a higher level rather than bringing in the Board late in the game with respect to each and every investment opportunity. It will also permit time for review of past investments and performance of the asset allocations.

Mr. Stracke suggested drafting documentation of contemplated changes regarding investment decisions and investment results. This topic will be on agendas in the future.

15. Report by Investment Department Staff representatives and discussion regarding risk
associated with certain Portfolio Exposures.....Mr. Pascal Stalder
.....Deputy Chief Investment Officer – Risk

Mr. Stalder stated that about 50% of the portfolio's positions are over \$100 million and \$2.6 billion of the portfolio can be liquidated in less than seven days. Our cash position is a little higher now; almost three fourths of our investments are within the United States; and 80% of our currency exposure is in U.S. dollars.

16. Report by the System's Internal Audit and Compliance Officer and discussion regarding investment compliance, holdings and transactions as of February 29, 2012 and March 31, 2012.....Ms. Bridget Feeley
..... Internal Audit and Compliance Officer

The fixed income and the real estate portfolios are slightly over range.

Presentation by Mr. Gregory Ferguson, Chairman of the Operations, Governance Policy and Audit Committee regarding agenda items 17. through 25. which were discussed at the Operations, Governance Policy and Audit Committee meeting held today, April 25, 2012, on or after 11:00 a.m., and possible Action on the Committee's recommendations to the Board regarding same.

17. Presentation of the Month-to-Date Budget Report for FY 2012 and possible **Action** on sameMr. John Hendricks
..... Manager of Finance and Accounting

Mr. Ferguson informed the Board that PSPRS is \$72,000 over budget due to \$235,000 of non-budgeted litigation expenses. If you exclude the \$235,000, we will be \$162,000 under budget even with the overage for construction of additional offices in our current office space.

18. Status report on the filling of vacant staff positionsMr. Jim Hacking
..... Administrator

All vacant positions are now filled and in-house investment legal counsel will begin in July.

19. Written 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

Mr. Ortega included a written report in the information material that was sent to the Board.

20. Review, discussion and possible **Action** regarding the April 2012 Kutak Rock billings for legal services performed in March 2012.....Mr. Jim Hacking

MOTION: 4-111-12	At 4:56 p.m.
Motion:	To approve the April 2012 Kutak Rock billings for legal services performed in March 2012.
Moved by:	Mr. Ferguson
Seconded by:	Mr.
Discussion:	None
In Favor:	Unanimous
Motion:	Passes

21. Presentation, discussion and possible **Action** regarding the Quarterly Operations Report and FY 2012/2013 PSPRS Strategic Plan.....Mr. Jared Smout
.....Deputy Administrator

This month the managers submitted written reports to the Board. Mr. Smout commented that staff is working at higher efficiency and a higher level of quality. The strategic initiatives were presented in hard copy, but we are moving to reporting the initiatives on line.

22. Discussion and possible **Action** regarding the first occurrence and other benefits for the Fire Fighter and Peace Officer Cancer Insurance Plan.....Mr. Jared Smout

MOTION: 4-112-12	At 5:00 p.m.
Motion:	To extend the time period for first occurrence from 18 to 24 months and to approve \$20,000 to \$25,000 for an actuarial study of the Fire Fighter and Peace Officer Cancer Insurance Plan to be placed in the FY 2013 budget.
Moved by:	Mr. Ferguson
Seconded by:	Mr.
Discussion:	None
In Favor:	Unanimous
Motion:	Passes

23. Status report, discussion and possible **Action** regarding fiduciary insurance for the PSPRS Board of Trustees.....Mr. Jared Smout

Mr. Smout said that among the advantages available through fiduciary insurance are the ability to control the progress of a claim and the ability for increased input regarding any settlement by the System.

24. Status report on the legal challenges to the various provisions of SB 1609.....
.....Mr. Jim Hacking

The challenges to SB 1609 were discussed in Executive Session.

25. Report, discussion and possible **Action** regarding changes to the Policies contained in the Public Safety Personnel Retirement System Governance Manual
.....Mr. Jim Hacking

Mr. Hacking told the Board that all Governance Policies have been reviewed except for the process for reviewing local Board decisions. Most of the changes are editorial or designed to streamline processes. The changes that have been made to the program for developing the annual PSPRS legislative agenda are for simplification and recognition of the realities of the legislative process. The amended Governance Manual will be presented at the May 2012 meeting.

26. Status report on the Public Safety Personnel Retirement System staff compensation reviewMr. Jim Hacking

Mr. Hacking said that it is again time to conduct a staff compensation review. It is also timely since it will help PSPRS in its discussions with ADOA as the new personnel reform provisions are implemented. The review will include a market comparison for all staff positions and a review of the specifics and standards for the investment staff's incentive compensation program. We will include funding for this review in the FY'13 administrative budget and will recommend one of the firms that responded to our RFP at the next Operations Committee meeting.

27. Status report on the FY 2012 Internal Audit PlanMs. Bridget Feeley
.....Internal Audit and Compliance Officer

Ms. Feeley said that a copy of the April recap and update of Internal Audit Plan had been submitted by e-mail. There are no reports for this month.

28. Discussion and possible **Action** with respect to the method of reporting work/findings recommended by the Internal Audit and Compliance Officer.....Ms. Bridget Feeley

The Auditor's reports for work/findings are currently sent to general counsel and issued under the Kutak Rock letterhead. It was suggested this morning during the Operations, Governance Policy and Audit Committee meeting, that Mr. Hacking draft a policy for the audit/compliance reports to go directly to the Board. Mr. Lieberman stated that the historical reason for passing the Auditor's work/findings through counsel was to be able to protect any communication between counsel, the compliance officer and the Board. However, since now the reports are made in public session, there is no value in reporting through counsel. He suggested giving consideration to bifurcating the process and reporting only the sensitive matters to counsel. Counsel will then report them to the Board.

It was pointed out that since the report is written by the auditor/compliance officer and not by the attorney, there is no attorney/client privilege. Sensitive topics can always be covered in Executive Session. Ms. Feeley was directed to return with a specific policy covering this topic.

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

No requests were made by the members of the Board of Trustees.

30. 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.

31. Set the next meeting date. (Currently scheduled for Wednesday, May 30, 2012.)

32. Adjournment

The meeting was adjourned at 5:20 pm.

Brian Tobin, Chairman

Gregory Ferguson, Trustee,
Vice Chairman

Randie A. Stein, Trustee

Jeff Allen Mc Henry, Trustee

Richard J. Petrenka, Trustee

Lauren Kingry, Trustee

William C. Davis, Trustee