



ARIZONA STATE RETIREMENT SYSTEM

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Paul Matson
Director

MINUTES OF THE PUBLIC MEETING OF THE ARIZONA STATE RETIREMENT SYSTEM INVESTMENT COMMITTEE

HELD ON
Monday, August 24, 2015
2:30 p.m.

The Arizona State Retirement System (ASRS) Investment Committee (IC) met at 3300 N. Central Avenue, 14th Floor, Phoenix, AZ 85012. Mr. Tom Connelly, Chair, called the meeting to order at 2:32 p.m.

1. Call to Order; Roll Call; Opening Remarks

Present: Mr. Tom Connelly, Chair
Prof. Dennis Hoffman, Vice-chair (via teleconference)

A quorum was present for the purpose of conducting business.

2. Approval of Minutes of the June 22, 2015 Investment Committee Meeting Minutes

Motion: Prof. Dennis Hoffman moved to approve the minutes of the June 22, 2015 public meeting. Mr. Tom Connelly seconded the motion.

By a vote of 2 in favor, 0 opposed, 0 abstentions, 0 excused, and 1 vacancy, the motion was approved.

3. Presentation, Discussion, and Appropriate Action Regarding ASRS Investment Program Updates

Mr. Gary Dokes, ASRS Chief Investment Officer (CIO), addressed the Committee with an update of latest activities within the investment portfolio. He briefly reviewed the actual-to-policy over/underweights in each asset class and portfolio repositioning changes that have occurred and are expected to occur in the next few weeks. He emphasized IMD's short-to-intermediate concerns in risk asset markets as result of an anticipated continued slow-down in China.

Mr. Hoffman inquired on the internal processes used by the ASRS to communicate to externals (e.g., media, members of the public, etc.) during times of dramatic change within the market. Mr. Dokes responded stating the ASRS Communications & Media Relations Manager, Dave Cannella, and the Assistance CIO, Dave Underwood, developed a Q&A market update document that was available to members and others in the event there were inquiries during last week when the equity markets declined.

Mr. Kien Trinh, State Street Investment Analytics, presented the State Street Risk Report. He discussed the monthly reallocation summary, noting the reductions and additions to various asset classes for the month of June and July of 2015. He further commented that there has been no notable changes in risk metrics over the past three months.

4. Presentation, Discussion, and Appropriate Action Regarding Independent Reporting, Monitoring and Oversight of the ASRS Investment Program – Includes Total Fund and Investment Performance Report Q2-15

Mr. Allan Martin, New England Pension Consultants (NEPC) Consultant, presented information on the investment performance and monitoring/oversight of the ASRS investment program. He advised the Committee his report provided the status of the Fund as of June 30, 2015, and noted the Fund's market value at approximately \$34.9 billion.

Performance results: (as of June 30, 2015)

- 8.1% (20-year annualized net return) vs. 8% (actuarial assumed interest rate)

	Quarter	1 Year	3 Years	5 Years	10 Years	Since Inception 06/30/75
Total Fund	0.6%	3.2%	11.4%	11.8%	6.9%	9.9%
Interim SAA Policy*	0.7%	1.6%	10.5%	11.2%	6.6%	9.6%
Excess Return	-0.1%	1.6%	0.9%	0.6%	0.3%	0.3%

*Interim SAA Policy: 23% S&P 500/3% S&P 400/3% S&P 600/18% MSCI EAFE/2% MSCI EAFE Small Cap/5% MSCI Emerging Markets/7% Russell 2000 (lagged one quarter)/17% Barclays Capital Aggregate/5% Barclays Capital High Yield/4% S&P/LSTA Levered Loan Index + 250 basis points (lagged one quarter)/6% NCREIF ODCE (lagged one quarter)/2% Bloomberg Commodity Index/5% Multi-Asset Class Custom Index

Note: Interim SAA Policy includes proration of 1.1% Private Equity, 4.1% Real Estate and 5.6% Private Debt which are unfunded. Private Equity was prorated to domestic equity; Real Estate was prorated to domestic equity and fixed income; Private Debt was prorated to Core and High Yield Fixed Income.

The ASRS Strategic Asset Allocation Policy became effective April 1, 2015.

5. Presentation, Discussion, and Appropriate Action Regarding the Real Estate Strategic Plan

Mr. Dokes provided the Committee with a brief overview of the agenda item and turned the meeting over to Mr. Karl Polen, ASRS Head of Private Markets, who presented the Committee with a detailed summary of the Real Estate Program and the development of the separate account program. He noted there were no changes to the overall objectives, program target returns or its benchmark. The proposed Plan changes primarily focused on clarifying verbiage which more accurately reflects the RE Program migration from a closed-end fund to a largely separate manager account dominated program.

Motion: Mr. Tom Connelly moved to recommend the proposed changes of the Real Estate Strategic Plan to the full Board. Prof. Dennis Hoffman seconded the motion.

By a vote of 2 in favor, 0 opposed, 0 abstentions, 0 excused, and 1 vacancy, the motion was approved.

6. Presentation, Discussion, and Appropriate Action Regarding the ASRS Private Market Selection, Diligence, Fees and Monitoring

Mr. Polen addressed the Committee with a detailed outline of the strategies, processes and policies currently in place in Private Market investing. He further provided a detailed description of the areas of concern and explained how the selection, diligence, fees and monitoring oversight processes are completed.

7. Presentation, Discussion, Update and Appropriate Action with Respect to New Investment Strategies and Industry Investment Trends

Mr. Hoffman requested a future agenda item focused on the impact of the Federal Reserve easing. Mr. Dokes stated he would work with the IC Chair and Director to determine the appropriate parties and the best date to hold these discussions.

8. Call to the Public

No members of the public requested to speak.

9. Adjournment

The meeting adjourned at 4:31 p.m.

Respectfully submitted,

ARIZONA STATE RETIREMENT SYSTEM

Gloria Trujillo Date
Investment Committee Administrator

Gary R. Dokes Date
Chief Investment Officer