



# 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, February 23, 2015  
2:30 p.m.

The Arizona State Retirement System (ASRS) Investment Committee (IC) met at 3300 N. Central Avenue, 14<sup>th</sup> 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 December 21, 2014 Investment Committee Meeting Minutes

**Motion:** Prof. Dennis Hoffman moved to approve the minutes of the December 21, 2014 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), provided an overview of the agenda item and briefly reviewed current and ongoing activities within the Investment Management Division (IMD). He then turned the meeting over to IMD Portfolio Managers (PM) to discuss their perspectives on the market, House Views and provide an update on their respective asset classes.

Mr. Kien Trinh, State Street Investment Analytics, presented the State Street Risk Report. He discussed the monthly reallocation summary, month-end risk profile and total plan overview exposure. He explained the reallocation from Emerging Market Debt to Global Tactical Asset Allocation (GTAA) and turned the meeting over to John Doran, ASRS Assistant Portfolio Manager, who elaborated on the transition.

### 4. Presentation, Discussion, and Appropriate Action Regarding Independent Reporting, Monitoring and Oversight of the ASRS Investment Program – Includes Total Fund and Investment Performance Report Q3-14

Mr. Dan LeBeau, New England Pension Consultants (NEPC) Consultant, presented information on the investment performance and monitoring/oversight of ASRS investment program.

Performance result: (as of December 31, 2014)

- 8.7% (20-year annualized net return) vs. 8% (actuarial assumer interest rate.)

	Quarter	1 Year	3 Years	5 Years	10 Years	Since Inception
<b>Total Fund</b>	1.1%	<b>6.2%</b>	<b>12.4%</b>	10.5%	6.6%	9.9%
<b>Interim SAA Policy*</b>	0.4%	<b>4.3%</b>	<b>11.7%</b>	9.8%	6.3%	9.6%
<b>Excess Return</b>	0.7%	<b>1.9%</b>	<b>0.7%</b>	0.7%	0.3%	0.3%

*\*Interim SAA Policy: 25% S&P 500/5% S&P 400/5% S&P 600/14% MSCI EAFE/3% MSCI EAFE Small Cap/6% MSCI Emerging Markets/6% Russell 2000 (lagged one quarter)/14% Barclays Capital Aggregate/5% Barclays Capital High Yield/4% JP Morgan GBI-EM Global Diversified/3% S&P/LSTA Levered Loan Index + 250 basis points (lagged one quarter)/6% NCREIF ODCE (lagged one quarter)/4% Dow Jones/UBS Commodities Index.*

Note: Interim SAA Policy includes a proration of 1% Private Equity and 2% Real Estate, which are unfunded. Private Equity was prorated to domestic equity; Real Estate was prorated to domestic equity and fixed income.

Mr. LeBeau further provided detailed information on NEPC's perspective on the market environment and fund performance with respect to the allocation effect, manager selection effect, interaction effect and residual effect as described in their presentation report, in addition an analysis of each asset class.

Mr. Connelly questioned if NEPC's market outlook and recommendations were in line with that of IMD and if there were any conflicts. Mr. LeBeau replied stating both IMD's and NEPC's market outlook and recommendations were consistent with no conflicts present.

## **5. Presentation, Discussion, and Appropriate Action Regarding the Cash Management Program**

Mr. Dokes provided a brief overview of the Cash Management Program and turned the meeting over to Mr. Doran. Mr. Doran provided the committee with the methods in which ASRS manages and oversees both external and internal cash flows. He further provided a detailed explanation of the overall structure and implementation of the program, in addition to the program's key objectives.

## **6. Presentation, Discussion, and Appropriate Action Regarding the Investment Policy Statement (IPS)**

Mr. Dokes provided detailed information relating the IPS and the recommended changes for approval. He noted review of the IPS is an annual requirement as referenced in the Board Governance Policy Handbook. Mr. Connelly suggested the range of the capital market assumption referenced in the "Time Constraints" section of Exhibit 1 be more consistent with the range listed in the current Schematic Asset Allocation Policy (SAAP). Mr. Dokes made note of his comment and stated he would work with Mr. Matson to review the verbiage referenced and make the recommended changes.

**7. Requests for Future Agenda Items**

Mr. Connelly suggested a future agenda item centered around the idea of a fire drill to ensure a plan is in place by IMD in the event of a significant decline in the market.

**8. Call to the Public**

Mr. Marwood Clement provided input with respect to contribution rates and related ideas.

**9. Adjournment**

The meeting adjourned at 4:40 p.m.

Respectfully submitted,

ARIZONA STATE RETIREMENT SYSTEM

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Gloria Trujillo  
Investment Committee Administrator

Date

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Gary R. Dokes  
Chief Investment Officer

Date