



ARIZONA STATE RETIREMENT SYSTEM

3300 NORTH CENTRAL AVENUE • PO BOX 33910 • PHOENIX, AZ 85067-3910 • PHONE (602) 240-2000
7660 EAST BROADWAY BOULEVARD • SUITE 108 • TUCSON, AZ 85710-3776 • PHONE (520) 239-3100
TOLL FREE OUTSIDE METRO PHOENIX AND TUCSON 1 (800) 621-3778
EMAIL ADDRESS: ASKMAC@AZASRS.GOV • WEB ADDRESS: WWW.AZASRS.GOV

Paul Matson
Director

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

HELD ON
Monday, April 20, 2015
1:00 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 1:32 p.m.

1. Call to Order; Roll Call; Opening Remarks

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

A quorum was present for the purpose of conducting business.

2. Approval of Minutes of the February 9, 2015 and February 23, 2015 Investment Committee Meeting Minutes

Motion: Prof. Dennis Hoffman moved to approve the minutes of the February 9, 2015 and February 23, 2015 public meetings. 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 the Committee with an update on the implementation of the Board approved Strategic Asset Allocation (SAAP) and commented on changes within the Total Fund Portfolio as they related to the new SAAP. He provided a general overview of the Total Fund performance and advised the Committee that changes to the new SAAP were effective April 1, 2015, and will be incorporated into the total fund positioning, performance/attribution and risk reports at the next IC meeting.

Mr. Connelly questioned the approach of the ASRS investments in commodities, due to inflation in the near future. Mr. Eric Glass, Private Markets Portfolio Manager, provided detailed information on IMD's approach to this type of investment, noting growth and supply as the main contributing factors in their investment approach. He noted from a supply standpoint, he sees no major commodities that are supply constrained and from a demand standpoint, although growth is good, it is not rampant enough to warrant a change in the current allocation to that type of investment.

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 noted, due to a steady market environment, historical risk for all asset classes remains reasonably constant from prior months with only slight changes.

4. Presentation, Discussion, and Appropriate Action Regarding Independent Reporting, Monitoring and Oversight of the ASRS Investment Program – Includes Total Fund and Investment Performance Report Q4-14

Mr. Dan LeBeau, New England Pension Consultants (NEPC) Consultant, presented information on the investment performance and monitoring/oversight of the ASRS investment program. He provided detailed information on NEPC's compliance of the Strategic Asset Allocation Policy (SAAP) and noted the Fund continues to make significant progress moving the interim SAAP toward the long-term SAAP. He further provided his perspective on the market, a brief overview of the House Views and investment outlooks.

Professor Hoffman inquired if there were any areas of concern and their level of involvement in ASRS Private and Public Market Committee meetings. Mr. LeBeau replied stating NEPC does attempt to participate in all meetings when their schedules permit and confirmed NEPC reviews all meeting minutes in the event they are unable to attend. He further noted there were no areas of concern.

5. Presentation, Discussion, and Appropriate Action Regarding Total Equities Asset Class Presentation

Mr. Dokes provided the Committee with a brief overview of the agenda item and turned the meeting to Dave Underwood, ASRS Assistant CIO, and Karl Polen, ASRS Head of Private Markets. Each gave their perspective on their respective asset classes and provided the Committee with detailed information on current program strategies, portfolio composition and performance. Mr. Underwood presented on the Public Equity asset class and Mr. Polen presented on the Private Markets asset class.

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

Mr. Paul Matson, ASRS Director, presented the IPS and the recommended changes for approval. He advised the Committee the changes made were minor and consisted mostly of clarification of current verbiage in the existing IPS as denoted in red lettering in the attached material. Changes reflect the ASRS Cash Management Program, and the Transition Management section that were initially in the draft.

Motion: Prof. Dennis Hoffman moved to approve the recommended changes to the IPS. 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.

7. Presentation, Discussion, and Appropriate Action Regarding Proposed Modifications to the ASRS Long Term Disability (LTD) Strategic Asset Allocation (SAA)

Mr. Matson provided the Committee with the history and a general overview of the LTD program, the current Strategic Asset Allocation (SAA) and recommended changes as denoted in Exhibit 2 of the materials.

Motion: Prof. Dennis Hoffman moved to approve the recommended changes to the LTD SAA. 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.

8. Presentation, Discussion, and Appropriate Action Regarding Proposed Modifications to the ASRS System Strategic Asset Allocation (SAA)

Mr. Matson provided the Committee with the history and a general overview of the System's current SAA, and recommended changes as denoted in Exhibit 2 of the materials.

Motion: Prof. Dennis Hoffman moved to approve the recommended changes to the System SAA. 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.

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

There were no requests from Trustees for this agenda item.

10. Call to the Public

No members of the public requested to speak.

11. Adjournment

The meeting adjourned at 2:54 p.m.

Respectfully submitted,

ARIZONA STATE RETIREMENT SYSTEM

Gloria Trujillo Date
Investment Committee Administrator

Gary R. Dokes Date
Chief Investment Officer