



# 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, October 20, 2014

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. Prof. Dennis Hoffman, Vice-chair of the IC, called the meeting to order at 2:35 p.m.

### 1. Call to Order; Roll Call; Opening Remarks

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

A quorum was present for the purpose of conducting business.

Mr. Connelly turned the meeting over to Prof. Dennis Hoffman, stating he would possibly not be available for the entire meeting.

Also in attendance was Board Trustee Dr. Richard Jacob.

### 2. Approval of Minutes of the August 18, 2014 Investment Committee Meeting

**Motion:** Mr. Tom Connelly moved to approve the minutes of the August 18, 2014 Public Meeting. Mr. Marc Boatwright seconded the motion.

By a vote of 3 in favor, 0 opposed, 0 abstentions, 0 excused, the motion was approved.

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

Mr. Gary Dokes, ASRS Chief Investment Officer (CIO), provided a brief overview of the ASRS investment program, noting the under and over weights of the Total Fund positioning. He further noted the details of ongoing commitments in private markets, and ongoing and upcoming meetings within the Investment Management Division (IMD) to focus on key matters relating to public markets, the revision of the ASRS Cash Management Program, as well as the Asset Allocation Study.

Mr. Kien Trinh, State Street Investment Analytics, presented the State Street Risk Report. He discussed the Monthly Reallocation Summary and provided a detailed breakdown of the risk exposure versus the benchmark. Mr. Kien confirmed the market changes were consistent with the ASRS House View and noted the steady market environment was the key factor in the production of a steady risk profile since the beginning of the year.

#### **4. Presentation, Discussion, and Appropriate Action Regarding Independent Reporting, Monitoring and Oversight of the ASRS Investment Program**

Mr. Allan Martin, NEPC Partner, provided the Committee with a brief overview of the fund performance, advising the IC there were no major changes to report. Mr. Martin stated IMD's tactical positioning is consistent with IMD House Views.

#### **5. Presentation, Discussion, Update and Appropriate Action with Respect to the Asset Allocation Study**

Mr. Paul Matson provided the Committee with an update of the Asset Allocation Study, advising the Board IMD is working in conjunction with NEPC to review asset class expected rates of return and correlations projections on a both a longer-term (30-year) and shorter-term (3-year) basis. Additional details relating to the Strategic Asset Allocation Policy (SAAP) Study and discussion with the IC is expected to occur at the December 1, 2014 IC meeting.

#### **6. Presentation, Discussion, and Appropriate Action Regarding the ASRS Global Tactical Asset Allocation (GTAA) Program Review**

Mr. Dokes provided an overview and history of the GTAA program. He explained the program details and discussed its goals and objectives. Mr. Dokes stated that the GTAA program policy target/range is 10% +/-5%.

Mr. Dokes, then introduced Mr. Paul Podosky, Bridgewater Portfolio Strategist, who discussed Bridgewater Pure Alpha strategies, portfolio positioning and answered questions regarding Bridgewater's perspectives on the markets.

#### **7. Presentation, Discussion, and Appropriate Action Regarding the Supplemental Retirement Savings Plan (SRSP)**

Mr. Pat Klein, Assistant Director of External Affairs, provided the Committee with the annual review of the SRSP. Highlights of Mr. Klein's discussion included:

- Plan Type & Structure – 401(a)
- Participant Eligibility
- Number of Participants – Employers & Employees
- Contribution Rates and Restrictions
- Funding Status

Mr. Klein stated that the SRSP is a supplemental plan to the ASRS Defined Benefit Plan and is offered to non-state employees.

## **8. Presentation, Discussion, and Appropriate Action Regarding the Supplemental Salary Deferral Plan (SSDP)**

Mr. Klein provided the Committee with the annual review of the SSDP. Highlights of Mr. Klein's discussion included:

- Plan Type & Structure – 457 and 403(b)
- Participant Eligibility
- Number of Participants – Employers & Employees
- Contribution Rates and Allowable Elections
- Funding Status

Mr. Klein stated that the SSDP is a supplemental plan to the ASRS Defined Benefit Plan and is offered to non-state employees; however, unlike the SRSP 401(a), there are fewer restrictions in terms of participation, amount contributed, or how often contribution amounts may change.

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

No specific topics were raised by the IC, Director or CIO.

## **10. Requests for Future Agenda Items**

Mr. Connelly suggested the following as possible topics for a future investment roundtable:

- A discussion of demographics and its effect on future expected investment returns in both the equity and fixed income market.
- A discussion longevity insurance and availability of products and investment strategies offered by insurance companies and other parties which may help manage pension longevity risk.

In addition, Mr. Marc Boatwright said he was interested in a discussion of the Hedge Fund industry with specific focus on the investment structure of hedge funds, fee levels, alignment of interests, and hedge fund investment theses.

## **11. Call to the Public**

No members of the public requested to speak.

## **12. Adjournment**

The meeting adjourned at 4:52 p.m.

Respectfully submitted,

ARIZONA STATE RETIREMENT SYSTEM

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Gloria Trujillo  
Investment Committee Administrator

Date

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Gary Dokes  
Chief Investment Officer

Date