



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, June 23 2014

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 of the IC, called the meeting to order at 2:31 p.m.

1. Call to Order; Roll Call; Opening Remarks

Present: Mr. Tom Connelly, Chair
Prof. Dennis Hoffman, Vice-Chair (via teleconference - arrived at 2:37 p.m.)
Mr. Marc Boatwright (via teleconference)

Absent: None

A quorum was present for the purpose of conducting business.

2. Approval of Minutes of the April 21, 2014 Investment Committee Meeting.

Motion: Mr. Marc Boatwright moved to approve the minutes of the April 21, 2014 Investment Committee Meeting and Mr. Tom Connelly seconded the motion.

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

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

Mr. Gary Dokes, ASRS Chief Investment Officer, provided an overview of the ASRS investment program as it related to portfolio positioning, ASRS Investment House Views, Asset Class Committees' decisions and IMD projects, activities and research initiatives.

Mr. Kien Trinh, State Street Assistant Vice President, provided an overview of the State Street Risk Report, dated as of April 30, 2014. He discussed the monthly reallocation summary, month-end risk profile, and total plan overview on exposure. He noted excess risk over the Policy Benchmark as largely being unchanged from the prior month and relatively stable over the last year.

Mr. Connelly asked what processes and pre-determined plans are in place to ensure staff will take action(s) if and when future volatile or declining markets occur and what communications to the Board and members can be expected to occur. Mr. Dokes stated he would address this at a future IC meeting.

4. Presentation, Discussion, and Appropriate Action Regarding Independent Reporting, Monitoring, and Oversight of the ASRS Investment Program – Includes Total Fund and Investment Performance Report Q1-14

Mr. Allan Martin, NEPC Partner, presented information on the investment performance and monitoring/oversight of ASRS investment program.

Performance result: (as of March 31, 2014)

- 8.6% (20-year annualized net return) vs. 8% (actuarial assumer interest rate.)

	Quarter	1 Year	3 Years	5 Years	10 Years	Since Inception
Total Fund	2.3%	13.8%	9.6%	15.9%	7.0%	10.0%
Interim SAA Policy*	2.4%	13.9%	9.5%	15.7%	6.9%	9.8%
Excess Return	-0.1%	-0.1%	0.1%	0.2%	0.1%	0.2%

*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)/15% Barclays Capital Aggregate/5% Barclays Capital High, Yield/4% JP Morgan GBI-EM Global Diversified/2% 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, 1% Private Debt, and 2% Real Estate, 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 fixed income.

Mr. Martin provided additional detailed information on the performance attribution for various measurement periods and noted that private equity returns for the 1-year period underperformed its public market benchmark returns. He also noted that ASRS tactical underweight to Core Fixed Income over past several year has been a positive performance benefit to the ASRS.

5. Presentation, Discussion, and Appropriate Action Regarding Total Fixed Income (Private and Public) Asset Class Presentation

Mr. Al Alaimo, Fixed Income Portfolio Manager, provided the IC with a review of the ASRS Fixed Income Program. Mr. Alaimo focused on IMD's House Views which, in general, favor private debt market and is less positive on core bonds, high yield and EM debt markets. The presentation also included a detail review of ASRS private debt and opportunistic debt investments and their associated strategies.

6. Presentation, Discussion and Appropriate Action Regarding ASRS IMD Investment Dashboard

Mr. Micheal Copeland, Investment Analyst, and Mr. Dokes addressed the Committee with information regarding the Executive Dashboard, ASRS Investment Program Summary and the Market Information Report.

Both Mr. Connelly and Mr. Hoffman spoke positively of the reports and suggested they be disseminated to all Trustees. Mr. Dokes affirmed this request and will mention this during his June Board presentation agenda item.

7. Presentation, Discussion, and Appropriate Action Regarding the Audit of the Investment Management Division's (IMD) use of the Bloomberg "AIM" Order Management and Trade Execution System used for the Internally Managed Equity and Fixed Income Portfolio

Mr. Bernard Glick, ASRS Chief Internal Auditor, addressed the Committee regarding the audit. Mr. Dokes provided details of the internal portfolios' trade execution approval process and the anticipated enhancements to be made to the ASRS trade monitoring system.

8. Requests for Future Agenda Items

Mr. Connelly requested at the next IC meeting an agenda item be included for staff, trustees and/or consultants to discuss new investment idea opportunities.

9. Call to the Public

No members of the public requested to speak.

10. Adjournment

The meeting adjourned at 4:48 p.m.

Respectfully submitted,

ARIZONA STATE RETIREMENT SYSTEM

Gloria Trujillo Date
Investment Committee Administrator

Gary Dokes Date
Chief Investment Officer