



Public Employee Retirement System of Idaho

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO
607 North 8th Street
BOISE, IDAHO 83702

MINUTES
OF
MEETING OF RETIREMENT BOARD

The Board of the Public Employee Retirement System of Idaho met at the PERSI Administration Building, 607 North Eighth Street in Boise, Idaho at 8:30 a.m., April 28, 2009. The following members were present:

Cliff Hayes
Jeff Cilek
J. Kirk Sullivan

Chairman Jody B. Olson and Trustee Bill Deal were absent. Executive Director Don Drum, Chief Investment Officer Robert Maynard, Investment Officer Richelle Sugiyama, Deputy Director William Oldham, Deputy Attorney General Joanna Guilfoy, Financial Officer James Monroe, and Management Assistant Cheri Campbell were also in attendance. Betsy Griffith handled the electronic projection of materials and documents discussed in the meeting. Other persons attending portions of the meeting were:

Rob MacKinnon	MPIA
Bill Palumbo	MPIA
Lucinda Smith	BNY Mellon
Eoin Gill	BNY Mellon
Dennis Fitzpatrick	DBF
Drew Black	DBF
Solomon Lee	Clearwater
Robin Nettinga	IEA
Mike Boren	Clearwater
Dave Boren	Clearwater
Brittany Pfister	Clearwater
Larry Johnson	EFIB
Chris Halverson	EFIB
James Coleman	REAI
Charlie Brown	REAI
Susan Marshall	Baring
Sarah Murray	Milliman
Jean Cassanos	ACS
Mark Mathson	Buck, an ACS Company

Lori Block	Buck, an ACS Company
Patrice Perow	PERSI
Cecile McMonigle	PERSI
Debbie Buck	PERSI
Judy Aitken	PERSI
Diane Kaiser	PERSI
Mike Young	PERSI
Shawnda Kasma	PERSI
Wayne Ellis	PERSI

MINUTES

Approval of the Minutes: By motion duly made by Trustee Hayes and seconded by Trustee Sullivan, the Board unanimously approved the minutes of the March 31, 2009 meeting as presented.

PORTFOLIO

Monthly Investment Report: Mr. Maynard reviewed the month to date Investment Report dated April 26, 2009. April has seen the general continuation of the global market rally that started in the first week in March, as investors gained more confidence that the pace of the deterioration of the economy is at least slowing. Global economic conditions, however, are still declining, and the markets are clearly reacting to expectations of a bottom in economic condition rather than conclusive evidence that that bottom has actually occurred. US and international equities are up around 10% for the month (emerging markets are up 14%), but are still down 30%-40% for the fiscal year to date. Fixed income accounts are down slightly for the month due entirely to the underperformance of TIPS.

The fund is up 4.7% for the month to date, which brings the fiscal year to date returns for PERSI to down -21.3% at \$8.547 billion. US equity managers (particularly Tukman, Mtn. Pacific, Peregrine, and Donald Smith) continue to outperform for the fiscal year to date, while Bernstein Global and Western fixed income continue to show the greatest relative underperformance.

PERSI's performance continues to be better than the general markets for the fiscal year to date, with the overall fund outperforming the strategic benchmark by 1.6% compared to our strategic benchmark (55% US equities, 15% international equities, 30% investment grade fixed income, rebalanced monthly). Private assets (real estate and private equity) have now completed their write-down's, and are now in contrast to the upswing in public markets, causing the overall US equity portion of our portfolio to substantially underperform the Russell 3000. This delinking of public and private markets is likely to continue for the rest of the fiscal year. While the write-down's for this fiscal year have all been taken, the private assets will not rise in line with the public markets should public markets continue their current rebound.

The equity market bounce in the last month or so has been stunning, with US equities rising over 25% in just a few weeks. But, as has been discussed, this type of action is to be expected when markets are in a wild and turbulent phase. "Volatility tends to cluster and scale", meaning large up and down swings are often found in relative close proximity on a daily, monthly, or quarterly basis (the effect diminishes as longer time periods are used). Also, rebalancing becomes more important with higher volatility, since the benefits of rebalancing are non-linear (or not proportional): the benefits of rebalancing after drops of 20% in the market are much, much more

than twice the benefits of rebalancing after a 10% drop, or much more than four times the benefit of rebalancing after a 5% drop (and so on). Since there is no diversification without rebalancing, this period has been, and may continue to be, a once in a lifetime opportunity to capture the benefits of diversification.

Mr. Maynard also updated the Board on the status of the Investment Manager Pyramis. PERSI is terminating their contract with Pyramis as of today.

TALF Presentation: Investment Officer Richelle Sugiyama provided a brief summary of the Term Asset-Backed Securities Loan Facility (TALF) Program and presented Staff's recommendation to move forward with approving the investment in TALF. PERSI staff, Deputy Attorney General and outside counsel have been working to ensure the appropriate structure and agreements are in place to implement the program. Solomon Lee and Mike Boren from Clearwater Advisors provided an update of the program and expectations for funding.

Trustee Sullivan made a motion to approve the investment in TALF, to be made in accordance with staff recommendation, which will be managed by Clearwater Advisors and the Board authorized the Executive Director, in consultation with staff and legal counsel, to execute and deliver the necessary documents to effectuate such participation. The motion was seconded by Trustee Hayes and approved unanimously.

Investment Manager Comments:

The staff from Clearwater said there are a lot of rumors regarding the results of the stress test. There is a lot of money being put into the system, but it may not be enough since (not a lot of people are taking advantage of this. Expect this slowdown to continue for a while.

Rob MacKinnon with MPIA believes the markets bottomed in March, there are signs that housing has bottomed, and that valuations still look attractive. He is optimistic that an end of year recovery is possible. Bill Palumbo believes the Administration will tread lightly with the stress test results (that it will be downplayed). The Fed finally understands that the banking situation must improve before the market can go up. The confidence in an economic rebound is not there yet.

Dennis Fitzpatrick of DBF agreed that the stress test will be used lightly. He believes that if there is a thaw in credit lines we will see a dramatic improvement in the economy within 6-12 months (by early next year), a rebound in the equity markets within the next six months and that emerging markets may lead us out. We should expect an inflation problem in 2-4 years.

Larry Johnson with EFIB agreed that when fiscal stimulus money is put into social programs it does not pay back the system and lends to inflation.

Susan Marshall with Baring believes the US will see an improvement the end of this year and the global market will follow the year after.

DC PLAN: Mark Mathson and Lori Block of Buck Consultants provided an update on the Choice Plan communications materials, timelines and website enhancements. The materials include new Plan Highlight brochure, Plan Comparison Chart, FAQ's, Summary Fund Performance Chart and a Request Card if someone prefers to receive a printed copy of the Choice 401(k) Plan Guide. An updated version of the online web tour will be launched in May 2009.

Trustee Cilek questioned why the communications are aimed at branding the Choice Plan rather than PERSI. It was explained that through work with focus groups

most people are confused about which plan they are participating in and don't understand that besides the required Base Plan they also have the optional Choice Plan.

DIRECTOR UPDATES

Legislative Update: Director Drum presented an update on PERSI related legislation. All have passed in both House and Senate. Trustee Hayes asked for clarification on HB173 Department of Administration's bill that deals with retiree insurance.

Executive Director's Status Report: Director Drum reviewed his report dated April 22, 2009 previously provided to the Board. The Governor vetoed PERSI's Appropriations Bill as part of his plan to encourage the House to pass his Gas Tax Bill. His staff contacted Director Drum to explain that this had nothing to do with PERSI or the Bill.

Mr. Drum gave an update on the personnel cost reductions that the Governor and Legislature are still negotiating.

The Management Team has begun work to update the Strategic Plan. This plan will be the driver for all PERSI business operations.

Appeal of Board Decision: Director Drum presented an appeal from Paul Jansson of the Board's decision that he cannot change his retirement option since his request was not filed within the timeline required by Idaho Code. Trustee Hayes moved to authorize the Director to appoint a Hearing Officer to review and make a recommendation to the Board regarding Mr. Jansson's appeal. Trustee Sullivan seconded the motion, which passes unanimously.

Deputy Director Status Update: Deputy Director Bill Oldham reviewed the Operational Statistics from FY09 3rd quarter. This new report will be used by the Management Team to monitor key operating stats, business processes and allocation of resources.

FISCAL

Fiscal Update: Financial Officer Jim Monroe reviewed the expense reports, out-of-state travel report and the status report dated April 21, 2009 that were previously distributed to the members. A brief update on the status of the FY10 budget was presented.

Adjournment: There being no further business to come before the Board, meeting adjourned at 10:45 a.m.

Donald D. Drum
Executive Director

Jody B. Olson
Chairman