



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., February 24, 2009. The following members were present:

Chairman Jody B. Olson
Cliff Hayes
Bill Deal
Jeff Cilek
J. Kirk Sullivan

Executive Director Don Drum, Chief Investment Officer Robert Maynard, Investment Officer Richelle Sugiyama, Deputy Director William Oldham, Deputy Attorney General Joanna Guilfooy, 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
Geoff Bridges	Milliman
Brian McGrath	DBF
Dennis Fitzpatrick	DBF
Cody Barney	DBF
Solomon Lee	Clearwater
Phil Bartlett	Clearwater
Doug Bates	Clearwater
Larry Johnson	EFIB
Chris Halverson	EFIB
Lee Miller	Eide Bailly
Patrice Perow	PERSI
Rose Marie Sawicki	PERSI

Cecile McMonigle	PERSI
Debbie Buck	PERSI
Judy Aitken	PERSI
Diane Kaiser	PERSI

MINUTES

Approval of the Minutes: By motion duly made by Trustee Deal and seconded by Trustee Cilek, the Board unanimously approved the minutes of the January 20, 2009 meeting as presented.

PORTFOLIO

Callan Merger: Mike O'Leary updated the Trustees on what the merger between Callan and Mercer will mean to PERSI. At this time, there is no anticipated change in staffing or location that would affect PERSI's relationship with Callan or Mr. O'Leary. Callan's name will be changed to Mercer Investment Consulting. Trustee Sullivan moved to accept this merger and continue our contract with Mercer Investment Consulting. The motion was seconded by Trustee Hayes and approved unanimously.

Callan Quarterly Report: PERSI out-performed its target policy index for the December quarter and exceeded the target over the trailing twelve-month period. The trailing full-year result ranked in the 51st percentile of Callan's Public Fund database.

On balance, the Board's important strategic decisions had mixed impacts for both the quarter and the full year. Global portfolios lagged pure domestic equity portfolios for both spans. The aggregate "Global" component returned -23.21% for the quarter and -46.71% for the trailing twelve-months. This compared unfavorably to the "U.S. Publicly Traded Equity" composite return of -21.99% for the quarter and negative 33.93% for the full year. Emerging markets hurt results for the quarter. The REITS portfolio detracted from performance for the quarter and trailing one-year periods. Direct real estate helped in both periods as did private equity.

Monthly Investment Report: Mr. Maynard reviewed the month to date Investment Report dated February 25, 2008. The fund is down -4.1% for the month to date, which brings the fiscal year to date returns for PERSI to down -27.1% at \$7.99 billion.

Nonetheless, PERSI's performance continues to be better than the general markets, with the overall fund outperforming the strategic benchmark by 4.3% compared to our strategic benchmark. Unlike past years, the outperformance is not due to either global equities, REITs, TIPS, or emerging markets, which have been significant drags on performance for the fiscal year to date. Instead, private assets (real estate and private equity), rebalancing, and US equity management have been primarily responsible for the outperformance for the fiscal year to date.

A silver lining continues to be that during the most severe “stress test” that a portfolio could encounter, we continue to have few, and even then only very minor, problems. Our liquidity remains secure at all times, our insistence on independent, third party daily pricing for our securities kept us out of the toxic and illiquid assets that plagued many institutions, our avoidance of commingled funds – including avoiding the custodial STIF funds – kept us from any “rushing to the exits” of frozen accounts, and our non-participation in securities lending kept us out of that particular problem as that industry continues to cause problems. And, of course, the avoidance of hedge funds, portable alpha, and the new asset classes of commodities and similar strategies allowed us to be spectators, and not participants, when much of the industry ran into both performance and liquidity problems

Private Equity Update: Paul Yett with Hamilton Lane presented the private equity performance update to the Board. During the third quarter of 2008, the PE Portfolio declined approximately 4.5% in value, net of contributions.

The PE Portfolio experienced a net cash outflow of \$32.4 million during the third quarter. PERSI did not complete any new investments during the third quarter of 2008. In the fourth quarter of 2008, PERSI completed its final commitment for the year, a \$40.0 million investment in First Reserve Fund XII, a Special Situation fund that invests in the global energy market.

The PE Portfolio’s one-year IRR is consistent with the overall asset class due to the macroeconomic environment. The Portfolio continues to exhibit a relatively strong performing 5-year IRR, with vintage year 2004 and 2005 funds driving performance. In aggregate, the PE Portfolio had quarterly gains of \$3.9 million and quarterly losses of \$71.0 million for a net loss of \$67.1 million during the third quarter.

Investment Manager Comments:

Solomon Lee with Clearwater believes that a lack of clear strategy by the Administration is contributing to the economic problems.

Brian McGrath with DBF stated that Wall St and Main St are the same street right now. Both have to improve for the economy to recover. Three things are happening: The Fed is absorbing much of the toxic debt; they are pumping liquidity into the system and attempting to transmit liquidity to the consumer level. Inflation will be the first sign of recovery.

Bill Palumbo with MPIA said that that the economy cannot recover without a healthy banking industry. The Treasury is starting a “stress test” when they should be acting.

Larry Johnson with EFIB said he had read analysis that stated there are 7 or 8 factors to the crisis and only one of those factors has reached the bottom.

Lucinda Smith with Mellon announced that although Mellon is doing well they have decided to downsize and consolidate some offices including hers. She has decided to take retirement and will be turning the PERSI account over to a rep from the Dallas office. She will be bringing the new rep to meet with staff and Board this spring. Lucinda has acted as PERSI’s representative for 22 years.

DIRECTOR UPDATES

Signature Authorizations: The Acknowledgment of Specimen Signatures of Retirement Board Members and Individuals Designated By the Retirement Board as Authorized Signers has not been updated since 2006. Each Trustee indicated their approval of the authorization by their signature on the document.

Appeal of Directors Decision: Paul Jansson submitted an appeal of the Director's decision regarding the determination that Mr. Jansson cannot change his retirement option from Option 1 (100% Contingent Annuitant option) to Option 2 (50% contingent annuitant option). His request was received outside the five (5) day time frame for doing so provided by Idaho Code section 59-1351(5).

After reviewing the provided information and consulting with the Deputy Attorney General, the Board voted unanimously on a motion made by Trustee Deal and seconded by Trustee Cilek to uphold the Director's decision.

Executive Director's Status Report: Director Drum reviewed his report dated February 18, 2009 previously provided to the Board. The report included notice that Stephen Shock has filed an appeal for denial of his disability claim. Mr. Shock has completed all of the appeal processes through the third party administrator. Per PERSI policy the Executive Director will appoint a Hearing Officer to review the case and submit a recommendation to the Board.

Deputy Director's Status Report: Deputy Director Oldham reviewed his report dated February 18, 2009 that was previously distributed. He reported that the Management Team and staff are working on creating an online procedure manual for all major functions. PERSI has asked INX to complete a Telephone Impact Analysis Study to ensure we are using our system correctly and to its potential. The system is due for required upgrades.

Customer Service Survey Results: PIO Patrice Perow and PAC Manager Judy Aitken presented the results of the surveys conducted in 2008. Overall satisfaction showed 100% are satisfied with the service provided. This is the same as last year's results.

LEGAL

Choice Plan Required Minimum Distribution Holiday: Deputy Attorney General Joanna Guilfoxy asked the Board to authorize the PERSI staff to operate the Choice Plan in compliance with the Worker, Retiree and Employer Recovery Act of 2008. This Act allows the Board to choose to adopt the Act allowing for waivers of 2009 required minimum distributions. Trustee Hayes made a motion to accept the staff recommendation to operate within the Act and bring amendments to the Choice Plan documents to the Board at a later date. Trustee Cilek seconded the motion that passed unanimously.

FISCAL

Reappointment of Audit Firm for 2009: Last year PERSI contracted for audit services with Eide Bailly for 5 years with annual renewal dependent upon Board approval. Financial Officer Jim Monroe asked the Board to approve the continuation of this contract for Fiscal Year 2009. By motion made by Trustee Hayes and seconded by Trustee Cilek the Board voted unanimously to continue the contract with Eide Bailly.

Fiscal Update: Financial Officer Jim Monroe reviewed the expense reports, and the status report dated February 18, 2009 that was previously distributed to the members. This report included a review of the Governor's Letter of February 13, 2009 regarding budget controls for all agencies other than those reporting to a constitutional officer.

Quarterly Financial Statements: Senior Accountant Debbie Buck reviewed the December 2008 Year to Date Financial Statements that had been provided. She responded to questions from the Board regarding the excess of benefits and expenses over contributions.

Adjournment: There being no further business to come before the Board, meeting adjourned at 11:00 a.m.

Donald D. Drum
Executive Director

Jody B. Olson
Chairman