



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., January 20, 2009. The following members were present:

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

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:

Robin Nettinga	IEA
Bruce Reeder	MPIA
Bill Palumbo	MPIA
Lucinda Smith	BNY Mellon
Brian McGrath	DBF
Cody Barney	DBF
Drew Black	DBF
Donna Yule	IPEA
Kenn Lamson	Harmonic Investment
Kevin Jones	Harmonic Investment
Mike Walker	Prof. Firefighters of ID
Solomon Lee	Clearwater
Mike Boren	Clearwater
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 December 16, 2008 meeting as presented.

PORTFOLIO

Monthly Investment Report: Mr. Maynard reviewed the month to date Investment Report dated January 18, 2008. The US economy is now in a full-blown recession, with no sign in the indicators of any approaching turnaround. The only good news is that the credit markets have now unfrozen, with some signs that credit is now reaching even those parts of the economy that are not directly in contact with governmental aid or guarantees (e.g. "A" corporate credit and high yield). The levels, though, are still at deep recessionary levels. Earnings expectations for corporations are bleak, and getting worse. As a result, a sinking market that showed some temporary relief in anticipation that the governmental intervention will, at some point, gain some traction, continues to decline. World equity markets including the US are down 5-6% for the month, while fixed income is up slightly. The fund as a whole is down -2.6% for the month to date. The fiscal year continues to be disastrous, with the fund down -22.3% for the fiscal year to date at \$8.45 billion.

The fund is doing very well compared to relative measures, both to peers and to the strategic policy. The fund is 0.81% ahead of the strategic benchmark (55% US equity (Russell 3000), 15% international equity (EAFE), and 30% investment grade fixed income (Lehman Aggregate)). As opposed to previous years, active US equity management and private equity and real estate are adding substantially to relative returns, but is offset by the weight to international markets embedded in the global equity mandates and by global equity manager active underperformance, as well as by a collapse in the REIT markets.

Mr. Maynard reviewed the current market trends showing that the worry is now on solvency rather than liquidity.

The PERSI Total Fund is doing well versus the benchmarks. PERSI's market oriented fund is structured to minimize losses in down time rather than capitalize on large gains in favorable markets.

Revisions to Choice Plan Investment Policy: Investment Officer Richelle Sugiyama reported that ACS advised that they provided incorrect wording for the Vanguard trading restrictions included in the DC Investment Policy signed by the Board on December 16th. A correct copy of the policy was presented for approval and signing. Trustee Deal made a motion to approve the revised policy and

authorize the Chair to execute the policy. The motion was seconded by Trustee Sullivan and approved unanimously.

Investment Manager Comments:

Solomon Lee with Clearwater agrees it is no longer an issue of liquidity but solvency. Believes we still have a long way to go for a reversal of the economic trends. Mike Boren with Clearwater added that it will take longer than expected for a stock market turnaround and that there is a lot more to come in the housing sector (expect more declines).

Brian McGrath with DBF stated the mild recession is now getting strenuous. As long as gas continues to drop that will keep commodity prices lower which will help. Once liquidity expands the recovery will begin. The money has to get into the hands of the American consumer and once consumer spending picks up, we'll see the first signs of a recovery.

Bill Palumbo with MPIA said that this crisis started with housing and that has not been properly addressed yet. He believes the new administration will roll out foreclosure prevention package to help prevent further decline. The stock market is stuck until T bills start to rise; this is an indication of pessimism in the market.

DIRECTOR UPDATES

Executive Director's Status Report: Director Drum reviewed his report dated January 14, 2009 previously provided to the Board. PERSI has seven dockets on the agenda for pending rules this session. They are on the agenda in the House on January 21st at 1:30 p.m.

PERSI has received the Governor's recommended budget for FY2010. The Governor has recommended \$500,000 to start the IT project. Trustee Hayes asked if PERSI can ask the Legislature for more than the Governor's recommendation. Although the Board has statutory authority to handle expenditures as they chose, in the past they have always supported the Governor's recommendation.

New Employer: Schweitzer Fire District out of Sandpoint has requested admission in to the PERSI system. They have one paid employee, one unpaid elected / appointed official and three unpaid elected / appointed official. There is no cost due for this employer.

Kuna Cemetery Maintenance District has requested admission for its two employees and three unpaid elected / appointed officials. There is no cost due for this employer.

Trustee Cilek made a motion to accept Schweitzer Fire District and Kuna Cemetery Maintenance District into the system effective February 1, 2009. The motion was seconded by Trustee Deal and approved unanimously.

Deputy Director's Status Report: Deputy Director Oldham reviewed his report dated January 14, 2009 that was previously distributed. PERSI staff are working with Blue Cross, Department of Administration and the Idaho School

District Council to identify and define customer service responsibilities of PERSI employers, insurance vendors and PERSI. Mr. Oldham also reviewed customer service statistics for the 4th quarter 2008.

Employer Survey Results: PIO Patrice Perow and ESC Manager Diane Kaiser presented the results of the survey conducted in December 2008. Overall satisfaction showed 92% are satisfied or extremely satisfied with the service provided. This is up 8% over last year.

LEGAL

Rules: Deputy Attorney General Joanna Guilfooy presented a recommendation to delay contribution rate increases to public schools. This would rescind the existing temporary rule to increase rates effective July 1, 2009 and 2010, adopt a new temporary rule delaying increases until July 1, 2011 and 2012 and submit the appropriate form to Department of Finance.

Trustee Hayes moved to accept the staff recommendation. The motion was seconded by Trustee Cilek and approved unanimously.

FISCAL

Fiscal Update: Financial Officer Jim Monroe reviewed the expense reports, travel and training report and the status report dated January 11, 2009 that was previously distributed to the members. Expenses are at 50.8 basis points of the 53 basis points in the original budget plan.

Mr. Monroe provided the Trustees with a copy and brief review of the comparative summary for PERSI's FY 2010 budget recommendation by the Governor.

EXECUTIVE SESSION

By motion duly made by Trustee Deal and seconded by Trustee Cilek and approved unanimously the Board convened in executive session under 67-2345(1)(d) to consider records exempt from disclosure under chapter 3, title 9 of Idaho Code. They reconvened in regular session at 10:30

Adjournment: There being no further business to come before the Board, meeting adjourned at 10:30 p.m.

Donald D. Drum
Executive Director

Jody B. Olson
Chairman