



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., July 28, 2009. The following members were present:

- Jody B. Olson
- Bill Deal
- Cliff Hayes
- J. Kirk Sullivan

Trustee Cilek was absent and excused. Chief Investment Officer Robert Maynard, Investment Officer Richelle Sugiyama, Deputy Director William Oldham, Chief 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

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| were: Rod MacKinnon | MPIA |
| Bill Palumbo | MPIA |
| Lucinda Smith | BNY Mellon |
| Eoin Gill | BNY Mellon |
| Cody Barney | DBF |
| Dennis Fitzpatrick | DBF |
| Drew Black | DBF |
| Robin Nettinga | IEA |
| Brent Nye | Boise Schools |
| Henry D'Auria | Alliance Bernstein |
| Liz Smith | Alliance Bernstein |
| Jane Buser | Boise State |
| Mike Boren | Clearwater |

Philip Bartlett	Clearwater
James Coleman	REAI
Charlie Brown	REAI
Geoff Bridges	Milliman
Larry Johnson	EFIB
Cecile McMonigle	PERSI
Debbie Buck	PERSI
Mike Young	PERSI
Shawnda Kasma	PERSI
Ray Polzin	PERSI
Judy Aitken	PERSI
Patrice Perow	PERSI
Mike Mitchell	PERSI
Kathleen McRoberts	PERSI

MINUTES

Approval of the Minutes: Trustee Hayes made a motion to approve the minutes of the June 23, 2009 meeting as written. Trustee Deal seconded the motion, which passed unanimously.

PORTFOLIO

Monthly Investment Report: The new fiscal year is starting out with reasonably optimistic markets. World financial conditions appear to be at least bottoming if not easing, and economic conditions appear to show some signs of imminent recovery (although recovery at a very slow pace). World equity markets are up around 6%-7%, while fixed income markets are also positive for the month. The fund as a whole is up 3.7% for the month and fiscal year to date, at \$9.44 billion.

Emerging market managers and large cap US equity managers are performing well in the first few weeks of the new fiscal year, with Genesis and Bernstein Emerging having the best absolute returns, and Tukman with the best relative returns. The buy and hold TIPS account has the worst absolute and relative returns. Private assets are also lagging public markets.

PERSI is also starting out the year lagging its strategic benchmark by 1.1%. While the bias toward emerging markets has helped, weightings toward TIPS and private assets have hurt more.

The new fiscal year is just too new to draw any conclusions or trends. It is simply enough that the past fiscal year is over. The past fiscal year with returns of -16.00% exactly matched the worst fiscal year in PERSI's history (1974). With bonds by far the best performers (+6%), and international and US equity having disastrous years (-30% or more), PERSI's relative rankings in past years would have been expected to be in the lower quartiles or even bottom decile--- this year, however, that performance is, from preliminary returns, well above median. This appears to represent a change in the industry rather than a change in PERSI's investment strategy -- the "new investment paradigm" adopted by many investors had an even

worse year, with large, sophisticated investors like Harvard, Yale, CalPERS, CalSTRS, reporting returns in the -25% range. An interesting impact of large drops is that PERSI now has a much shallower hole to climb out -- PERSI has to make 19% to get back to even (a repeat of FY 2003 would do it). If PERSI had lost -25%, then it would need 33% to get back to even -- a much more problematic target.

Global and Emerging Markets Outlook: Henry D'Auria, with Alliance Bernstein, reviewed Capital Market Outlooks report previously provided to the Trustees. He reported that the markets have begun to respond to early signs of economic recovery. However significant risks and challenges persist. Continued uncertainty means great opportunity for active management in equity portfolios and equity-like potential for credit markets.

Investment Manager Comments: Mike Boren from Clearwater said that they continue to be concerned about inflation in the long-term, but are not concerned in the short-term. They don't believe home prices have stabilized; they continue to fall. Unemployment may be improving, but it may not be enough to turn the corner. This could be a long recovery.

Phil Bartlett with Clearwater reported that the high credit spreads in the markets have come down some. The credit spread is getting worse not better at this time. Banks are still not lending so money is piling up in treasuries.

Rod MacKinnon with MPIA continues to be optimistic that there will be economic growth by the end of the year. Equities will be better in 5 years and says that in 5-7 years money is better off in common stocks.

Bill Palumbo with MPIA agreed that the decline in the housing market started the recession and has concluded that it has to bottom out before a correction can begin. There are some signs of improvement. He is concerned that corporate earnings are up and better than expected due to layoffs and other drastic cuts in personnel.

Cody Barney with DBF said that we are seeing month over month jumps in housing sales. He feels that when people start seeing less risk a correction will begin. He is concerned about inflation and feels we're near the bottom or at the bottom.

DIRECTOR UPDATES

Executive Director's Status Report: Deputy Director Oldham reviewed Director Drum's report dated July 22, 2009 previously provided to the Board. The report provided an update on the status of GASB 25 and 27 (Market Valuation of Liabilities) and potential impact these changes would have on the State of Idaho and PERSI.

Deputy Director Status Report: Deputy Oldham reviewed his report dated July 22, 2009 previously provided to the Board. He reported that Director Drum plans to set up meetings with constituent groups to discuss the challenges of funding defined benefit plans. Chairman Olson asked that no meetings be planned until after the Board retreat.

PERSI is implementing a new strategy for employer site visits, audits and education. The two current Training Specialists will be taking over these duties in the central part of Idaho.

Quarterly productivity statistics were provided to the Trustees.

FISCAL

Fiscal Update: Chief Financial Officer Jim Monroe gave a fiscal update. He reviewed and commented on the status of the final Administration and Portfolio expense reports for the FY 2009 budget year. There were no questions regarding the reports. He also provided updates on the annual audit and discussed the one enhancement (line item) proposed for the FY11 budget request.

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

Donald D. Drum
Executive Director

Jody B. Olson
Chairman