



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., June 23, 2009. The following members were present:

Jody B. Olson
Bill Deal
Cliff Hayes
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 Guilfoy, 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 were:

Dave McManaman	Capmark
Rob MacKinnon	MPIA
Bruce Reeder	MPIA
Lucinda Smith	BNY Mellon
Eoin Gill	BNY Mellon
Heidi Simpson	BNY Mellon
Michael O'Leary	Callan
Cody Barney	DBF
Dennis Fitzpatrick	DBF
Drew Black	DBF
Brian McGrath	DBF
Robin Nettinga	IEA

Doug Bates	Clearwater
Dave Boren	Clearwater
Solomon Lee	Clearwater
James Coleman	REAI
Charlie Brown	REAI
Geoff Bridges	Milliman
Jack Gastler	Acadian
David Hahn	DFM
Cecile McMonigle	PERSI
Debbie Buck	PERSI
Diane Kaiser	PERSI
Mike Young	PERSI
Shawnda Kasma	PERSI
Ray Polzin	PERSI
Steve Jones	PERSI
Judy Aitken	PERSI
Rose Marie Sawicki	PERSI

MINUTES

Approval of the Minutes: Trustee Cilek made a motion to approve the minutes of the June 2, 2009 meeting as written. Trustee Deal seconded the motion, which passed unanimously.

PORTFOLIO

Monthly Investment Report: The worldwide capital market rally that began in early March appears to have stalled, as concerns about the pace of economic recovery, the strength of the dollar, moribund (and still declining) corporate earnings, yet fears of future inflation have recently come to the fore. Global economic conditions are still generally declining with some increases at the margin, and the markets are apparently awaiting evidence of a clear bottom being established and signs of a sustainable economic advance. US and international equities are down around 3% for the month and down -30% for the fiscal year to date. Fixed income accounts are also lower for the month.

The fund is down -2.1% for the month to date which brings the fiscal year to date returns for PERSI to down - 17.9% at \$8.9 billion.

US equity managers (particularly Donald Smith, Tukman, Mtn. Pacific, and Peregrine) continue to outperform for the fiscal year to date, while Bernstein Global and Western fixed income continue to show the greatest relative underperformance (with recent improvement both relatively and absolutely. The Fidelity and Fortis terminations have been completed, and the assets transferred.

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 1.9% compared to our strategic benchmark (55% US equities, 15% international equities, 30% investment grade fixed income, rebalanced monthly). Global and emerging markets, after being severe impediments to total fund relative returns in the downdraft, have recently returned to their longer-term position of contributing quite positively to overall fund returns, both absolutely and relatively. Emerging markets, especially, have recently been surging, and have been up over 50% in the last three months. TIPS continue to be a relative drag on performance.

Michael O'Leary – Callan Market Update: Mr. O'Leary reported that the equity market is flat right now. It has been a rollercoaster market for the first half of the year but overall performance is the same as the end of December. They are seeing some improvement month to month right now. He expects above average equity returns over the next 5 to 10 years. The question remains, 'when does the recovery begin?' He believes the market will improve in the fourth quarter of this year. Leveraging that was necessary is not all done yet. The economic recovery in the short-term may not be strong, but economic recovery will come.

Private Equity Investment Update: Mario Giannini with Hamilton Lane provided an update on the Private Equity (PE) program. During the past year the PE Portfolio's market value declined approximately 28% (net of cash flows). On an absolute basis, the market value decreased 3% over the same period. The PE Portfolio's one-year IRR is consistent with the decline in returns to the overall asset class due to the macroeconomic environment.

The PE Portfolio was significantly impacted by the losses incurred in underlying partnerships during the third and fourth quarters, due in part to mark-to-market valuation methodology mandated by FAS 157. Although the application of this methodology is still uncertain, we should expect more volatility in the portfolio.

Expect 2009 to be slower, with more attention to the smaller and middle market. There is still considerable interest in PE. Investors are more comfortable with PE and many who feel that public equities are too volatile are attracted to PE.

ID Commercial Mortgage Annual Review: David McManaman with Capmark presented a summary of the review. All aspects of the program were reviewed, including the servicing component, surveying of loan recipients, and analysis of fees. As was the case from previous years, the program received a clean bill of health, and no major revisions or additions to the program were recommended.

Representatives from D.B. Fitzpatrick presented an overview of the Commercial Mortgage program. The presentation included current market situations, long-term investment objectives, overall performance of the program and the 2009 forecast.

Investment Manager Comments: Dave Boren from Clearwater stated that the panic is gone. However, the effects of the fiscal and monetary stimulus have not been seen yet and people are thinking more about how to save.

Solomon Lee reported that it is unlikely that the TALF program will have an opportunity to invest in government backed student loans in the near future. The issuance has diminished due to new regulations and spreads have compressed, making it very unlikely for us to participate through year-end, when the program ends.

Rob MacKinnon with MPIA is optimistic that there will be economic growth by the end of the year. Expect volatility in coming months until we see signs of economic growth. Technology sector will emerge as the leader; it will be the first sector to take off when the economy takes off.

Jack Gastler with Acadian thinks the market is ahead of itself for the short term. Long term outlook is attractive and emerging markets is the most attractive, offering returns in the low- to mid-teens. He remains bullish over the next 5-10 years.

Lucinda Smith introduced Heidi Simpson with BNY Mellon. Heidi reported that BNY Mellon had repaid the TARP loan in June.

DIRECTOR UPDATES

Milliman Report on Class II Disability Lump Sum benefit: A letter from Milliman confirming the impact on the fund was presented to the Board. The increase in the total contribution rate would be 0.04% to 18.42% for members of this class. This calculation was based on an assumption that 25% of Safety member disabilities would be eligible for the lump sum benefit. This benefit is legislatively mandated and will be included in the rule changes.

Executive Director's Status Report: Director Drum reviewed his report dated June 16, 2009 previously provided to the Board. PERSI is negotiating a contract with Icon Integration Design, Inc. to conduct a data-cleansing project. The initial contract addresses the date in need of immediate cleansing because it affects current operations and/or member issues. A timeline of the project was reviewed.

Mr. Drum updated the Board on the status of the second Deputy Attorney General and the work staff is doing to improve communications and the survey process.

Deputy Director Status Report: Deputy Oldham reviewed his report dated June 16, 2009 previously provided to the Board. The report included an update on the Strategic Plan and an overview of Phase II, which will include the department level plans. He also reviewed the recent updates to the VoIP software and what upgrades are planned for the future.

LEGAL

Rules - 2010 Legislative Session: Deputy Attorney General Joanna Guilfooy presented the Board with a list of proposed rule changes for the 2010 legislative session. There are three sections that are affected: Contribution Rules (IDAPA Title 1, chapter 3), Separation Rules (IDAPA Title 1, chapter 5) and Retirement Rules (IDAPA Title 1, chapter 6).

Trustee Sullivan made a motion to accept the staff recommendation to adopt these rules as set forth, submit the PARF for each change to DFM and adopt the rules as pending conditioned on approval from DFM and no comments being received by the October 28, 2009 deadline. Trustee Cilek seconded the motion, which passed unanimously.

FISCAL

Fiscal Update: Chief Financial Officer Jim Monroe reviewed the fiscal update dated June 16, 2009. There were no questions regarding the Administration or Portfolio expense reports. He also provided an update on the schedule and preliminary work completed for the annual audit.

Executive Session: Trustee Cilek made a motion for the Board to go into an Executive Session in accordance with Idaho Code sections 67-2345(1)(f) which allows for an executive session to discuss with legal counsel the legal ramifications of and legal options for pending litigation, or controversies not yet being litigated but imminently likely to be litigated and 67-2345(1)(d) discussion of documents exempt from disclosure. The motion was seconded by Trustee Deal and approved unanimously.

During the Executive Session, the Board was briefed by legal counsel and staff with regard to a matter involving a retired member and unused sick leave. The Board fully considered a resolution proposed by counsel and staff. Trustee Hayes made a motion to approve the resolution proposed and that the Board authorize legal counsel and staff to take all those steps reasonably necessary to effectuate this resolution. The motion was seconded by Trustee Cilek and approved unanimously.

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

Donald D. Drum
Executive Director

Jody B. Olson
Chairman