



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., March 31, 2009. The following members were present:

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

Rob MacKinnon	MPIA
Bruce Reeder	MPIA
Lucinda Smith	BNY Mellon
Brian McGrath	DBF
Cody Barney	DBF
Solomon Lee	Clearwater
Dave Boren	Clearwater
Doug Bates	Clearwater
Larry Johnson	EFIB
Chris Halverson	EFIB
Brent Nye	Boise School Dist
James Coleman	REAI
Charlie Brown	REAI
Patrice Perow	PERSI
Rose Marie Sawicki	PERSI

Cecile McMonigle	PERSI
Debbie Buck	PERSI
Judy Aitken	PERSI
Diane Kaiser	PERSI
Ray Polzin	PERSI
Kim Hall	PERSI
Mike Young	PERSI
Shawnda Kasma	PERSI
Wayne Ellis	PERSI

MINUTES

Approval of the Minutes: By motion duly made by Trustee Deal and seconded by Trustee Hayes, the Board unanimously approved the minutes of the February 24, 2009 meeting as presented.

PORTFOLIO

Monthly Investment Report: Mr. Maynard announced that the Callan Mercer merger discussed at the last Board meeting was called off. He then reviewed the month to date Investment Report dated March 30, 2009. So far, the month of March has been a relatively good month until the final days, with indications that banks were at least making an operating profit spurring some hope that the Fed monetary easing might be having some impact. The Fed's announcement that it would take another major step in injecting money into the system (through the purchase of longer dated Treasuries and mortgage securities) also temporarily helped support the markets, although weakening the dollar and spurring longer-term inflation concerns. Global economic conditions, however, are still deteriorating at an alarming rate. US and international equities are up 4% to 7% for the month to date (emerging markets are up 11%), but are still down 40%-45% for the fiscal year to date. Fixed income accounts, led by governments and TIPS, are also up for the month.

The fund is up 3.7% for the month to date, which brings the fiscal year to date returns for PERSI to down -25.3% at \$8.08 billion. US equity managers (particularly Tukman, Mtn. Pacific, 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, with the overall fund outperforming the strategic benchmark by 3.3% compared to our strategic benchmark (55% US equities, 15% international equities, 30% investment grade fixed income, rebalanced monthly). This month TIPS were particularly helped by the Fed announcement, and emerging markets have significantly outperformed other equity markets (bringing them more or less back in line for the fiscal year to date). Private assets (real estate and private equity) are beginning to see additional write-downs, but are still a very large positive for relative performance 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.

TALF Presentation: Solomon Lee and Dave Boren from Clearwater Advisors gave an overview of the Term Asset-Backed Securities Loan Facility (TALF) Program. The program is a government backed loan program intended to make credit available to consumers and businesses. These are non-recourse loans and fully secured by eligible government guaranteed asset backed securities.

Trustee Sullivan made a motion to approve the staff recommendation giving the Director authority to move ahead with the intent to participate, with an update and final approval by the Board at the April meeting. The motion was seconded by Trustee Cilek and approved unanimously.

Investment Manager Comments:

Brian McGrath with DBF stated that people need to stop looking at interest rates and start focusing on spending. The Fed has done its job by pumping money into the economy now the banking sector has to start moving reserves to consumers and businesses. There are flaws in the banking system that the Federal Reserve needs to look at. He is guardedly optimistic that credit expansion is taking place.

Doug Bates with Clearwater said that confidence is not increasing yet and it will probably be years not months before the economy turns around.

Rod Mackinnon with MPIA agreed with Doug about the confidence and that the mindset is currently to save and not spend. Once the confidence comes back, things may start to turn around quickly.

DC PLAN: Jean Cassanos of ACS presented the Choice Plan Quarterly Update. The net change in plan market value was down 10.72% for the 4th quarter of 2008. Jean reported that other systems are reporting a loss of 18 to 19%. She reviewed the member participation, contribution, and distribution statistics.

DIRECTOR UPDATES

Legislative Update: Director Drum presented an update on PERSI related issues being reviewed by the Legislature. These include SB1122 which corrects wording in three of PERSI’s statutes; HB231 Elected and Appointed Officials

which is sponsored by the Association of Idaho Cities; HB173 Department of Administrations bill that deals with retiree insurance.

Executive Director's Status Report: Director Drum reviewed his report dated March 23, 2009 previously provided to the Board. The report reviewed the current JFAC recommendation to cut State employee pay 3-5% and how this would affect retirement and sick leave.

The CIO from the Department of Administration is performing a security review of PERSI. No major issues were found. She will be presenting to the staff regarding identity theft and information security in the near future and will perform a more comprehensive review at a later date.

The PERSI Management Team has kicked off the Strategic Planning processes on March 16, 2009.

Renee Sidenburg has filed an appeal of her disability claim denial by our third party administrator. A Hearing Officer will be assigned by the Director to review the appeal and make a recommendation to the Board.

Appeal of Board Decision: Director Drum presented two appeals. Daniel Gilbert and Raynor Rumpel have both submitted appeals of the Board's decision that they are not eligible to apply for disability because they did not apply within the timeline required by Idaho Code. Trustee Deal moved to authorize the Director to appoint a Hearing Officer to review and make a recommendation to the Board regarding Mr. Gilbert's appeal. Trustee Cilek seconded the motion, which passes unanimously.

Trustee Deal then moved to authorize the Director to appoint a Hearing Officer to review and make a recommendation to the Board regarding Mr. Rumpel's appeal. Trustee Cilek seconded the motion, which passes unanimously.

New Employer: Cabinet Mountain Water District in Bonner Ferry has requested admittance into PERSI effective April 1, 2009. They have two employees and there is no entry cost associated with the admittance. Trustee Cilek moved to approve the admittance of Cabinet Mountain Water District effective April 1, 2009. The motion was seconded by Trustee Hayes and approved unanimously.

Transactional Survey Results: PIO Patrice Perow presented the results of the surveys conducted in 2008. The disability survey showed that overall 98% are satisfied with the service provided. The retirement process surveys showed 96% and the separation survey showed 97% of respondents thought PERSI met or exceeded expectations. These are all up from last year and exceeded the benchmark of 90% set in the Strategic Plan.

LEGAL

Hearing Officer Registry: Deputy Attorney General Joanna Guilfooy asked the Board to approve expanding the Hearing Officer Registry by adding Molly O'Leary. Trustee Deal moved to approved Ms. O'Leary to the Register. This was seconded by Trustee Cilek and approved unanimously.

FISCAL

Fiscal Update: Financial Officer Jim Monroe reviewed the expense reports, and the status report dated March 24, 2009 that were previously distributed to the members. Mr. Monroe introduced Mike Young who has recently joined PERSI to provide accounting support to Portfolio. A brief update on the status of the FY10 budget was presented.

FUTURE MEETINGS

Due to the current economic issues, the Board decided against having an out-of-town meeting this year. Chairman Olson asked that a May meeting be added into the schedule so the Board can stay up to date on the economic issues. It was decided that this meeting would be held June 2, 2009 instead of May 25th because of the Memorial Day holiday.

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