



Public Employee Retirement System of Idaho

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., November 4, 2008. The following members were present:

Chairman Jody B. Olson
Cliff Hayes
Bill Deal
Jeff Cilek

J. Kirk Sullivan was absent and excused. Executive Director Don Drum, Chief Investment Officer Robert Maynard, Investment Officer Richelle Sugiyama, 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
Rod MacKinnon	MPIA
Dona Vantrease	IPEA
Mary Lou Taylor	REI
David Hahn	DFM
Leon Wechsler	LRWL
Peter Cole	LRWL
Jim Coleman	Retired Educators
Charlie Brown	Retired Educators
Lucinda Smith	BNY Mellon
Geoff Bridges	Milliman
Sarah Murray	Milliman
Bill Palumbo	MPIA
Brian McGrath	DBF
Dennis Fitzpatrick	DBF
Cody Barney	DBF
Drew Black	DBF

Solomon Lee	Clearwater
Doug Bates	Clearwater
Mike Boren	Clearwater
Phil Bartlett	Clearwater
Kevin Jones	Harmonic Advisors
Kenn Lamson	Harmonic Advisors
Brian Love	CSCM
Paul Saylor	CSCM
Bryan McGowan	Koll
Stan Harrelson	Olympic
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 Cilek and seconded by Trustee Deal, the Board unanimously approved the minutes of the September 23, 2008 meetings as presented.

PORTFOLIO

Monthly Investment Report: Mr. Maynard reviewed the month to date Investment Report dated October 31, 2008. October was a historic month, and not in the good sense. The Lehman bankruptcy began what only can be called a complete market collapse around the world, with credit markets freezing and equity markets falling off a cliff. There are both short and long term concerns -- from short term liquidity and credit issues, to long term economic worries. Recently, the markets have gone from pricing in a recession, to expected depression level activity. Oil and commodities have dropped in concert. Concerted and massive global government intervention may have halted the collapse, but the depth of the impact on the world economy remains to be seen.

US equity markets were down -18% for the month and -25% for the fiscal year to date, while international and emerging markets have dropped even more. The total fund for the month was down -12.4%, its worst month in over 20 years, and for the fiscal year is down -20.0%, at \$8.7 billion. Tukman, Mountain Pacific, Peregrine Mondrian, and Donald Smith, although losing money, have very strong relative returns. The worst absolute return is from Bernstein Emerging, and the worst relative performance is from Bernstein Global and Zesiger. Western fixed income is still struggling.

The fund is even with the strategic benchmark (55% US equity (Russell 3000), 15% international equity (EAFE), and 30% investment grade fixed income (Lehman Aggregate)). As opposed to previous months, active US equity

management and private assets are adding substantially to returns, but have been offset by the weight to international markets embedded in the global equity mandates, the emerging markets bias, and the underperformance of TIPS.

Real Estate Investment Update: Paul Saylor with CS Capital Management, Bryan McGowan with Koll and Stan Harrelson with Olympic provided an update and overview of the current real estate portfolio held by PERSI. The program has had attractive returns and is outperforming the benchmark. The program is waiting for a more favorable real estate market before pursuing any new substantial investments.

Investment Manager Comments: Brian McGrath with DBF agreed with Bob Maynard's assessment of the market- we are entering a deflationary period where spending is being deferred until prices go down.

Dennis Fitzpatrick with DBF states the financial market prices are also in a deflationary period and the result of deflation is inflation. He estimates within 2-3 years we will return to an inflationary period. Current pricing in the financial markets have the best prices seen in our lives right now and offers the best buying opportunity.

Doug Bates with Clearwater stated that the economy is stuck in the middle of a hill and everyone is afraid to go either up or down. Everything is frozen in place and until this changes we won't see the market improve.

Phil Bartlett with Clearwater said many of the market indicators are at an all time high right now. The aversion to risk is still present and continues to impact the economy. He stated that one of the scariest things is that the three major banks have \$250 billion dollar that must be refinanced by next June. AIG is also still a concern.

Bill Palumbo with MPIA said there is an FDIC program in place to assist these banks in refinancing by next June. He stated that this is the best time to start buying stocks. A small group of people bought and held stocks after 1930 and received the highest yield in history.

DIRECTOR UPDATES

Actuarial Valuation Adoption: Geoff Bridges from Milliman presented the final 2008 Actuarial Valuation. By motion duly made by Trustee Deal and seconded by Trustee Cilek the final report was accepted unanimously.

COLA Discussion: Charlie Brown with REAI, Dona Vantrease with IPEA and Robin Nettinga with IEA provided input on the COLA and presented the Board a copy of several emails from their members.

Executive Director's Status Report:

Director Drum reviewed his report dated October 23, 2008 previously provided to the Board. The Executive Director transition is going well. Don and Alan are in the process of setting up meetings with legislators and key constituent groups. The search for a Deputy Director is in progress. There were

106 applicants and Director Drum hopes to have a decision made by November 10th.

Director Drum provided the Trustees with a copy of the 2007 CEM report. The report shows that PERSI compares very favorably with our peer group in most areas.

IT Assessment Results: Leon Wechsler from L.R. Wechsler, Ltd. presented a summary of the IT Assessment report. The current core processing system presents current and future challenges. Watson Wyatt has eliminated support for the NEXSERV core software we are currently using. This precludes migration to Microsoft's latest release of SQL Server. He presented four options for the Board to consider including benefits and risks of each option. Their recommendation is to select a customizable off the shelf solution.

FISCAL

Fiscal Update: Financial Officer Jim Monroe reviewed the expense reports, the quarterly travel and training report and the status report dated October 29, 2008 that was previously distributed to the members.

Mr. Monroe also provided a memo outlining the interest rates set for calendar year 2009. Regular Interest is calculated to be 1.00% (the greater of PERSI return net of expenses -4.65% or 1%) and Reinstatement Interest is calculated to be 8.17%.

FY08 Audited Financial Statements: Lee Miller from Eide Bailly presented the final FY08 audited financial statements report. The report shows no issues found with the financial statements or internal controls. Trustee Cilek made a motion to accept the Independent Auditors Report with changes made to pages 7 and 8 to correct to typographical errors in dates. Trustee Hayes seconded the motion which passed unanimously.

FUTURE BOARD MEETINGS

Trustee Cilek moved to adopt the dates provided for the 2009 Board meetings. Trustee Deal seconded the motion which passed unanimously.

Adjournment: There being no further business to come before the Board, meeting adjourned at 11:05 p.m.

Donald D. Drum
Executive Director

Jody B. Olson
Chairman