



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., September 22, 2009. The following members were present:

Jody B. Olson
Joy Fisher
J. Kirk Sullivan
Jeff Cilek

Trustee Bill Deal was absent and excused. Executive Director Don Drum, Chief Investment Officer Robert Maynard, Investment Officer Richelle Sugiyama, Deputy Director William Oldham, Chief Financial Officer James Monroe, Deputy Attorney General Joanna Guilfooy, Deputy Attorney General Kathleen McRoberts 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:

Rod MacKinnon	MPIA
Bill Palumbo	MPIA
Eoin Gill	BNY Mellon
Cody Barney	DBF
Dennis Fitzpatrick	DBF
Mike Boren	Clearwater
Solomon Lee	Clearwater
James Coleman	IREA
Brad Berls	Eide Bailly
Donna Yule	IPEA
Geoff Bridges	Milliman
Mark Olleman	Milliman
Robert Schmidt	Milliman
Bert Marley	IEA
Larry Johnson	EFIB
Chris Halverson	EFIB
Jane Buser	BSU
Cecile McMonigle	PERSI

Debbie Buck	PERSI
Mike Young	PERSI
Ray Polzin	PERSI
Diane Kaiser	PERSI
Patrice Perow	PERSI
Rose Marie Sawicki	PERSI
Kimberlee Hall	PERSI
Mike Mitchell	PERSI
Sherry Slocum	PERSI
Brett Harper	PERSI
Judy Aitken	PERSI

AMENDED AGENDA

Chairman Olson called the meeting to order and presented an amended agenda from the one previously posted. Trustee Sullivan made a motion to accept the amended agenda for the meeting. Trustee Cilek seconded the motion and a roll call vote was done by Chairman Olson. All Trustees present all voted aye.

EXECUTIVE SESSION

Citing Idaho Code §67-2345(1b) which authorizes an Executive Session to discuss personnel matters, by motion duly made by Trustee Sullivan and seconded by Trustee Cilek and approved unanimously, the Board convened in Executive Session at 8:30 a.m. They reconvened in regular session at 8:45 a.m. During the session, they discussed a bonus for CIO Bob Maynard. Trustee Sullivan moved to award Mr. Maynard a bonus of 85% of the maximum allowed. Trustee Cilek seconded and the motion passes unanimously.

MINUTES

Approval of the Minutes: Chairman Olson asked for a motion to approve the minutes of the August 25, 2009 meeting with a correction to his statement on page 3. This should say that PERSI lost 500 to 1000 basis points less than the majority of our peer group. Trustee Sullivan so moved, Trustee Cilek seconded and the motion passed unanimously.

NEW BOARD MEMBER

Chairman Olson introduced new Trustee Joy Fisher. Ms. Fisher is the Director of Foundation and Investment Accounting at the University of Idaho. She has been appointed by the Governor to serve a 5-year term. Chairman Olson also expressed his appreciation to Clifford Hayes for his dedication to PERSI for the past 5-years.

PORTFOLIO

Monthly Investment Report: The new fiscal year is starting out with optimistic markets. World financial conditions are easing, and economic conditions show some signs of recovery (although recovery at a very slow pace). Corporations reported generally better than expected earnings, although most of the improvement was through cost reductions rather than revenue increases. Recently, however, the advance seems to periodically stall with some concerns about a "double dip" recession. The fund as a whole is up 4.2% for the month and is up 12.6% for the fiscal year to date, at \$10.224 billion.

Emerging market managers and REITs are performing well, with Donald Smith, Genesis and Bernstein Global and Emerging having the best relative and good absolute returns. Western has made a strong comeback in both absolute and relative returns, and is the leading manager against benchmarks. Donald Smith is posting strong absolute and relative returns, as are the emerging market managers. The buy and hold TIPS account, MBS, and private assets have the worst absolute returns and Mountain Pacific and Adelante have the worst relative returns.

PERSI is also starting out the year lagging its strategic benchmark by -0.9%. While the bias toward emerging markets has helped, weightings toward private assets have hurt more.

The markets over the past six months have been the most productive in PERSI's history, with the total fund up more than 36% since March 9th. Unfortunately, this immediately followed the worst six months in PERSI's history, with a drop in total fund returns of -30% from July 1 2008 to March 9th. Over the entire period PERSI is still down -5%, although we are once again a \$10 billion fund. Further market advance appears to be now awaiting the strength of the actual recovery, and the actual rebound in corporate profits.

Staff Advisor Contracts : Investment Officer Richelle Sugiyama asked the Trustees to approve renewal of the Advisory Contracts for both Robert Storer and William Raver. Copies of both contracts were previously provided to the Trustees. Trustee Sullivan moved to renew the Staff Advisor contracts with both Mr. Raver and Mr. Storer. Trustee Fisher seconded the motion, which passed unanimously.

Investment Manager Comments: Mike Boren from Clearwater stated it would be in the best interest of the federal government to keep interest rates low for the next year if possible. The only way out of the federal debt is inflation, but inflation is a long-term risk not a short-term risk.

Dennis Fitzpatrick of D.B. Fitzpatrick & Co. agreed with Clearwater and expects the economy to rebound sharply in 2010. They too expect inflation sometime within the next 2-3 years and expected pronounced inflationary pressures on the US dollar in the long-term. They are concerned that the Fed may not tighten soon enough. In regard to the Commercial Mortgage Program, Dennis indicated there are few problems and that they are funding attractive opportunities with the highest production level ever.

Rod MacKinnon with MPIA stated there has been some rebound in the equity market and is optimistic about the equity returns going into 2010.

Bill Palumbo with MPIA thinks we are in a new bull market, although there is resistance to calling it that. He doesn't believe things can be derailed by negative news at this point. He feels that the only thing that could derail it at this point would be something unexpected or unaccounted for.

DIRECTOR UPDATES

Preliminary Actuarial Report: Milliman presented a summary of the PERSI and FRF Actuarial Valuations for FY2009. The final valuations will be presented to the Board at the October meeting.

Final Decision Appeal – Shock: Deputy Attorney General Kathleen McRoberts presented the Final Decision and Order in the Shock case to the Trustees. Mr. Shock filed a letter that was treated as an exception to the Hearing Officer’s Recommended Decision. The Board may choose to remand the case for further factual development if they feel it is needed.

Stephen and Judy Shock were present and addressed the Board. Chairman Olson asked that the case be held over for further review by the Trustees. The Order will be considered again at the October meeting.

Executive Director’s Status Report: Director Drum reviewed his report dated September 17, 2009 that was previously provided to the Board. Mr. Drum reviewed the current status of the State budget.

Mr. Drum has been assisting the State Controllers Office (SCO) in reviewing the documentation and process from 1980 when the firefighters entered PERSI. All of the paperwork may not have been filed by SCO at that time. PERSI has offered to help educate the firefighters on the ramifications of pulling out of social security.

New Employer: Weiser Ambulance District has requested entry in the PERSI system. They have 8 employees and there is no cost to the employer. Trustee Fisher moved to accept the Weiser Ambulance District into the system effective October 1, 2009. Trustee Sullivan seconded the motion, which passed unanimously.

Deputy Director Status Report: Deputy Oldham reviewed his report dated September 16, 2009 previously provided to the Board. Deputy Oldham provided an update on the status of the new Pension Administration System project. The process for evaluating the RFP’s has started.

FISCAL

Fiscal Update: Chief Financial Officer Jim Monroe reviewed his Fiscal Update memo dated September 15, 2009. He reviewed and commented on the year to date expense reports. There were no questions regarding the reports. He also provided updates on the annual audit and the FY2011 budget request.

Adjournment: There being no further business to come before the Board, meeting adjourned at 11:15.

Donald D. Drum
Executive Director

Jody B. Olson
Chairman