



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., December 16, 2008. The following members were present:

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

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:

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| Joanne Ax | Retiree |
| Robin Nettinga | IEA |
| Rod MacKinnon | MPIA |
| Bill Palumbo | MPIA |
| Dona Vantrease | IPEA |
| Mary Lou Taylor | REI |
| Jim Coleman | Retired Educators |
| Charlie Brown | Retired Educators |
| Lucinda Smith | BNY Mellon |
| Amanda Maxwell | BNY Mellon |
| Geoff Bridges | Milliman |
| Bill Palumbo | MPIA |
| Brian McGrath | DBF |
| Dennis Fitzpatrick | DBF |
| Solomon Lee | Clearwater |

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| Tim Dunn | Clearwater |
| Katie Kohler | Analytic Investors |
| Joe Murphy | Analytic Investors |
| Tom Stitzel | |
| 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 November 4, 2008 and the December 1, 2008 meetings as presented.

PORTFOLIO

Callan Quarterly Report: Michael O'Leary provided a summary of recent market activity and reviewed the performance of the fund for the period ending September 30, 2008. PERSI under-performed its target policy index for the September quarter (-8.70% versus -8.03%) but exceeded the target over the trailing twelve-month period (-14.81% versus -15.86% for the target index). The trailing full-year result ranked in the 52nd percentile of Callan's Public Fund database.

Monthly Investment Report: Mr. Maynard reviewed the month to date Investment Report dated December 14, 2008. The fund is approximately 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 equity and real estate are adding substantially to relative returns, but was offset by the weight to international markets embedded in the global equity mandates and by global equity manager active underperformance, as well as by a collapse in the REIT markets. Tukman, Mountain Pacific, Mondrian and Donald Smith, although losing money, have very strong relative returns. The worst absolute return is from Bernstein Emerging. Western fixed income is still struggling.

Mr. Maynard discussed a PowerPoint presentation which included a timeline of events this year and showed several charts demonstrating the effect of each event on the market.

Investment Manager Comments: Brian McGrath with DBF stated this economy is very similar to that of the great depression, however, the government acted much quicker this time to help correct the market. Feels the Fed needs to be aggressive in address deflation. Banks are holding their money and consumers are not spending. Once the money gets to the household level to increase spending we will start to see an improvement.

Dennis Fitzpatrick with DBF believes this is different from the 1930's because the Fed has less influence on the economy now due to globalization. Cooperative interaction among countries must occur to get money moving again. Once the market improves it is likely we will see great inflationary pressure, probably in the next 2-3 years.

Doug Bates with Clearwater pointed out that the 3 month auction of Treasuries are trading at negative rates if at all.

Bill Palumbo with MPIA said that it is helping that the market is getting used to bad news and not reacting as much as in the past. Once individual stocks follow suit with this trend the economy will improve.

Investment Policies: Richelle Sugiyama reviewed the updated investment policies for both the Choice Plan and the Unused Sick Leave Fund. Both of these documents were previously provided to the Trustees.

Choice Plan policy revisions included: acceptance of and modification to the Trading Practices section, addition of the Default Plan Option section, inclusion of the Calvert Social Investment Fund and Mellon Market Completion Fund and modifications to the descriptions of options offered. PERSI did not previously have an Unused Sick Leave Fund Investment Policy.

Trustee Cilek moved to approve the changes to the Choice Plan policy and accept the new Unused Sick Leave Fund policy and authorize Chairman Olson to execute both policies. Trustee Deal seconded the motion which passed unanimously.

DIRECTOR UPDATES

COLA Decision: Trustee Sullivan reviewed the COLA history with the other members. He reiterated that the Statute mandates 1% and each 1% awarded costs the fund approximately \$50 million dollars. Not knowing what the economy will do in the future this is a very hard decision. It is the Trustees responsibility to have a transparent and stable fund.

Trustee Sullivan moved to award the mandated 1% COLA and not to increase contribution rates at this time. Trustee Deal seconded the motion and stated that adding to the unfunded liability at this time would not be a prudent decision. Trustee Cilek stated that he agrees with the decision but regrets that it cannot be more. Trustee Hayes stated that he could not concur. He stated that the if you look at the June 30, 2008 actuarial numbers the fund would be at 90% with a 5.4% COLA.

Trustees Sullivan, Cilek, Deal and Olson voted to approve the motion of 1% COLA with no contribution rate increase. Trustee Hayes voted against the motion.

Unused Sick Leave Fund Valuation Adoption: Geoff Bridges from Milliman presented the Unused Sick Leave Fund Valuation. By motion duly made by Trustee Sullivan and seconded by Trustee Deal the final report was accepted unanimously.

Executive Director's Status Report:

Director Drum reviewed his report dated December 10, 2008 previously provided to the Board. The Executive Director transition is going well. Director Drum updated the Trustees on the budget holdbacks the Governor has requested from General Fund agencies. PERSI Management has met with the State's CIO to discuss funding for the IT project that has been discussed. The current request has been reduced to what is needed to continue the project in phases rather than all of the funding up front.

Director Drum introduced new Deputy Director William Oldham and PPC Manager Shawnda Kasma. He then thanked retiring Director Winkle for all of his hard work and mentorship.

Appeals of the Executive Director's Decisions: Mr. Ray Rumpel has filed an appeal of the Director's decision that he was not eligible to use unused sick leave to pay for insurance premiums. After review of the relevant documents and discussion with the Deputy Attorney General, Trustee Deal made a motion to uphold the Executive Director's decision. The motion was seconded by Trustee Cilek and approved unanimously.

Mr. Dan Gilbert filed an appeal of the Director's decision that he is not eligible to apply for disability retirement because he did not apply within the specified timeframe. Trustee Deal moved and Trustee Sullivan seconded the motion to uphold the Director's decision. The motion passed unanimously.

Appeal of Board's Decision and Appointment of Hearing Officer: Mr. Tom Brager has filed an appeal of the Board's Final Decision on August 26, 2008 to uphold the determination that he is not eligible to apply for disability retirement because he did not apply within the one year timeframe. Trustee Deal moved to authorize the Executive Director to appoint a hearing officer, hold a contested case hearing and issue recommendations to the Board. Trustee Cilek seconded the motion which passed unanimously.

New Employer: Jerome Recreation District has applied for admission into PERSI effective January 1, 2009. They have 5 employees and 5 unpaid elected/appointed officials. There is no entry cost due for this employer.

Trustee Cilek moved to accept Jerome Recreation District's admission into the system effective January 1, 2009. Motion was seconded by Trustee Sullivan and approved unanimously.

Canyon County Mosquito Abatement District has applied for membership into the system as of January 1, 2009. They have 6 employees and 5 unpaid elected/appointed officials. No entry costs are due for this employer.

Trustee Cilek moved to accept the application for admission into the system effective January 1, 2009. Motion was seconded by Trustee Sullivan and approved unanimously.

FISCAL

Fiscal Update: Financial Officer Jim Monroe reviewed the expense reports, and the status report dated December 9, 2008 that was previously distributed to the members.

Mr. Monroe also reviewed the completed 2008 Comprehensive Annual Financial Report. This is the earliest the report has ever been completed. He pointed out that the report is dedicated to retiring Executive Director Winkle and he thanked Debbie Buck, Cecile McMonigle and Patrice Perow along with other Fiscal Staff members for all of their hard work on the report.

Quarterly Financial Statements: Sr. Accountant Debbie Buck asked the Trustees if there were any questions regarding the Financial Statements that were previously distributed to them.

Adjournment: There being no further business to come before the Board, meeting adjourned at 10:30 p.m. The Trustees help a reception in honor of retiring Executive Director Alan Winkle following the meeting.

Donald D. Drum
Executive Director

Jody B. Olson
Chairman