



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., April 27, 2010. The following members were present:

Joy Fisher
Bill Deal
J. Kirk Sullivan
Jeff Cilek
Chairman Olson was absent

Executive Director Don Drum, Chief Investment Officer Robert Maynard, Investment Officer Richelle Sugiyama, Deputy Director William Oldham, Deputy Chief Financial Officer Jim Monroe, Attorney General Joanna Guilfooy, 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
Eoin Gill	BNY Mellon
Dennis Fitzpatrick	DBF
Doug Bates	Clearwater
Solomon Lee	Clearwater
Eric Jensen	Clearwater
Charlie Brown	IREA
Larry Johnson	EFIB
Bill Palumbo	MPIA
James Coleman	IREA
Robin Nettinga	IEA
Rich Cochran	BNY Mellon
Susan Marshall	Barings
Jane Buser	BSU
Sarah Jones	BSU
Geoff Bridges	Milliman
Chris Halvarson	EFIB
Jay Kealey	MPIA
Jean Cassanos	ACS
Todd Heber	ACS
Bruce Reeder	MPIA

Ray Polzin	PERSI
Diane Kaiser	PERSI
Patrice Perow	PERSI
Rose Marie Sawicki	PERSI
Cecile McMonigle	PERSI
Mike Young	PERSI
Wayne Ellis	PERSI
Lisa Conn	PERSI

Trustee Sullivan called the meeting to order at 8:30

MINUTES

Approval of the Minutes: Trustee Cilek made a motion to approve the minutes of the March 30, 2010 meeting as written. Trustee Deal seconded the motion, which passed unanimously.

PORTFOLIO

Monthly Investment Report: April has seen the continuation of the general recovery of world public capital markets, and continues to be led by the US equity market. The fund is up 2.7% for the month of April, with a fiscal year to date return of +21.1% at \$10.922 billion. This is now the best fiscal year return since the early 1980s. The PERSI fund has recovered all of the record losses of the previous fiscal year, and is now back to levels seen in the Spring of 2007 (Over 5% above the date prior to the Lehman bankruptcy, and 1% above the start of Fiscal Year 2009 - the fund hit its all time high in October of 2007).

PERSI's performance against strategic benchmarks have improved in April, after the worst quarter against the 55-15-30 benchmark in PERSI's modern history. If PERSI had met its benchmark for the quarter ending in March it would have been up +4.0% and would likely have been a top quartile performer for the quarter. Instead, PERSI made only +0.9% for the quarter, and will likely be a bottom decile fund for that period. As mentioned in the previous reports, the main reason for the underperformance was the write-down of the real estate portfolio and the lagging returns of private equity. Other biases that normally have helped PERSI also hurt last quarter, such as the turmoil in Europe, underperformance in TIPS, general active manager performance against benchmarks, and the rebalancing from emerging markets to TIPS in January. Only emerging markets and REITS had a noticeable positive contribution for the quarter. After consistently positive relative performance for about a decade, one occasional bad quarter is not a cause for concern, but it was noticeable (and hopefully brief).

Emerging markets and REITs continue to perform exceptionally well this year, with Donald Smith, Genesis, Zesiger and Bernstein 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 with Zesiger against benchmarks. Private real estate has the worst absolute returns and, of the public managers, Mountain Pacific, Adelante and TCW have the worst relative returns.

Mr. Maynard gave a short presentation on "Back to the Future: Conventional Investing in a Complex World", a paper he wrote that was recently published by Brandes Institute.

Investment Manager Comments: Dennis Fitzpatrick of D.B. Fitzpatrick & Co. said the equity market is poised to go higher, but there may be some short-term volatility. Bonds are setting up for inflation pressure 2 to 3 years down the road. He predicts short-term rates will increase dramatically over the next few years. He made a bold

prediction that the Dow will hit 20,000 in the next 5-7 years, emerging markets will underperform US equity and, long term, global markets will outperform.

Doug Bates with Clearwater introduced Eric Jensen who has recently joined their firm. Doug reported that the fixed income market has been quiet. He said the Fed has a bias to tighten a bit to drain some liquidity and move back to normal. They are watching the Goldman-Sachs issue closely. They are afraid the issue will drain resources from the market and cause volatility.

Bill Palumbo with MPIA said the key element driving the stock market is corporate earnings. Many companies are beating return and revenue projections by 20-3%. The strength of earnings relative to expectations is very good. If this continues, it will exceed record earning of 2008.

Rod MacKinnon with MPIA introduced Jay Kealey, a new member of their team. He will initially work on research and eventually work into all aspects of the business.

Susan Marshall with Barings said the recovery is underway but is subdued. There are more U.S. consumers investing in U.S. over international and this shows some confidence returning. The emerging markets are still strong; however they are watching China and Greece closely.

Mike McMillan with McMillan and Co. said they are managing portfolios in a very simplistic manner right now. They have done a lot of client education over the past few years. It is a challenge to get people to rebalance on a leap of faith.

CHOICE PLAN

ACS Update:

Jean Cassanos and Todd Hebert with ACS presented the 1st quarter 2010 Plan Review. The plan balance grew by \$9,001,936 in the first three months of the year. The majority of participants (79.21%) have their funds in the PERSI Total Return Fund. There are 10,853 members contributing to the Choice Plan out of the 68,655 who are eligible. Also discussed were transaction and servicing statistics and fee summary.

ACS will be hiring a trainer who will work in conjunction with the existing PERSI training staff to promote and educate employers and employees on the Choice Plan.

DIRECTOR UPDATES

Executive Director Status: Director Drum reviewed his status report dated April 21, 2010 that was previously provided to the Board. Mr. Drum updated the Board on the plan to provide information to members and employers regarding the contribution rate increase. He also gave an update on communications with the Judges System and the process for actuarial reviews.

Deputy Director Status Report: Deputy Oldham reviewed the first quarter operational statistics that were provided to the Trustees.

LEGAL

Rules - 2011 Legislative Session: Deputy Attorney General Joanna Guilfooy presented the Board with a list of proposed rule changes for the 2011 legislative session. There are five sections that are affected: Eligibility Rules (IDAP Title 1, chapter 2), Contribution Rules (IDAPA Title 1, chapter 3), Disability Rules (IDAPA Title 1, chapter 4), Separation Rules (IDAPA Title 1, chapter 5) and Retirement Rules (IDAPA Title 1, chapter 6).

Trustee Deal made a motion to accept the staff recommendation to submit the PARF for each change to DFM for approval. Trustee Fisher seconded the motion, which passed unanimously.

FISCAL

Fiscal Update: Chief Financial Officer Jim Monroe reviewed his Fiscal Update memo dated April 20, 2010. He reviewed and commented on the year to date expense reports and quarterly out-of state travel report. There were no questions regarding the reports

Adjournment: There being no further business to come before the Board, meeting adjourned at 10:10

Donald D. Drum
Executive Director

Jody B. Olson
Chairman