



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., December 7, 2010. The following members were present:

Jody Olson
J. Kirk Sullivan
Bill Deal
Jeff Cilek
Joy Fisher

Executive Director Don Drum, Chief Investment Officer Bob Maynard, Investment Officer Richelle Sugiyama, Deputy Director William Oldham, Chief Financial Officer Jim Monroe, Deputy 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	Diane Kaiser	PERSI
Dennis Fitzpatrick	DBF	Cecile McMonigle	PERSI
James Coleman	REAI	Rose Marie Sawicki	PERSI
Geoff Bridges	Milliman	Debbie Buck	PERSI
Brent Nye	Boise Schools	Mike Young	PERSI
Erik Jensen	Clearwater	Shawnda Kasma	PERSI
Mike Boren	Clearwater	Patrice Perow	PERSI
Karl Malott	ID Fire Chiefs	Melody Hodges	PERSI
Mike Oleary	Callan		
Bruce Reeder	MPIA		
Cody Barney	DBF		
Drew Black	DBF		
Robin Nettinga	IEA		
Dustin Hurst	ID Reporter.com		
Eoin Gill	BNY Mellon		
Heidi Simpson	BNY Mellon		
Vince Pacilio	BNY Mellon		
Tom Loeb	Mellon		
Wayne Ellis	ACS		
Susan Marshall	Barings		
Gary Johnson			

MINUTES

Approval of the Minutes: Trustee Deal made a motion to approve the minutes of the October 19, 2010 meetings as written. Trustee Cilek seconded the motion, which passed unanimously.

PORTFOLIO

Callan Quarterly Update: PERSI lagged its target policy index for the September quarter and over the trailing twelve-month period. The trailing full-year result ranked in the 77th percentile of Callan's Public Fund database.

On balance, the Board's important strategic decisions had mixed impacts for both the quarter and the full year. Global portfolios outperformed pure domestic equity portfolios in the quarter and lagged public equities for the trailing 12-months. Your Emerging Markets exposure through Global portfolios and dedicated emerging markets managers was beneficial in the quarter and over the last year as emerging markets had better returns than public domestic and developed international equities. The recovery in private real estate has lagged diversified domestic equities. The direct real estate allocation hurt total fund results in the quarter, and was a major detractor for the trailing 12-months. The REIT portfolio helped results in the quarter and over the trailing one-year period. The Private Equity allocation trailed public domestic equities in the quarter but exceeded the Russell 3000 index for the year. Your TIPS allocation was additive to the returns of your total fixed income program in the quarter and the full fiscal year.

Monthly Investment Report: November ended the strong global market rise as concerns about attempts by China to slow their rapid growth to curb inflation, the next round of European financial concerns led this time by Ireland, and whether US fiscal and monetary policy was "pushing on a string" all combined to turn most global markets sideways for the month. Continued strong corporate earnings and signs that the US economy was continuing to advance provided a floor to the markets. Global equity markets are down slightly for the month to date, as is fixed income. PERSI is down -0.4% for the month to date, but remains up 11.7% for the fiscal year to date, at \$11.224 billion.

PERSI still lags its strategic benchmarks by 0.8%, as private assets lag the valuation gains. TIPS, on the other hand, are showing strong relative gains. Traditional active US and EAFE managers are hurting relative returns slightly, although global equity and emerging market managers are having good relative years so far.

For the fiscal year to date Zesiger is by far the best performer with the best absolute and relative returns. Western also has very good relative returns in the first months of the new fiscal year. Donald Smith and Mountain Pacific have the poorest relative returns for the fiscal year to date.

Investment Manager Comments: The Investment Managers who were present shared their opinions and predictions for the current market situation.

DIRECTOR UPDATES

2011 COLA: After some discussion regarding the current economic climate and the status of the fund, Trustee Sullivan made a motion to not give a discretionary cost of

living adjustment this year and recommend just the 1% as mandated by Statute. The motion was seconded by Trustee Deal and passed unanimously.

Contribution Rates: The Board received letters from Governor Otter and the House and Senate Leadership requesting a postponement of the scheduled contribution rate increase. Trustee Sullivan voiced his concern in regards to the Boards legal responsibility to protect the fund. The Board reviewed the affect a postponement would have on the funding status and agreed that with the market rebounding as it is currently there will be minimal affect with a one year postponement. Trustee Deal moved to postpone the contribution rate increase scheduled to go into effect on July 1, 2011 to July 1, 2012. The motion was seconded by Trustee Cilek and passed unanimously.

Milliman Study of Option Factors: Geoff Bridges with Milliman gave a brief presentation on the revised CA option 1 and 2 with updated mortality assumptions. Trustee Sullivan made a motion to accept the report and submit the rule change to DFM. The motion was seconded by Trustee Fisher and approved unanimously.

Executive Director Status: Director Drum gave an update on the PERSI video. We have received a draft version of the video and we anticipate having this complete and mailed to Legislators within the next few weeks.

Appeal of Board Decision: At the February 23, 2010 meeting the Board upheld the Executive Director's action on the appeal by Mr. Dennis Keogh in regards to a reduction in unused sick leave upon conversion at retirement. Mr. Keogh appeals this decision by the Board and a hearing was held by hearing officer Molly O'Leary on August 5, 2010. On September 5, 2010 the hearing officer issued a Recommended Order to deny the petitioner's appeal.

Trustee Deal made a motion to adopt the Recommended Order and issue a final decision. Trustee Cilek seconded the motion which passed unanimously.

New Employers: Trustee Fisher made a motion to accept Council Valley Free Library District as a PERSI employer effective January 1, 2011. Trustee Sullivan seconded the motion which passed unanimously.

Trustee Sullivan made a motion to accept Eastern Idaho Regional Wastewater Authority as a PERSI employer effective January 1, 2011. The motion was seconded by Trustee Deal and passed unanimously.

Deputy Director Status Report: Deputy Oldham presented an update on the data cleansing project that is underway. This project needs to be completed prior to moving the data to a new system. We contracted with ICON 15 months ago to identify the problem data, now the staff has begun the process to correct the identified data.

FISCAL

Fiscal Update: Chief Financial Officer Jim Monroe reviewed his Fiscal Update memo dated December 2, 2010. He reviewed and commented on the year to date expense report.

Mr. Monroe presented the 2011 Annual Financial Report and thanked all of those who worked on the project.

Quarterly Financial Statements: Sr. Accountant Debbie Buck presented the Quarterly Financial Statements. There were no questions from the Board regarding the quarterly statement.

Adjournment: There being no further business to come before the Board, meeting adjourned at 10:45.

Donald D. Drum
Executive Director

Jody B. Olson
Chairman