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., February 23, 2010. The following members were present:

Jody B. Olson
Joy Fisher
Bill Deal
Trustee J. Kirk Sullivan was present via telephone

Trustee Jeff Cilek was absent and excused. 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 Guilfoy, 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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| Rod MacKinnon | MPIA |
| Eoin Gill | BNY Mellon |
| Drew Black | DBF |
| Brian McGrath | DBF |
| Doug Bates | Clearwater |
| Solomon Lee | Clearwater |
| Charlie Brown | IREA |
| Geoff Bridges | Milliman |
| Larry Johnson | EFIB |
| Bill Palumbo | MPIA |
| Kevin Jones | Harmonic Investment Adv. |
| James Coleman | IREA |
| Robin Nettinga | IEA |
| Ray Polzin | PERSI |
| Diane Kaiser | PERSI |
| Patrice Perow | PERSI |
| Rose Marie Sawicki | PERSI |
| Judy Aitken | PERSI |
| Cecile McMonigle | PERSI |
| Wayne Ellis | PERSI |
| Lisa Conn | PERSI |

Kimberlee Hall PERSI

MINUTES

Approval of the Minutes: Trustee Deal made a motion to approve the minutes of the January 26, 2010 meeting as written. Trustee Fisher seconded the motion, which passed unanimously.

PORTFOLIO

Callan Quarterly Update: Greg Allen, President of Callan, presented the quarterly performance update. PERSI led its target policy index for the December quarter and exceeded the target over the trailing twelve-month period. The trailing full-year result ranked in the 22nd 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 lagged pure domestic equity portfolios in the fourth quarter but outperformed substantially for the last year. Your Emerging Markets exposure through Global portfolios and dedicated emerging markets managers was very beneficial to total fund returns in both time periods. The recovery in private real estate has lagged the public real estate market. The REITS portfolio helped results in the quarter and over the trailing one-year period while the direct real estate allocation detracted from results over these time periods. The Private Equity allocation gained more than the public equity benchmark (Russell 3000) in the quarter but not over the last twelve months. Longer-term results are still favorable and demonstrate a premium over public equities. Your TIPS allocation within your fixed income program has contributed to out performance in the quarter and past year.

Monthly Investment Report: January ended the rapid rise in the world capital markets, even though the world is seeing generally better than expected earnings and continued, although slow, growth in the world and US economy. Moves by China to start hitting the brakes on lending, concerns about slowing manufacturing growth in the US, issues in the European periphery (Greece, Portugal, Ireland, etc.), and policy uncertainty in the US saw world equity markets plunge toward the end of January, with higher volatility and generally sideways movement since then. The fund is up 0.6% for the month of February to date, with a fiscal year to date return of +15.3% at $10.416 billion. The PERSI fund at various times in January had recovered all of the record losses of the previous fiscal year, but is now back to levels seen last October (roughly even with the date prior to the Lehman bankruptcy).

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 Donald Smith and Zesiger against benchmarks. Private real estate has the worst absolute returns and Mountain Pacific, Adelante and TCW have the worst relative returns.

PERSI is behind its strategic benchmark by -1.21% for the fiscal year to date. The bias towards emerging markets and REITs, and rebalancing have materially added to returns, but weightings toward private assets have hurt, as well as recent underperformance overseas. We expect private real estate to actually have a substantially negative year as valuations in that asset catch up in this year's appraisal process.

The rapid rise of the markets since last March carried us close to the edge of our broad ranges for asset allocation. In early November of 2008, and in early March of 2009 we had made major rebalances totaling around 8% of the fund from fixed income to equities, with about one-third of that amount directed towards emerging markets (the rest was to equity index funds and REITs). Since that rebalance, emerging markets has made over 100% in less than a year and as a result we had a material historical overweight to our emerging market managers. We have completed a rebalance begun in mid January by taking back the amount given to those managers which, with the expected write-down in private real estate over the next couple of months, will bring us comfortably within strategic ranges for equities and fixed income.

Investment Manager Comments: Brian McGrath of D.B. Fitzpatrick & Co. believes that we are in a slow to moderate economic recovery, that there are lags and disappointments still to come, and that he believes we will see things get worse before they get better. Examples are unemployment and global debt financial crisis. As more countries are approaching failure (i.e. Greece), there is a move toward protectionism, even among developed countries. The fight for the "spoils" between countries could be a potential threat to global recovery. Foreclosure rates are running about 10% for residential and about 3.3 to 4% for commercial. He believes we will see an increase in commercial foreclosures in 2010.

Doug Bates with Clearwater said he is waiting for the storm that can break the high-pressure system. They are watching (1) the Fed to see what they are up to. The Fed recently increased the discount rate, and they need to delicately balance draining reserves to keep inflation in check; (2) interest rates - he doesn't expect another move in interest rates until Q3 or Q4; (3) employment; and (4) sovereign debt. So far, the "storms" have not had the teeth to break the cycle.

Rob MacKinnon with MPIA believes that there will be some reversion to the mean of about 8 to 10%. Over the last 10 years, the Russell 3000 has been down around 0, which suggests that any reversion to the mean should benefit US based equities and they should outperform over the next decade to get us back on track. He believes US equities look good for the future.

Bill Palumbo with MPIA stated that this could be the beginning of an industrial renaissance and is optimistic of this happening. Corporate earnings have been very good and we are beginning to see an outperformance in US equities. He believes the dollar has bottomed out and that will help US equities.

DIRECTOR UPDATES

Appeal of Directors Decision-Keogh: Mr. Keogh's appeal involves the calculation PERSI used to figure his unused sick leave. PERSI calculated Mr. Keogh's unused sick leave and determined that Mr. Keogh had 162 days of unused sick leave available for conversion. Mr. Keogh maintains that the number of unused sick leave days that should be used for conversion is 294.5

Dennis Keogh was present and addressed the Board with his concerns about this decision.

Trustee Deal made a motion to support the Director's decision. The motion was seconded by Trustee Sullivan and passed unanimously.

Executive Director Status: Director Drum reviewed his status report dated February 22, 2010 that was previously provided to the Board. Mr. Drum updated the Board on the status of talks with the Judges System. HCR42, which would reduce the COLA from 2.48% to a net zero COLA, has passed the House and has been sent to the Senate Commerce and Human Resource Committee. He also reviewed potential legislation that would impact PERSI including excluding substitute teachers and Rule of 85.

Deputy Director Status Report: Deputy Oldham reviewed his update previously provided to the Trustees. The Choice Plan had 192 new participants in January. This is a significant increase over prior months. He gave an update on the FRP process for the new Pension Administration software project.

Mr. Oldham announced that training specialist Graydon Wood has resigned to take a position with Social Security. The process to fill the vacant position with an internal candidate is underway.

FISCAL

Reappointment of Audit Firm: Chairman Olson asked for a five years history of audit services fees. Mr. Monroe provided those numbers to the Trustees. Eide Bailly's contract for audit services is a five-year contract subject to annual renewal by the Board. FY 2010 is the third year of the contract. Trustee Fisher motioned to ratify Eide Bailly's contract for 2010. Trustee Deal seconded the motion, which passed unanimously.

Fiscal Update: Chief Financial Officer Jim Monroe reviewed his update on fiscal items dated February 16, 2010. He reviewed and commented on the year to date expense reports and quarterly financial statements. He explained that the amount listed under encumbrances, current spending balance, has been significantly reduced by payments made in February. A portion of amounts due vendors was held back until work was completed in a satisfactory manner.

Executive Session

Chairman Olson asked for a motion to amend the agenda to add reference to an executive session under Idaho Code 67-2345(1)(f). A motion was so made by Trustee Fisher, seconded by Trustee Deal, and passed unanimously.

Trustee Deal made a motion to go into executive session under Idaho Code 67-2345(1)(f). The motion was seconded by Trustee Fisher and approved unanimously.

During the executive session the Board discussed legal issue with counsel. No decisions were made in the session.

Adjournment: There being no further business to come before the Board, meeting adjourned at 10:35

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| Donald D. Drum<br>Executive Director | Jody B. Olson<br>Chairman |