



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., March 30, 2010. The following members were present:

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

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
Drew Black	DBF
Doug Bates	Clearwater
Solomon Lee	Clearwater
Charlie Brown	IREA
Larry Johnson	EFIB
Bill Palumbo	MPIA
James Coleman	IREA
Robin Nettinga	IEA
Cody Barney	DBF
David Hahn	DFM
Robert Schmidt	Milliman
Chris Halvarson	EFIB
Heidi Simpson	BNY Mellon
Ray Polzin	PERSI
Diane Kaiser	PERSI
Patrice Perow	PERSI
Rose Marie Sawicki	PERSI
Judy Aitken	PERSI
Kimberlee Hall	PERSI
Mike Young	PERSI

Chairman Olson called the meeting to order at 8:30 and asked for a motion to amend the agenda to move the Executive Session to the beginning of the meeting. Trustee Sullivan made such a motion, which was seconded by Trustee Deal. Motion passes unanimously via roll call vote.

EXECUTIVE SESSION

Trustee Deal made a motion to go into Executive Session under Idaho Code 67-2345(1)(d) (records exempt from disclosure). Trustee Cilek seconded the motion, which passed unanimously.

No decisions having been made in executive session, Chairman Olson reconvened the general session of the meeting at 9:00 a.m.

MINUTES

Approval of the Minutes: Trustee Cilek made a motion to approve the minutes of the February 23, 2010 meeting as written. Trustee Sullivan seconded the motion, which passed unanimously.

PORTFOLIO

Monthly Investment Report: March has seen the resumption of the general recovery of world public capital markets, led by the US equity market. The fund is up 1.7% for the month of February, with a fiscal year to date return of +17.4% at \$10.603 billion. The PERSI fund has recovered almost all of the record losses of the previous fiscal year, and is now back to levels seen in February of 2007 (roughly 2% above the date prior to the Lehman bankruptcy, and 2% below the start of Fiscal Year 2009 - the fund hit its all time high in October of 2007).

These numbers now reflect all write downs in our private real estate portfolio through the end of calendar year 2009 and we expect these to represent the bottom of our private real estate portfolio decline. Private real estate is, by far, the largest drag on our returns relative to strategic benchmarks this fiscal year. Our overall returns would be 3.7% higher if private real estate had kept up with the public markets. Private equity, as well, has substantially lagged the public markets this fiscal year, and has subtracted -1.7% from overall returns. Since we are lagging our strategic benchmark by -4.0% for the fiscal year to date, all of that underperformance and more comes from our private holdings. These reflect delays in valuation techniques, with private real estate generally lagging public market equity values both in up and down markets.

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, of the public managers, Mountain Pacific, Adelante and TCW have the worst relative returns.

Private Equity Update – Paul Yett, Hamilton Lane: The PE Portfolio market value decreased less than 1% on an absolute basis over the past twelve months, as many underlying managers had strong second and third quarter performance. The negative performance in the one-year period continues to be driven by the depressed valuations during the fourth quarter of 2008 and the first quarter of 2009. One-year performance has improved considerably since a low of (26.16%) for the period ending

March 31, 2009. The PE Portfolio has had two consecutive quarters of positive value growth, which lead to a 12.16% IRR for the past six months.

The PE Portfolio experienced an increase in distribution activity during both the third and fourth quarter of 2009 as general partners seek to liquidate underlying holdings. During the third and fourth quarter of 2009, distributions reached their highest levels since the third quarter of 2007, exceeding \$20 million over consecutive quarters.

The PE Portfolio is tilted towards the larger end of the buyout market; however, in the past year there was a movement away from the Mega end of the market. Hamilton Lane continues to focus more on opportunities at the smaller end of the buyout space as well as Special Situations.

Staff Advisor Position Request: Chief Investment Officer Robert Maynard presented a request to the Board for approval to engage Dwight Churchill as a third staff advisor for the portfolio department. Mr. Churchill was present and gave a brief overview of his experience.

Trustee Fisher made a motion to approve the proposed contract between PERSI and Mr. Churchill. The motion was seconded by Trustee Cilek and approved unanimously.

Investment Manager Comments: Cody Barney of D.B. Fitzpatrick & Co. stated that the theme has not changed. They have seen solid economic recovery this year but recognize the pressure on rates is upwards; it's just a matter of timing. The Treasury supply is still booming; we will have to wait and see how long this "round robin" with China can last.

Solomon Lee with Clearwater reported that the government had a hard time placing the bonds it issued last week because of the health care bill. He believes the federal target rate will remain low. They are watching the Dodd bill, which would outline the concessions bondholders would give up and result in potential downgrades, lowering the S&P and Moody ratings by 2-3%.

Rod MacKinnon with MPIA believes that equities are not at peak yet and still have some room to grow. Corporate earnings are coming in better than expected and better; valuations remain attractive; and he expects March to be a good month.

Bill Palumbo with MPIA stated that the 2Q – 3Q of 2009 corporate earnings were a result of cost cutting, but that in 4Q 09, corporate earnings beat revenue estimates; this is a significant change and should continue. He also added that companies are so lean, their earnings are up 20-30% this year.

CEM ANNUAL UPDATE

Jan Hartford, Director of CEM Benchmarking, Inc. presented the FY 2009

Benchmarking results:

PERSI's cost per active member and annuitant of \$62 is below the peer median of \$87.

While the average 4-year participant cost increased by 2.5%, PERSI's costs decreased by 2.5% per annum between 2006 and 2009.

PERSI's service score improved from 79 in 2006 to 81 in 2009.

PERSI offers members the ability to do more online transactions than peers do.

PERSI's costs appear reasonable given PERSI's higher than median service score and median transaction volumes.

DIRECTOR UPDATES

Appeal of Board Decision-Keogh: On February 25, 2010, PERSI received a letter from Dennis Keogh appealing the Board's Final Decision to affirm the Directors decision to deny Mr. Keogh's request to calculate his unused sick leave amount based on 294.5 days.

Trustee Sullivan made a motion to authorize Director Drum to appoint a Hearing Officer to hold a contested case hearing and issue a recommendation to the Board. The motion was seconded by Trustee Deal and passed unanimously.

Executive Director Status: Director Drum reviewed his status report dated March 24, 2010 that was previously provided to the Board. Mr. Drum updated the Board on the status of talks with the Judges System. Trustee Sullivan moved to table any further discussion regarding the Judges system until further research can be done. Trustee Deal seconded the motion, which passed unanimously.

Director Drum provided an overview of proposed and passed legislation that would have an affect on PERSI.

In light of concerns raised by the Legislature this session, Director Drum proposed a tentative plan to meet with employers and legislators to provide further information and education. The Board indicated they felt this would be beneficial.

Deputy Director Status Report: Deputy Oldham reviewed his update previously provided to the Trustees. PERSI staff have been reviewing and re-writing PERSI letters, both generated by Galena and those used by various departments. To date 53 standard letters have been re-written and the committee continues to work on 43 additional letters.

Patrice Perow, PIO, is working with the IT Department to research the feasibility of delivering the PERSI handbook in electronic format versus printed. This would save PERSI a significant amount in printing and warehousing costs.

FISCAL

Fiscal Update: Chief Financial Officer Jim Monroe reviewed his update on fiscal items dated March 23, 2010. He reviewed and commented on the year to date administrative and portfolio expense reports and the FY2011 budget request.

Eide Bailly, LLP is developing a schedule for this years audit activities. Onsite work is anticipated to run August 23 through September 10.

Adjournment: There being no further business to come before the Board, meeting adjourned at 10:55

Donald D. Drum
Executive Director

Jody B. Olson
Chairman