



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., August 23, 2011. The following members were present:

- Jody Olson
- Bill Deal
- Joy Fisher
- Kirk Sullivan
- Jeff Cilek was absent and excused.

Executive Director Don Drum, Chief Investment Officer Bob Maynard, Investment Officer Richelle Sugiyama, Deputy Director Ray Polzin, Financial Officer James Monroe, Deputy Attorney General Joanna Guilfooy and Management Assistant Cheri Campbell were also in attendance. Other persons attending portions of the meeting were:

Cody Barney	DBF	Mike Young	PERSI
Charlie Brown	REAI	Cecile McMonigle	PERSI
Bruce Reeder	MPIA	Patrice Perow	PERSI
Mark Olleman	Milliman	Rose Marie Sawicki	PERSI
James Coleman	REAI	Kimberlee Hall	PERSI
Robyn Lockett	LSO	Daryl King	PERSI
Jay Kealey	MPIA	Diane Kaiser	PERSI
Dennis Fitzpatrick	DBF	Debbie Buck	PERSI
Brandon Fitzpatrick	DBF	Wayne Ellis	PERSI
Drew Black	DBF	Lisa Conn	PERSI
Dave Boren	Clearwater		
John Spengler	Clearwater		
Solomon Lee	Clearwater		
Robin Nettinga	IEA		
Tom Kealey	EFIB		
Todd Herbert	ACS		
Katherine Guthrie	ACS		

MINUTES

Approval of the Minutes: Trustee Deal made a motion to approve the minutes of the July 26, 2011 meeting as written. Trustee Fisher seconded the motion, which passed unanimously.

PORTFOLIO

Callan Quarterly Report: Michael O'Leary from Callan Associates gave the 2nd quarter update. PERSI outperformed its target policy index for the June quarter but lagged the target over the trailing twelve-month period. The trailing full-year result ranked in the 64th percentile of Callan's Public Fund database.

Private Real Estate Update: Paul Saylor with CS Capital Management gave an overview of the PERSI Private Real Estate program. The market is improving and the portfolio returns have increased considerably over 2010 returns.

Monthly Investment Report: Bob Maynard, Chief Investment Officer, reviewed his month to date report. August experienced the greatest volatility and losses in the world capital markets since the crash of 2008-2009. Starting with the S&P downgrade, the world equity markets collapsed primarily driven by European sovereign debt concerns, rumors of banking concerns and contagion, and noticeable signs of slowing global growth with fears of a "double dip" recession in the U.S. 400 point swings in the Dow became a daily event as the two year Treasury went to an all-time low yield, the ten year Treasury went to the very low 2's in yield, and the Fed stated it would keep interest rates at practically 0 until 2013. The equity markets are down around -15% for the fiscal year to date and PERSI is down -7.3% for the month and -7.3% for the fiscal year to date, at \$11.096 billion.

The silver lining in this collapse was that PERSI once again, and in line with our desired approach, is losing substantially less than the market during the downdrafts, outperforming our 55-15-30 benchmark by +2.7%. All of our strategic biases that hurt relative performance last fiscal year are contributing, led by Private Equity and Private Real estate, but also noticeably helped by TIPS, REITS, active US equity manager outperformance, and, at times, emerging markets.

TIPS, in particular, has had a remarkable advance in the past two months as Treasuries, despite their downgrade by S&P, showed that they are still the safe haven of choice, and our TIPS portfolio soared over 10% in a very brief period of time and is outperforming a robust bond market by over 6%. Recent underperforming managers showed their resilience in volatile markets as well, with Donald Smith, last year's laggard, leading the pack in outperforming by over 8%.

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

CHOICE PLAN

ACS FY2011 Review: Todd Hebert with ACS presented a summary of FY11 results for the Choice 401(k) Plan.

DIRECTOR UPDATES

Executive Director Status: Director Drum reviewed his status report dated August 18, 2011 which had been previously provided to the Board. Mr. Drum updated the Trustees on his visits with Legislators and employers. Some employers have mentioned that they have concerns regarding the contributions for the FRF fund. PERSI took over the administrative duties for FRF in 1980. The current FRF statutes are primarily the same as when the merger occurred. We will be receiving an actuarial valuation on the FRF fund this year. Mr. Drum gave an overview of issues covered at the NASRA conference and the preliminary agenda items for the Northwest Peers conference.

Deputy Director Status Report: Deputy Director Ray Polzin gave an updated on the RFP released August 5th for the IRIS project. Mr. Polzin also gave an overview of the employer visits that staff have been doing.

FISCAL

Fiscal Update: Chief Financial Officer Jim Monroe reviewed his Fiscal Update memo dated August 17, 2011. He reviewed and commented on the July 2011 expense reports for Administration and Portfolio and gave an update on audit activities.

FY2013 Budget Request: Mr. Monroe presented the final budget request for FY2013 for Board approval. Trustee Fisher made a motion to approve the FY13 budget as presented and authorize submission to DFM and LBO. The motion was seconded by Trustee Sullivan and passed unanimously.

FY2011 Year-end Financial Statements: Senior Accountant Debbie Buck presented the fiscal year end financial statements.

GFOA Award: Chairman Olson presented the GFOA plaque for Achievement in Excellence in Financial Reporting to Ms. Buck. He pointed out that this is the 20th consecutive year PERSI has received the award and thanked everyone for their hard work in continuing this achievement.

Executive Session: Citing Idaho Code §67-2345(1f) Trustee Deal made a motion to go into executive session. The motion was seconded by Trustee Sullivan and passed unanimously with a roll call vote. There were no decisions made during the session. Meeting reconvened into general session at 11:15

Adjournment: There being no further business to come before the Board, meeting adjourned at 11:15 a.m.

Donald D. Drum
Executive Director

Jody B. Olson
Chairman