



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 6, 2011. The following members were present:

Jody Olson  
Bill Deal  
Joy Fisher  
Kirk Sullivan  
Jeff Cilek

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:

Robin Nettinga	IEA	Keith Kotfica	ACS
Charlie Brown	REAI	Mike Mitchell	PERSI
Bruce Reeder	MPIA	Patrice Perow	PERSI
Mark Olleman	Milliman	Rose Marie Sawicki	PERSI
Jim Coleman	REAI	Wayne Ellis	PERSI
Brent Nye	Boise School Dist	Daryl King	PERSI
Jay Kealey	MPIA	Diane Kaiser	PERSI
Dennis Fitzpatrick	DBF	Debbie Buck	PERSI
Brandon Fitzpatrick	DBF	Melody Hodges	PERSI
Karl Mallot	ID Fire Chief Assoc	Mike Young	PERSI
Mary Lou Taylor	REAI		
Rod MacKinnon	MPIA		
Cody Barney	DBF		
Drew Black	DBF		
David Hahn	DFM		
Tom Kealey	EFIB		
Eoin Gill	BNY Mellon		
Linda Ng	SSGA		
Chris Hawkins	SSGA		
Amy Wernsing	Governor's Office		
Robyn Lockett	LSO		
Larry Johnson	EFIB		
Chris Halverson	EFIB		
Dustin Hurst	IdahoReporter.com		

## MINUTES

Approval of the Minutes: Trustee Cilek made a motion to approve the minutes of the October 25, 2011 meeting as written. Trustee Deal seconded the motion, which passed unanimously.

## PORTFOLIO

Callan Quarterly Update: Michael O'Leary with Callan Associates presented the 3<sup>rd</sup> quarter 2011 update. PERSI outperformed its target policy index for the September quarter and matched the target over the trailing twelve-month period. The quarter and trailing full-year results ranked in the 38<sup>th</sup> and 70<sup>th</sup> percentile, respectively, in Callan's Public Fund database. For periods of three years or more, total fund performance continued to rank well above target and peers.

Monthly Investment Report: Chief Investment Officer Bob Maynard presented the November month end investment report and reviewed slides regarding retirement and investing.

The volatility beat goes on. After October's best monthly performance ever, for most of the November the returns were terrible. The last day of the month saw a monster rally from central bank intervention designed to ease liquidity constraints and some hopeful economic data from the US. Nonetheless, continued European turmoil, slowing Chinese growth, the failure of the "super committee", and a very tepid (but slightly positive) US economic recovery seem to continue to assure market volatility and a lack of clear direction through the holidays and calendar year end.

November's return of -1.6% brought the fiscal year to date returns down to -4.3% at \$11.361 billion. The funded ratio, although slightly lower, continues to be healthy at approximately 83% at today's values.

Our performance against our strategic benchmark (55% Russell 3000, 15% EAFE, and 30% Barclay's Aggregate) has dropped to almost exactly even for the fiscal year to date. Private Assets and TIPS have been positive contributors so far. On the other hand, our global equity accounts means that our actual equity exposures are more heavily concentrated overseas than the benchmark, and the US equity market has substantially outperformed those markets. The resulting relative underperformance of global equity to US equity has almost exactly offset relative positive contributions elsewhere (REITs, TIPS, private assets, and active US and EAFE managers).

Global returns are also hampered by underperformance by Zesiger and Bernstein Global, with Zesiger having the worst absolute and relative returns of all accounts. State Street TIPS has the best relative and absolute returns.

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

## CHOICE PLAN

Keith Kotfica with ACS presented the 3<sup>rd</sup> quarter 2011 statistical update for the Choice 401(k) Plan.

## DIRECTOR UPDATES

COLA/Contribution Rate Decision: Executive Director Don Drum gave a short review of the pertinent number from the 2011 Actuarial Valuation and additional information regarding how COLA's can potentially affect contribution rates.

Chairman Jody Olson stated that the Board needs to consider current market conditions and the economic viability of PERSI employers in their decision. Trustee Sullivan remarked that this is a responsibility of the Board members that requires a lot of thought in years such as this is not a comfortable decision to make. He believes the Board should award discretionary COLA's when they can. However, there is still a lot of uncertainty in the market

Trustee Sullivan made a motion to give the 1% mandatory COLA and no discretionary COLA and leave the contribution rates in place as previously approved. There was no second to the motion.

Trustee Deal made a substitute motion to award the 1% mandatory COLA and no discretionary COLA and postpone the contribution rates for one year with the amount of increase remaining the same as previously approved. The motion was seconded by Trustee Fisher and approved unanimously.

Trustee Sullivan stated that he was supporting the substitute motion but is still uncomfortable with postponing the increases due to the economic and political conditions.

Chairman Olson expressed his appreciation for the service the Trustee's provide. They take their work very seriously and make some very hard decisions.

New Employers: Edwards Mosquito Abatement District and Shoshone City and Rural Fire Protection District have requested entry into PERSI effective January 1, 2012. Trustee Cilek make a motion to accept both new employers into the PERSI system effective January 1, 2012. The motion was seconded by Trustee Fisher and passed unanimously.

### FISCAL

Fiscal Update: Chief Financial Officer Jim Monroe reviewed his Fiscal Update memo dated November 29, 2011. He reviewed and commented on the October 2011 expense reports for administration and portfolio. He also updated the Board on the PERSI interest rates for calendar year 2012. The regular interest rate will be 18.16%. The reinstatement rate will be 4.25%.

FY2011 Annual Report: Copies of the 2011 Certified Annual Financial Report were distributed to the Trustees. Mr. Monroe thanked all of the people who assisted with the report. Chairman Olson also thanked everyone who works on the report and recognized that the GFOA Excellence in Reporting award has been received for 20 straight years

Quarterly Financial Statements: Principal Accountant Debbie Buck presented the 3<sup>rd</sup> quarterly 2011 Financial Statements. There were no questions regarding the statements.

Adjournment: There being no further business to come before the Board, meeting adjourned at 10:50 a.m.

Donald D. Drum  
Executive Director

Jody B. Olson  
Chairman