



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., February 22, 2011. 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, Financial Officer James 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
Charlie Brown	REAI	Cecile McMonigle	PERSI
James Coleman	REAI	Patrice Perow	PERSI
Mark Olleman	Milliman	Debbie Buck	PERSI
Dennis Fitzpatrick	DBF	Mike Young	PERSI
Jay Kealey	MPIA	Larry Sweat	PERSI
Bill Palumbo	MPIA	Ray Polzin	PERSI
Bruce Reeder	MPIA	Rose Marie Sawicki	PERSI
Cody Barney	DBF		
Drew Black	DBF		
Jane Buser	BSU		
Robin Nettinga	IEA		
Mike Walker	Prof. Firefighters of ID		
Jason Risch	Risch Pisca		
Michael O'Leary	Callan		
Doug Bates	Clearwater		
Phil Bartlett	Clearwater		

## MINUTES

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

## PORTFOLIO

Callan Quarterly Update: Mr. Michael O'Leary from Callan reviewed the 4<sup>th</sup> quarter 2010 update. PERSI lagged its target policy index for the December quarter and over the trailing twelve-month period. The trailing full-year result ranked in the 88<sup>th</sup> percentile of Callan's Public Fund database.

Callan Contract: Chief Investment Officer Bob Maynard asked for the Board's approval to transfer the real estate general consulting contract from CS Capital Management to Callan. CS Capital will retain the larger real estate operational consulting contract for detailed oversight of our relationships with the Koll industrial/office properties and the Olympic/Cascade apartment/affordable housing/hotel properties. As a transfer of an existing contract, there will be no additional cost incurred as a result of this action.

Trustee Deal made a motion to accept staff recommendation to authorize staff to provide the required notices and take those steps necessary to transfer the real estate consulting services from CS Capital to Callan as set forth in the memorandum from the staff on this subject dated February 16, 2011 and that upon final review and approval of legal counsel, the executive director is authorized to execute an amended contract with Callan to cover these services." The motion was seconded by Trustee Sullivan and passed unanimously.

Monthly Investment Report: The world equity markets continued their advance into early February, with US equities returning almost 5% and international developed market equities advancing almost 4%. Emerging markets, however, are lagging as those countries (led by China) began to implement policies to restrain inflation and fears of overheated growth. Fixed income markets also are negative for the month due to rising interest rates in the US. The fund has advanced another 2.1% advancing the new historic high reached on January 18, surpassing the previous peak reached in October of 2007. The fiscal year to date return is 18.2% at \$11.828 billion which should bring the current funding status to 89% or more.

PERSI relative returns continue to suffer, with almost all of our strategic biases underperforming broad market indices. Private assets continue to lag public markets, global markets and our managers are underperforming the R3000, emerging markets actually have been losing money in the last couple of months, REITS are underperforming general equity returns, and, TIPS significantly underperformed both government and corporate bonds. In fact, just about everything that really helped PERSI outperform in the collapse (and the previous 7 year period) continue to lag the market rise this month, and are now negative contributors for the fiscal year to date.

Thus, for the fiscal year, PERSI now trails the reference 55-15-30 benchmark by 4.5%. For the fiscal year Bernstein emerging markets and Western have the best relative returns to benchmark and Donald Smith has the poorest returns compared to benchmark.

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

Chairman Olson expressed the Board's appreciation for all the work Deputy Director Bill Oldham has done for PERSI over the past few years. He presented Mr. Oldham with a plaque and best wishes in his retirement.

#### DIRECTOR UPDATES

Executive Director Status: Director Drum updated the Board on his continued efforts to provide information and education to Legislators. He also gave an update on state and federal legislation that could have an effect on PERSI in some way.

New Employers: Trustee Cilek made a motion to accept Valley Regional Transit as a PERSI employer effective March 1, 2011. Trustee Fisher seconded the motion which passed unanimously.

Deputy Director Status Report: Deputy Oldham provided a status update on the data cleansing project. Data analysis has been completed for 4 of the 6 levels and cleansing is almost complete for level 1 and has started on level 2.

#### FISCAL

Audit Services: The contract for audit services was awarded to Eide Bailly, LLP for 5 years subject to annual renewals with approval of the PERSI Board. Trustee Fisher made a motion to accept the staff recommendation to approve rehiring Eide Bailly, LLP for this 4th year of the contract to provide financial audit services to PERSI for the Fiscal Year 2011 per the terms of the 2008 agreement. Audit fees for FY 2011 will be held at the FY 2010 rate. The motion was seconded by Trustee Cilek and passed unanimously.

Fiscal Update: Chief Financial Officer Jim Monroe reviewed his Fiscal Update memo dated February 15, 2011. He reviewed and commented on the year to date expense reports for Administration and Portfolio.

Quarterly Financial Statements: Mr. Monroe briefly reviewed the 2nd quarter FY 2011 unaudited financial statements. There were no questions from the Board.

#### EXECUTIVE SESSION

Citing 67-2345(1)(a) Trustee Sullivan made a motion for the Board to go into executive session to discuss matters pertaining to hiring personnel. Trustee Deal seconded the motion which passed unanimously via a roll call vote.

No decisions were made during the executive session.

Adjournment: The Board reconvened into general session at 10:44 and there being no further business to come before the Board, meeting adjourned.

Donald D. Drum  
Executive Director

Jody B. Olson  
Chairman