



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., January 25, 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, 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
Robert Schmidt	Milliman	Debbie Buck	PERSI
Brian Fitzpatrick	DBF	Mike Young	PERSI
Tim Dunn	Clearwater		
Mike Boren	Clearwater		
Jay Kealey	Clearwater		
Bill Palumbo	MPIA		
Bruce Reeder	MPIA		
Cody Barney	DBF		
Drew Black	DBF		
Brian McGrath	DBF		
Keith Kotfica	ACS		
Eoin Gill	BNY Mellon		
Heidi Simpson	BNY Mellon		
Wayne Ellis	ACS		
Jane Buser	BSU		

MINUTES

Approval of the Minutes: Trustee Sullivan made a motion to approve the minutes of the December 7, 2010 meetings as written. Trustee Deal seconded the motion, which passed unanimously.

PORTFOLIO

Monthly Investment Report: January has seen the continued advance in the world equity markets led by the U.S, with returns of around 2% for the month to date. The fund has advanced another 0.3% after returns had reached a new historic high, surpassing the previous peak reached in October of 2007, earlier this month. The fiscal year to date return is 15.7% at \$11.600 billion which should bring the current funding status to 88% or more.

PERSI relative returns continue to suffer, with almost all of our strategic biases underperforming broad market indices. Private assets lagged again, global managers underperformed the R3000, emerging markets underperformed EAFE, REITS lagged the 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.

Thus, for the fiscal year, PERSI now trails the 55-15-30 benchmark by 2.9%, with all of the underperformance concentrated in the lagging private equity and private real estate values. For the fiscal year Peregrine and both Bernstein accounts (global and emerging markets) have the best absolute and relative returns, Western has 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.

CHOICE PLAN

ACS Quarterly Plan Update: Keith Kotfica with ACS provided an overview of the 2010 4th quarter participation statistics.

Trustee Sullivan asked Choice Plan Manager Diane Kaiser if the Choice Plan fund options could be reviewed to make sure we are giving participants enough options. He also complimented Ms. Kaiser and the ACS team on their efforts to increase participation.

DIRECTOR UPDATES

Executive Director Status: Director Drum reviewed his status update that had previously been provided to the Board. He has continued to answer questions and provide educational information to the Legislature. The Legislators have been working with PERSI to keep updated on the fund status.

Director Drum and Chief Financial Officer Jim Monroe met with a realty advisor regarding rental space in the downtown area and the 820 Washington building. They asked him to contact them again after the Legislative session to review it further. Chairman Olson asked that staff review the situation approximately every 6 months to determine when the time is right to begin reviewing plans for the 820 building.

Legislative Update: January 18th RS2000 "Changes required by HEART and USERRA" was heard in the Senate Commerce and Human Resource Committee and it is now SB 1020.

On January 19th PERSI rule changes were presented to the House Commerce and Human Resource Sub Committee. All rules were forwarded to the full committee with a do pass recommendation.

PERSI's hearing with the JFAC Committee is scheduled for February 9th at 10:30.

Trustee Cilek complimented the Board and the staff on all of their work over the past several months to help educate the Legislature on PERSI.

New Employers: Trustee Cilek made a motion to accept Granite Reeder Water and Sewer District as a PERSI employer effective February 1, 2011. Trustee Fisher seconded the motion which passed unanimously.

Deputy Director Status Report: Deputy Oldham reviewed the 2010 4th quarter operational statistics with the Trustees.

LEGAL

Securities Litigation Monitoring Agreement: Trustee Sullivan made a motion to table this topic until the Board has had more time for review and discussion. Trustee Cilek seconded the motion which passes unanimously.

Rules – New Contingent Annuitant (CA) Factors: Deputy Attorney General Joanna Guilfooy presented a copy of the Proposed/Temporary Administrative Rules Form (PARF) which would change the CA factors as presented by Milliman at the December meeting. Trustee Fisher made a motion to accept the staff recommendation and submit the form to DFM. Trustee Cilek seconded the motion which passed unanimously.

Rules – Sick Leave Contribution Rates for Public Schools: Ms Guilfooy presented the PARF to rescind the scheduled rate increases. Per the Milliman valuation accepted by the Board in October, the rate increases are not needed. Trustee Deal made a motion to accept the staff recommendation. The motion was seconded by Trustee Cilek and approved unanimously.

FISCAL

Fiscal Update: Senior Accountant Debbie Buck reviewed the Fiscal Update memo dated January 18, 2011. She reviewed and commented on the year to date expense reports and the quarterly travel report.

Copies of the FY 2012 Legislative Budget Book pages pertaining to PERSI were provided to the trustees.

Adjournment: There being no further business to come before the Board, meeting adjourned at 10:05.

Executive Director

Chairman