



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., September 27, 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 Guilfoy 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
Rhet Hulbert	Clearwater		
Tom Kealey	EFIB		
Eoin Gill	BNY Mellon		
Jane Buser	BSU Emeritus Guild		
Brooke Murdoch	LSO		
Chris Halverson	EFIB		
Larry Johnson	EFIB		

EXECUTIVE SESSION

Trustee Deal made a motion to go into Executive Session under Idaho Code §67-2345(1)(b) for discussion of personnel matters. Trustee Sullivan seconded the motion which passed unanimously by roll call vote.

Upon reconvening into general session, Trustee Sullivan made a motion to award Chief Investment Officer Bob Maynard a bonus equal to what was awarded last year, 85% of the maximum 30% of annual salary. The motion was seconded by Trustee Deal and approved unanimously.

MINUTES

Approval of the Minutes: Trustee Fisher made a motion to approve the minutes of the August 23, 2011 meeting as written. Trustee Deal seconded the motion, which passed unanimously.

PORTFOLIO

Monthly Investment Report: Bob Maynard, Chief Investment Officer, reviewed his month to date report. September continues the themes of volatility and losses in the world capital markets that began in early August. 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. and concern over attempts by China and Brazil to bring a nasty inflation problem under control. Large swings in the equity markets became a daily event as the two year Treasury went to an all-time low yield, the ten year Treasury went below 2% in yield, and the Fed stated it would keep interest rates at practically 0 until 2013. These are all issues that do not have clean or clear solutions, and these markets are likely to continue to at least Christmas, if not beyond.

Through Friday, September 23 the PERSI portfolio was down -5.2% for the month and -8.7% for the fiscal year to date, at \$10.914 billion. The silver lining in this collapse is 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 +1.6%. 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. emerging markets are having a tough year, and global equities, with their weighting towards the underperforming international markets, have hurt relative performance the most.

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%. Bernstein Global is the laggard, underperforming its benchmark by a similar amount (-6.3%). TIPS continue their staggering outperformance, with the SSGA TIPS portfolio returning 11.2% for the fiscal year to date -- by far the best performing account in the portfolio

Staff Advisor Contract Renewal: Investment Officer Richelle Sugiyama asked the Board to approval renewal of the investment advisor contracts for all three current advisors. Trustee Deal made a motion to accept the staff recommendation that the Board approve one-year agreements for investment staff advisor services with Robert Storer, Alban Row, LLC and Chartwell Consulting, LLC and authorize Director Drum to execute the agreements. The motion was seconded by Trustee Cilek and approved unanimously.

Investment Policy Updates: Investment Officer Richelle Sugiyama provided a draft showing proposed updates to the Investment Policy. This is for review purposes this month and will be presented to approval at the October meeting.

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

DIRECTOR UPDATES

Preliminary Actuarial Valuation: , Mark Olleman and Robert Schmidt with Milliman presented a preliminary report on the valuation results. The final report will be submitted for approval at the October meeting.

Executive Director Status: Director Drum reviewed his status report dated September 21, 2011 which had been previously provided to the Board. Mr. Drum updated the Trustees on the GASB Exposure Draft on Financial Reporting for Pension Plans. The Board had no objections to PERSI being included as signers on the NASRA, NCTR and NCPERS response and gave the Director permission to join the NAPPA Coalition if he feels it will be helpful. .

Decision on Recommended Order: The Board reviewed the case of Johnson vs PERSI in a disability denial appeal. After review of the documents the Trustee Deal made a motion to issue a Final Order upholding the denial. Trustee Sullivan seconded the motion which was approved unanimously.

New Employers: Trustee Fisher made a motion to accept the City of Oakley's request to join PERSI effective October 1, 2011. Trustee Cilek seconded the motion which passes unanimously. Trustee Fisher made a motion to accept Kootenai Metropolitan Planning Org's request to join PERSI effective October 1, 2011. Trustee Deal seconded the motion which passes unanimously

Deputy Director Status Report: Deputy Director Ray Polzin gave an updated on the IRIS project. RFP evaluations are in process. Finalist interviews and demonstrations are scheduled to take place the week of October 24th.

FISCAL

Fiscal Update: Chief Financial Officer Jim Monroe reviewed his Fiscal Update memo dated September 20, 2011. He reviewed and commented on the August 2011 expense reports for Administration and Portfolio and gave an update on audit activities.

Amendment of Agenda: Trustee Fisher made a motion to amend the agenda to add an executive session. Trustee Sullivan seconded the motion which passes unanimously.

Executive Session: Citing Idaho Code §67-2345(1)(b) 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.

Chairman Olson recessed the meeting until 11:45 when the Trustee and Staff Advisors reconvened the meeting for a market discussion.

Adjournment: There being no further business to come before the Board, meeting adjourned at 1:30 p.m.

Donald D. Drum
Executive Director

Jody B. Olson
Chairman