



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 4, 2012. The following members were present:

- Jody Olson
- Kirk Sullivan
- Bill Deal
- Joy Fisher

Trustee Jeff Cilek was absent and excused. Executive Director Don Drum, Chief Investment Officer Bob Maynard, Investment Officer Richelle Sugiyama, 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:

Bruce Reeder	MPIA	Mario Giannini	Hamilton Lane
Mark Olleman	Milliman	Paul Yett	Hamilton Lane
Jeff Bradley	Milliman	Michael O'Leary	Callan
Jane Buser	BSU Emeritus	Kaci Guthrie	Xerox
Dennis Fitzpatrick	DBF	Erin Duran	PERSI
Humberto Arechige	DBF	Debbie Buck	PERSI
Brandon Fitzpatrick	DBF	Tim Wolfrum	PERSI
Bert Marley	IEA	Mike Young	PERSI
Drew Black	DBF	Cecile McMonigle	PERSI
Charlie Brown	REAL	Patrice Perow	PERSI
James Coleman	REAL	Rose Marie Sawicki	PERSI
Mary Lou Taylor	REAL	Daryl King	PERSI
Susan Marshall	Barings	Diane Kaiser	PERSI
Rod MacKinnon	MPIA	Mike Mitchell	PERSI
Philip Bartlett	Clearwater	Carmen Brooks	PERSI
Dave Boren	Clearwater		
Karl Malott	Idaho Fire Chiefs		
Robyn Lockett	LSO		
Lynn Anderson	Retiree		
Anita Hamann	DFM		

MINUTES

Approval of the Minutes: Trustee Deal made a motion to approve the minutes of the October 23, 2012 meeting as written. Trustee Sullivan seconded the motion, which passed unanimously.

PORTFOLIO

Callan Quarterly Update: Michael O'Leary with Callan presented the 3rd quarter 2012 performance evaluation. PERSI underperformed its target policy index for the September quarter and trailed the target over the last twelve months. The quarter and trailing full-year results ranked in the 88th and 70th percentile, respectively, in Callan's Public Fund database. For the last two- and three-year periods, total fund performance ranked below peers and target. Over the last seven- and ten-year periods the total fund has outperformed both its target and peer group median.

Private Equity Quarterly Update: Mario Giannini and Paul Yett with Hamilton Lane presented the 2nd quarter 2012 private equity update. After a strong 1st quarter, 2nd quarter performance was relatively flat. The private equity portfolio has outperformed the public benchmark over the 1-year, 5-year, 10-year and since inception time periods.

Monthly Investment Report: Chief Investment Officer Bob Maynard gave an update on the status of the Fund and an overview of the PERSI investment principles. The markets for November basically marked time, continuing the general themes of the new fiscal year: reduced fear, adequate but stumbling economic growth, decelerating earnings growth, simmering but not heart-stopping European news, with a backdrop of potential but not yet realized disasters in Europe, China, and the U.S. (led by the looming "fiscal cliff"). On the other hand, China has completed its transition of power and shows some signs of growth, while the U.S. election season is over. Clarity is still not likely until at least the Christmas/New Year holiday season, and maybe not even then.

As a result, PERSI has gained 0.9% for the month, and is now up 4.6% for the fiscal year to date, at \$12.374 billion.

Trends in the portfolio from the last fiscal year generally continue. PERSI is slightly behind the 55-15-30 strategic policy by -0.4%, with the major drag coming from the lagged valuations in private real estate and REIT underperformance. Western continues its streak of outperformance and positive returns, and TIPS are doing well for the fiscal year. The equity portion of the portfolio is lagging so far this fiscal year. After REITS, Zesiger is having the worst absolute and relative performance of all accounts. Donald Smith had an excellent relative performance to benchmarks. The EAFE index fund, Longview, Cap Guardian, and Genesis have the best absolute returns.

Overall, the portfolio is generally "hanging around", participating in but not fully exploiting the marginally favorable market conditions.

Investment Advisor Contracts: Investment Officer Richelle Sugiyama asked the Board to renew the investment advisor contracts for staff advisors Bill Raver, Bob Storer and Dwight Churchill. Trustee Deal made a motion to authorize the executive director to finalize and sign the one year renewal contracts for all three advisors. Trustee Fisher seconded the motion which passed unanimously.

Investment Policy: Investment Officer Richelle Sugiyama requested adoption of the revised DB Plan Investment Policy which reflects the recent changes in economic assumptions. Trustee Deal made a motion to adopt the revised policy. Trustee Fisher seconded the motion which passed unanimously.

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

DIRECTOR UPDATES

Sick Leave Actuarial Valuation: Executive Director Don Drum asked the Trustees to accept the final Valuation for the Sick Leave Fund which was provided to the Board in October. Trustee Deal made the motion to accept the Sick Leave Valuation for FY2012. Trustee Sullivan seconded the motion which passed unanimously.

Executive Director's Update: Director Drum introduced new Deputy Director Lisa Steele and Technical Writer Tim Wolfrum and briefly reviewed various scenarios for the COLA and contribution rate decisions including taking no action which would result in a 1% COLA as mandated by law and current scheduled contribution rate increase going into effect on July 1, 2013. The Trustees chose to take no action on either item resulting in the above scenario. Chairman Olson stated to those present that the Board is dedicated to returning the retirees to 100% purchasing power when possible but due to current market conditions and political uncertainty it is not able to do so this year.

Choice Plan Review: Manager Diane Kaiser presented a review of the Plan history, original design and modifications made to the Plan.

FISCAL

Fiscal Update: Chief Financial Officer Jim Monroe reviewed his Fiscal Update memo dated November 28, 2012 and reviewed and commented on the October expense reports for administration and portfolio. Copies of the Comprehensive Annual Financial Report (CAFR) were provided to the Trustees. Mr. Monroe thanked those PERSI staff members who helped with the report.

Quarterly Financial Statements: Financial Operations Manager Debbie Buck presented the FY13 1st quarter financial statements. There were no questions regarding the reports.

Chairman Olson recessed the meeting until 11:30 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