



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 28, 2012. The following members were present:

- Bill Deal
- Kirk Sullivan
- Jeff Cilek
- Joy Fisher (via telephone)

Chairman Olson was absent. Executive Director Don Drum, Chief Investment Officer Bob Maynard, Investment Officer Richelle Sugiyama, 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:

Charlie Brown	REAI	Cecile McMonigle	PERSI
Bruce Reeder	MPIA	Patrice Perow	PERSI
Mark Olleman	Milliman	Rose Marie Sawicki	PERSI
Brent Nye	Boise Schools	Wayne Ellis	PERSI
Susan Marshall	Barings	Daryl King	PERSI
Jay Kealey	MPIA	Diane Kaiser	PERSI
Dennis Fitzpatrick	DBF	Debbie Buck	PERSI
Brandon Fitzpatrick	DBF	Melody Hodges	PERSI
Todd Hebert	ACS/Xerox		
Kevin Kotfica	ACS/Xerox		
Kaci Guthrie	ACS/Xerox		
Drew Black	DBFI		
Rod MacKinnon	MPIA		
Bill Palumbo	MPIA		
Humberto Arechiga	DBF		
Mary Lou Taylor	REAI		
Tom Kealey	EFIB		
Larry Johnson	EFIB		
Chris Halverson	EFIB		
Chris Brady			

MINUTES

Approval of the Minutes: Trustee Deal made a motion to approve the minutes of the January 24, 2011 meeting as written. Trustee Cilek seconded the motion, which passed unanimously.

PORTFOLIO

Callan Quarterly Update: Michael O'Leary with Callan Associates, Inc. presented the 4th quarter 2011 update. PERSI underperformed its target policy index for the December quarter and trailed the target over the last twelve months. The quarter and trailing full-year results ranked in the 72nd and 73rd percentile, respectively, in Callan's Public Fund database. For the last three- and four-year periods, total fund performance ranked slightly below peers and target. Over the last five years the total fund has outperformed its target and ranked 36th percentile. Mr. O'Leary ended his presentation with a review of the Choice 401(k) Plan performance.

Monthly Investment Report: Chief Investment Officer Bob Maynard presented the current status of the Fund.

February is, thus far, continuing the relatively steady gains in the capital markets that started with this calendar year. Equities are generally up 4% - 6% for the month, and fixed income is slightly negative. As a result, the fund has gained 2.5% for the month to date, which has returned the fund to a positive 2.3% for the fiscal year to date and \$12.129 billion.

The U.S. economy continues to paint a picture of slow, but apparently steady internal growth with China thus far avoiding a hard landing while slowing inflation. Even Europe seems to be showing at least relatively positive progress compared to previous expectations, with Greece appearing to reach a last second funding agreement and the expected recession in the Eurozone appearing to be mild rather than serious. The ECB's lending operation has seemed to provide enough liquidity to materially reduce market fears of a Lehman type event in the near future. The offset continues to be U.S. earnings reports on the mildly disappointing side and that progress in Europe continues to be of the "kicking the can down the road" variety rather than any final solution being in sight.

Our long-duration TIPS passive account continues to be the best performer for the fiscal year to date on both an absolute (+16.4%) and relative to benchmark (+6.8%) basis, a trend that surely cannot continue forever. Peregrine has the best absolute equity returns (+9.2%), and Genesis Emerging has the best equity returns relative to benchmark +3.2% over benchmark). Zesiger Global has the worst absolute (-9.7%) and relative to benchmark (-8.9%) returns.

Given the markets, the fund is performing well and in line with expectations.

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

CHOICE PLAN

Todd Hebert with ACS presented the 4th quarter 2011 Choice 401(k) plan statistics. Keith Kotfica provided an update of enhancements planned from a record keeping perspective as well as some information about upcoming fee disclosure regulations. Kaci Guthrie updated the Board with her Choice Plan educational accomplishments with PERSI employers and members

DIRECTOR UPDATES

Executive Director Update: Director Drum gave an update on legislation that would affect PERSI and also reviewed discussion points regarding potential legislation that would move the Judges Retirement Fund to PERSI for administration.

Final Order – Nottestad Contested Case: Recommendation of Hearing Officer was presented to the Board for consideration. Trustee Cilek made a motion to accept the Recommendation in its entirety and issue a Final Order. Trustee Deal seconded the motion which passed unanimously.

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 5th year of the contract to provide financial audit services to PERSI for the Fiscal Year 2013 per the terms of the 2008 agreement. The motion was seconded by Trustee Deal and passed unanimously.

Fiscal Update: Chief Financial Officer Jim Monroe reviewed his Fiscal Update memo dated February 22, 2012. He reviewed and commented on the January expense reports for administration and portfolio. He also updated the Board on the FY2013 budget request.

Quarterly Financial Statements: Debbie Buck, Fiscal Operations Manager, presented the 4th quarter 2011 Financial Statements. There were no questions regarding the statements.

EXECUTIVE SESSION

Citing Idaho Code 67-2345(1)(f) Trustee Deal made a motion to go into Executive Session Trustee Cilek seconded the motion which was approved unanimously via roll call vote.

Upon returning to regular session Trustee Deal made a motion to authorize the Executive Director to sign the contracts on behalf of the Board to proceed with litigation against Vivendi; request the Office of the Attorney General issue a special DAG appointment to Dr. Berg; provide the required documentation related to stock ownership to Dr. Berg and Foris; and take other steps that are reasonably related and required to move forward in filing the litigation. Trustee Fisher seconded the motion which was approved unanimously.

Acting Chair Sullivan then asked to amend the agenda to provide for a second executive session to discuss compensation. Trustee Deal made a motion to amend the agenda and citing Idaho Code 67-2345(1)(b) go into executive session. The motion was seconded by Trustee Cilek and approved unanimously. There were no decisions made during the executive session.

Adjournment: There being no further business to come before the Board, meeting adjourned at 11:20 a.m.

Donald D. Drum
Executive Director

Jody B. Olson
Chairman