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., July 24, 2012. The following members were present:

Jody Olson
Bill Deal
Kirk Sullivan
Jeff Cilek
Joy Fisher

Executive Director Don Drum was absent. Chief Investment Officer Bob Maynard, Investment Officer Richelle Sugiyama, Financial Officer James Monroe and Management Assistant Cheri Campbell were also in attendance. Other persons attending portions of the meeting were:

Bruce Reeder  MPIA  Philip Bartlett  Clearwater
Mark Olleman  Milliman  Tom Kealey  EFIB
Michael McHargue  CS Capital Mgmt.  Robyn Lockett  LSO
Jake Henning  CS Capital Mgmt.  Donna Yule  IPEA
Dennis Fitzpatrick  DBF  Melody Hodges  PERSI
Alex Hamm  DBF  Erin Duran  PERSI
Sam DePoy  The Koll Co.  Patrice Perow  PERSI
Charlie Brown  REAI  Debbie Buck  PERSI
Jim Coleman  REAI  Mike Young  PERSI
Drew Black  DBF  Cecile McMonigle  PERSI
Larry Johnson  EFIB  Rose Marie Sawicki  PERSI
Dean Buffington  EFIB  Wayne Ellis  PERSI
Shanna Pippy  DBF  Daryl King  PERSI
M.F. Hotchkiss  Sands Cap.  Diane Kaiser  PERSI
Eoin Gill  BNY

MINUTES
Approval of the Minutes:  Trustee Deal made a motion to approve the minutes of the June 26, 2012 meeting as written. Trustee Cilek seconded the motion, which passed unanimously.
PORTFOLIO


Instead of "Groundhog Day", the world capital markets seem to in a "Groundhog Year", where for the third year in a row the calendar year starts out with a sense of optimism, peaks by early May, gets hit with the same European crisis, followed by a slowdown in the U.S. plodding economic growth. As a result the capital markets stall and fall.

PERSI is basically flat so far for this first month of the new fiscal year, with returns of 0.3% for the month and new fiscal year to date, at $11.988 billion.

As has been the case for the entire three year period, the markets are dominated by the twists and turns of three big macro issues (a stumbling but advancing US economy, European near-chaos, and China's successful attempt to slow growth to combat inflation, and current subsequent battle to prevent a "hard landing") and generally supported by strong corporate earnings and balance sheets. These same issues promise to be around for the start of this new fiscal year, along with the prospect of political confrontations, a "fiscal cliff" at the end of this year, and the recent talk of a renewed stalemate on US debt ceilings.

And, like the last few years, we can expect stumbling and potentially volatile markets through the Fall with little long term sense of clarity until between Thanksgiving and New Year's, where some sense of consumer Holiday spending shows up and the consequences of the U.S. election become clearer (particularly the resolution of the "fiscal cliff" issue).

Trends in the portfolio from the last fiscal year generally continue, with Bernstein the manager we are watching most closely.

Real Estate Program: Michael McHargue with CS Capital Management and Sam Depoy with The Koll Company gave updates on the current state of the nationwide real estate market.

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

DIRECTOR UPDATES

Executive Director's Update: Chief Investment Officer Bob Maynard gave the Board an update on behalf of Executive Director Drum regarding the firefighter referendum. As only six of the twenty-two fire districts participating in the election voted to remain in Social Security, Director Drum continues to work with employers to assist them in understanding the limitations, ramifications and contributions associated with the distribution of the employers refund to the employees. The quarterly operating metrics were also presented.

LEGAL

Legal Update: Deputy Attorney General Joanna Guilfoy recommended that the Board expand the hearing officer registry by adding the name of Karen Sheehan and authorize the Executive Director to execute the contract for hearing officer services on behalf of the Board. Trustee Deal made a motion to approve the recommendation. The motion was seconded by Trustee Cilek and passed unanimously.

FISCAL

Fiscal Update: Chief Financial Officer Jim Monroe reviewed his Fiscal Update memo dated July 18, 2012. He reviewed and commented on the June expense reports for administration and portfolio and the quarterly travel and training report. He also updated the Board on the FY2012 audit activities and fiscal year end activities. Mr. Monroe presented the preliminary FY14 budget request. The final request will be brought to the Board for final approval next month.
EXECUTIVE SESSION
Citing Idaho Code 67-2345(1)(b) and 67-2345(1)(d) Trustee Deal made a motion to go into Executive Session. Trustee Sullivan seconded the motion which was approved unanimously via roll call vote. There were no decisions made during the executive session.

Adjournment: There being no further business to come before the Board, meeting adjourned at 11:00 a.m.

Donald D. Drum
Executive Director

Jody B. Olson
Chairman