



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., June 26, 2012. The following members were present:

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

Executive Director Don Drum, Deputy Director Ray Polzin, 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	Humberto Arechige	DBF
Mark Olleman	Milliman	Katherine Guthrie	Xerox
Brent Nye	Boise Schools	Karl Mallott	Fire Chiefs
Cody Barney	DBF	Jane Wright	IDC
Dennis Fitzpatrick	DBF	Susan Marshall	Barrings
Alex Hamm	DBF	Keith Reynolds	DFM
Brandon Fitzpatrick	DBF	Erin Duran	PERSI
Charlie Brown	REAL	Debbie Buck	PERSI
Jim Coleman	REAL	Mike Young	PERSI
Drew Black	DBF	Melody Hodges	PERSI
Rod Mackinnon	MPIA	Cecile McMonigle	PERSI
Bill Palumbo	MPIA	Rose Marie Sawicki	PERSI
Shanna Pippy	DBF	Mike Mitchell	PERSI
David McManaman	Berkadia	Daryl King	PERSI
Tim Dunn	Clearwater	Diane Kaiser	PERSI
Michael Iacoboni	Milliman	Melody Hodges	PERSI
Robyn Lockett	LSO	Patrice Perow	PERSI
Robert Schmidt	Milliman	Wayne Ellis	PERSI
Eoin Gill	BNY Mellon		
Donna Yule	IPEA		

MINUTES

Approval of the Minutes: Trustee Cilek made a motion to approve the minutes of the April 24, 2012 meeting as written. Trustee Fisher seconded the motion, which passed unanimously.

PORTFOLIO

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

A very slight improvement in the European debacle (mainly it not starting a total collapse as Greece voted in favor of parties who would work toward staying in the Eurozone) and Chinese and other central banks increasing easing activities supported a small 0%-2% rise in the equity markets so far this month. As a result, the fund has increased 0.5% for the month to date to creep back to slightly below zero at -0.6% for the fiscal year to date at \$11.717 billion.

With the Fed taking only moderate easing actions (extending Operation Twist), and continued sluggish (at best) world economies, the markets and economic situation does not look particularly bright for any quick turnaround before the end of the fiscal year. As has been the case for the past few years, the economic and market situation is dominated by the "big three" issues: Europe financial (and economic) collapse, China hard landing, and the sustainability of the US recovery. It is difficult to see a major turnaround in Europe in the next 10 days. China has begun to loosen monetary policy in the wake of poorer than expected reports, but recent manufacturing and other reports are still very soft. And, while the US is still slowly and somewhat steadily expanding (albeit with recent "start/stop" type economic reports), its recovery has clearly stalled of late and poor jobs report, indications of a drop off in manufacturing and consumer spending, 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 all combine for a less-than-cheery start to the summer.

PERSI's relative performance to strategic benchmarks is still dominated by the severe relative underperformance of EAFE and the Emerging Markets to US equity markets, and Bernstein and Zesiger remain the worst performing managers. TIPS continue to shine.

Callan Quarterly Update: Michael O'Leary with Callan gave an update on the 1st Quarter 2012 performance.

PERSI underperformed its target policy index for the March quarter and trailed the target over the last twelve months. The quarter and trailing full-year results ranked in the 54th and 45th 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 32nd percentile.

Commercial Mortgage Program Review: David MacManaman with Berkadia Commercial Mortgage presented the findings from the annual review of the Idaho Commercial Mortgage Program. Berkadia's findings indicate the administration, management and performance for calendar year 2011 equaled or exceeded the performance of similarly focused commercial real estate mortgage/whole loan origination and investment programs. As it is currently structured, managed, and administered by its advisor, the program continues to exhibit well-articulated administrative and operational responsibility and program investment management authority is delegated in a manner that is consistent with responsibility.

Idaho Commercial Mortgage Program Update: Staff from DB Fitzpatrick presented the annual update on the performance of the program.

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

DIRECTOR UPDATES

MILLIMAN EXPERIENCE STUDY: Mark Olleman with Milliman presented the final Investigation of Experience Study and options for actuarial economic assumption changes. Trustee Deal made a motion to set the Net Investment Return at 7.00% and the Salary Growth at 3.75%. The motion was seconded by Trustee Sullivan and passed unanimously.

Member Appeal - Gooley: Ms. Gooley is appealing the decision related to her eligibility to apply for disability retirement. Trustee Sullivan made a motion to uphold the previous decision and deny her request to apply for disability retirement. The motion was seconded by Trustee Deal and passed unanimously.

Executive Director's Update: Director Drum gave the Board an update regarding the firefighter referendum. The Trustees are supportive of the Executive Director's decision to exclude from average monthly salary (AMS) any bonuses paid to firefighters as a result of the referendum.

Deputy Director Update: Deputy Director Ray Polzin gave an update on the IRIS project; including a summary of work completed and project assessment

FISCAL

Fiscal Update: Chief Financial Officer Jim Monroe reviewed his Fiscal Update memo dated June 20, 2012. He reviewed and commented on the May expense reports for administration and portfolio. He also updated the Board on the FY2012 audit activities and fiscal year end activities.

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