



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., March 27, 2012. The following members were present:

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

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:

Bruce Reeder	MPIA	Cecile McMonigle	PERSI
Mark Olleman	Milliman	Patrice Perow	PERSI
Eion Gill	BNY Mellon	Rose Marie Sawicki	PERSI
Cody Barney	DBF	Mike Mitchell	PERSI
Doug Bates	Clearwater	Daryl King	PERSI
Solomon Lee	Clearwater	Diane Kaiser	PERSI
Brandon Fitzpatrick	DBF	Melody Hodges	PERSI
Kaci Guthrie	ACS/Xerox		
Drew Black	DBF		
Rod MacKinnon	MPIA		
Bill Palumbo	MPIA		
Tom Kealey	EFIB		
Larry Johnson	EFIB		
Chris Halverson	EFIB		
Mark Olleman	Milliman		
Karl Malott	ID Fire Chiefs Assoc		

MINUTES

Approval of the Minutes: Trustee Deal made a motion to approve the minutes of the February 28, 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 and a presentation on the historic returns of global managers.

March has continued the general rise in the world capital markets that began at the end of last calendar year. US equities are up 3.8% for the month to date, international equities are slightly positive, and fixed income markets have declined. As a result, the fund has gained 0.9% for the month to date, sending the fund to a positive 3.3% for the fiscal year to date and \$12.258 billion. This represents both a new return high and an asset level high for the fund -- exceeding the levels seen in May of last year (and almost 7% higher than the highs of October of 2007)(PERSI has paid out significantly more in benefits than it has received in contributions over these periods).

After Europe "muddled through" the most recent Greek crisis, and US economic statistics continue their slow but recently steady advance, the attention appears to be shifting to China. Significantly slower growth (with concerns of a hard landing) and nascent fears of a power struggle in the upcoming transition have stalled emerging markets equity advances - a major PERSI bias. For the fiscal year to date, overseas markets have lagged US equity markets, with US markets advancing 8% while international markets have lost 7%.

As a result, PERSI's returns for the fiscal year, while positive, are significantly lagging the strategic benchmark of 55% Russell 3000, 15% EAFE, and 30% Lehman Aggregate, by 1.7% due almost entirely to the underperformance of global equities compared to US equities. Our long-duration TIPS passive account continues to be the best performer for the fiscal year to date on both an absolute (+13.9%) and relative to benchmark (+5.8%), while Bernstein and Zesiger global equities have the worst absolute and relative performance to benchmarks.

Private Equity Quarterly Update: Paul Yett with Hamilton Lane gave an update on the private equity (PE) portfolio. PE Portfolio created \$83.3 million in value over the past year ended September 30, 2011 and market value grew by \$70.1 million. Strength in the first three quarters drove net value increase as the third quarter suffered from marked to market valuation. Market value declined \$40.0 million during the third quarter.

Callan Real Estate Contract Renewal: Investment Officer Richelle Sugiyama asked the Board to approve the renewal of the existing Real Estate Consulting contract with Callan. Trustee Deal made a motion to approve a one year renewal of Addendum 1 of the Callan Agreement and authorize the Executive Director to sign the renewal. The motion was seconded by Trustee Cilek and approved unanimously.

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

DIRECTOR UPDATES

Executive Director Update: Director Drum gave an update on legislation that would affect PERSI. He also reviewed the recent NIRS "Pensionomics 2012" paper and discussed the new performance management tool the State is putting in place and PERSI is piloting.

Milliman will be presenting the Experience Study and economic assumptions at the April Board meeting. These will need to be decided by the Trustees no later than the July meeting.

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

New Employers: Iona Bonneville Sewer Dist. and Franklin County have applied to join PERSI as of April 1, 2012. Trustee Fisher's motion to accept Iona Bonneville Sewer Dist. was seconded by Trustee Cilek. Trustee Deal's motion to accept Franklin County was seconded by Trustee Sullivan. Both motions passed unanimously.

Deputy Director Update: Deputy Director Ray Polzin gave an update on the IRIS project and change management activities. The project is in the 4th phase and moving ahead with no key issues.

FISCAL

Fiscal Update: Chief Financial Officer Jim Monroe reviewed his Fiscal Update memo dated March 21, 2012. He reviewed and commented on the February expense reports for administration and portfolio. He also updated the Board on the FY2013 budget appropriations bill (HB617).

EXECUTIVE SESSION

Citing Idaho Code 67-2345(1)(f) Trustee Sullivan 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 Chairman Olson reported that the Board discussed the evaluation of the Executive Director and unanimously agreed to the highest rating of Exceed Expectations.

Chairman Olson stated the Board is very impressed with Director Drum and believe he has built strong relationships with Legislators, Trustees and constituent groups. All goals set by the Board are being achieved and exceeded.

Adjournment: There being no further business to come before the Board, meeting adjourned at 10:40 a.m.

Donald D. Drum
Executive Director

Jody B. Olson
Chairman