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

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

Trustee Kirk Sullivan 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 Guilfoyl and Management Assistant Cheri Campbell were also in attendance. Other persons attending portions of the meeting were:

- Bruce Reeder (MPIA)
- Mark Olleman (Milliman)
- Jeff Bradley (Milliman)
- Mary Lou Taylor (REAI)
- Dennis Fitzpatrick (DBF)
- Karl Mallott (Fire Chiefs)
- Brandon Fitzpatrick (DBF)
- Charlie Brown (REAI)
- Donna Yule (IPEA)
- Drew Black (DBF)
- James Coleman (REAI)
- Larry Johnson (EFIB)
- Robin Nettinga (IEA)
- Eoin Gill (BNY Mellon)
- Keith Kotfica (Xerox)
- Todd Hebert (Xerox)
- Tim Dunn (Clearwater)
- John Spencer (Clearwater)
- Robert Schmidt (Milliman)

Approval of the Minutes: Trustee Deal made a motion to approve the minutes of the August 28, 2012 meeting as written. Trustee Fisher seconded the motion, which passed unanimously.
PORTFOLIO
Monthly Investment Report: Chief Investment Officer Bob Maynard gave an update on the status of the Fund. Encouraged by real and perceived central bank support in all three major economies, the capital markets have seen a markedly reduced state of fear as reflected in reduced bond yield and spreads, decreased volatility, and steady equity market advances (which have risen 6%-8% in the new fiscal year). Macroeconomic factors have been marginally favorable in the US (excepting recent disappointing jobs numbers) and poor elsewhere in the world, along with declining prospects for corporate earnings growth.

As a result, PERSI gained 2.5% so far this month, and 4.5% for the fiscal year to date, at $12.462 billion. (PERSI hit a return and asset level all-time high on Sept 14 at $12.535 billion).

Previous warnings, however, still apply -- it is unlikely that this sense of calm will continue for the remainder of the calendar year. As stated in previous comments, the markets are still 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 remainder of the calendar year, at least, 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.

Trends in the portfolio from the last fiscal year generally continue, with Bernstein (both global and emerging markets) the manager we are watching most closely. PERSI is behind the 55-15-30 strategic policy by -1.5%, with the major drag coming from the lagged valuations in private equity and private real estate.

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

CHOICE PLAN
FY2012 Update: Keith Kotfica of Xerox provided a comparison of PERSI’s Choice Plan to other governmental defined contribution plans using industry benchmarking and discussed a new Morningstar projections tool that will be available to participants later this year.

Todd Hebert, also with Xerox, provided a plan and participation update as of June 30, 2012.

DIRECTOR UPDATES
Actuarial Valuation: Mark Olleman, Robert Schmidt and Jeff Bradley with Milliman presented the preliminary findings for the FY12 Valuation. The fund ended the fiscal year at 84.7% funded and an amortization period of 15 years. These numbers take into account the reduced investment return assumption of 7%. The final report will be presented at the October meeting.

Executive Director’s Update: Director Drum gave the Board an update regarding the Deputy Director search. The IRIS project timeline for the current phase has been re-base lined. This has not effect on the cost of the project. Staff will begin testing on October 17th and employers will go-live in a phased approach between March 2013 and March 2014.

FISCAL
Fiscal Update: Chief Financial Officer Jim Monroe reviewed his Fiscal Update memo dated September 18, 2012. He reviewed and commented on the August expense reports for administration and portfolio. He also updated the Board on the FY2012 audit activities. The Audit Committee will meet on October 10th to review a draft report and the final report will be presented at the October Board meeting.
EXECUTIVE SESSION
Trustee Cilek made a motion to go into executive session citing Idaho Code 67-2345(1)(d) and (f). The motion was seconded by Trustee Deal and approved unanimously via roll call vote.

The Board reconvened into general session at 10:40. During the executive session potential litigation versus Olympus Corporation was discussed. Trustee Fisher made a motion to accept the staff recommendation authorizing the Executive Director to proceed. The motion was seconded by Trustee Deal and approved unanimously.

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

Donald D. Drum                        Jody B. Olson
Executive Director                    Chairman