



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., April 23, 2013. The following members were present:

Jody Olson  
Kirk Sullivan  
Joy Fisher  
Bill Deal

Trustee Bill Deal was absent for the first part of the meeting. Trustee Jeff Cilek was absent and excused. Executive Director Don Drum, Deputy Director Lisa Steele, Chief Investment Officer Robert Maynard, 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:

Jeff Bradley	Milliman	Erin Duran	PERSI
Mark Olleman	Milliman	Rose Marie Sawicki	PERSI
Vikki Chandler	City of Nampa	Mike Young	PERSI
Humberto Arechiga	DBF	Daryl King	PERSI
Brandon Fitzpatrick	DBF	Kimberlee Hall	PERSI
Drew Black	DBF	Diane Kaiser	PERSI
Mary Lou Taylor	Retired Educators	Patrice Perow	PERSI
Susan Marshall	Barings.	Cecile McMonigle	PERSI
Susan O'Brien	Barings	Wayne Ellis	PERSI
Michael Bowman	Capital Group		
Vince Ortego	Capital Group		
Sunny Oberoi	Capital Group		
Doug Bates	Clearwater		
Chris Brechbuhler	Clearwater		
Eion Gill	BNY Mellon		
Bill Palumbo	MPIA		
Bruce Reeder	MPIA		
Kay Christensen	Attorney General Office		
Robin Nettinga	IEA		
Dale Storer	Member		
Pat Miller, Esq			

## AMEND AGENDA

Trustee Sullivan made a motion to amend the agenda to remove the New Employer from this month's agenda. Trustee Fisher seconded the motion which passed unanimously.

## MINUTES

Approval of the Minutes: Trustee Fisher made a motion to approve the minutes of the March 26, 2013 meeting as written. Trustee Sullivan seconded the motion, which passed unanimously.

## PORTFOLIO

Monthly Investment Report: Amid early signs of the development of the annual "Spring Swoon" (incipient European crisis, slowing global economic growth, slightly disappointing earnings reports from corporations), recent capital market activity stalled after U.S. equity markets hit new highs in early April. For the month to date US equity markets are down -1.2%, international markets are flat, and fixed income markets are up over half a percent.

As a result, PERSI hit all-time highs both in returns and in assets during April (and, for the first time, broke \$13 billion in assets) before falling back, ending down -0.2% for the month to date and up 9.3% for the fiscal year to date, at \$12.863 billion (in addition, PERSI oversees around \$325 million of sick leave fund assets and around \$100 million in additional DC plan assets).

With US capital markets leading the globe, PERSI has (as expected) poor relative returns for the fund against the US-centric 55-15-30 strategic benchmark. PERSI lags this strategic policy benchmark by -3.6% primarily due to private assets and emerging markets. Private equity is lagging the public markets due to delayed valuations endemic to private equity. Public real estate (REITS), after years of outperformance, are now giving back some of their gains and private real estate is also suffering from delayed valuations with an additional impediment of recent write-downs in asset values. Finally, since the start of the calendar year, emerging markets are substantially underperforming the developed markets (by -9%), impacting our relative performance against the 55-15-30 reference benchmark by -0.9% (given our 10% overweight in emerging markets).

Western continues its streak of outperformance and positive returns, while TIPS have given back their previous advantage. The equity portion of the portfolio is lagging so far this fiscal year. Zesiger, Mondrian, and Barings are having the worst relative performance to benchmarks of all accounts. Cap Guardian, Longview, and Donald Smith are having the best absolute and relative returns. Brandes, Adelante and Tukman have had the best performance since the rebalance in December.

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

## CHOICE PLAN

Choice Plan Review: Michael O'Leary from Callan presented some results from a DC Plan Survey and also provided feedback on the DC Plan options that were discussed at the February Board meeting.

### Choice Plan Document Changes:

Deputy Attorney General Joanna Guilfooy asked the Board to approve changes to the Choice Plan Document. The changes are being proposed pursuant to the Determination Letter process and to meet other federal requirements, as well as a few changes to facilitate operational efficiencies. Trustee Fisher made a motion to authorize and adopt the changes as proposed by staff. Trustee Sullivan seconded the motion which passed unanimously.

## DIRECTOR UPDATES

Executive Director's Update: Executive Director Don Drum provided a list of legislative actions that pertain to PERSI and also reported that PERSI will be hosting the Northwest Pension Peers Conference this coming September.

Deputy Director's Update: Deputy Director Lisa Steele briefly reviewed the quarterly operations statistics.

## FISCAL

Fiscal Update: Chief Financial Officer Jim Monroe reviewed his Fiscal Update memo dated April 17, 2013 and reviewed and commented on the quarterly travel report and March expense reports for administration and portfolio.

## APPEALS

Maddox Appeal: Ms. Maddox is appealing the Director's decision that she cannot terminate her irrevocable payroll deduction which she entered to reinstate service/repay a separation benefit. Trustee Fisher made a motion to affirm the Director's decision to not allow Ms. Maddox to stop her irrevocable deduction. The motion was seconded by Trustee Sullivan and passed unanimously.

Storer Appeal: Mr. Storer is appealing the Director's determination that he was not eligible for participation in PERSI between 1982 and 2000. Mr. Storer's attorney, Pat Miller, presented his clients position on the issue. After some discussion, including input from Deputy Attorney General Kay Christensen, Trustee Sullivan made a motion to affirm the Director's decision that Mr. Storer was not eligible to participate in PERSI for those years. Trustee Fisher seconded the motion which passed unanimously.

## EXECUTIVE SESSION

Trustee Fisher made a motion to go into Executive Session citing Idaho Code 67-2345(1)(b). Trustee Sullivan seconded the motion which passed unanimously via roll call vote.

Upon returning to regular session Chairman Olson reported that the Board discussed the evaluation of the Executive Director Don Drum. Trustee Deal made a motion to increase Director Drum's salary by \$10,000 annually. Trustee Fisher seconded the motion which passed unanimously.

FUTURE BOARD DATES: The Trustees agreed that they would like to move the Board meeting day to the 3<sup>rd</sup> Tuesday of the month to better accommodate Trustee Cilek's schedule for the rest of 2013. It is anticipated that the meeting will be moved back to the 4<sup>th</sup> Tuesday of the month in 2014. The new schedule will begin with the June meeting.

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