



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., August 20, 2013. The following members were present:

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

Executive Director Don Drum, Deputy Director Lisa Steele, Chief Investment Officer Robert 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:

Jeff Bradley	Milliman	Rose Marie Sawicki	PERSI
Connie Bunch	REAI	Diane Kaiser	PERSI
James Coleman	REAI	Mike Young	PERSI
Eoin Gill	BNY Mellon	Patrice Perow	PERSI
Brandon Fitzpatrick	DBF	Wayne Ellis	PERSI
Drew Black	DBF	Cecile McMonigle	PERSI
Mary Lou Taylor	REAI	Erik Brischler	PERSI
Rod MacKinnon	MPIA.	Debbie Buck	PERSI
Dennis Fitzpatrick	DBF	Kimberlee Hall	PERSI
Robyn Lockett	LSO	Larry Sweat	PERSI
Bill Palumbo	MPIA		
Bruce Reeder	MPIA		
Michael Iacoboni	Milliman		
Mark Olleman	Milliman		
Robert Schmidt	Milliman		
Tom Kealey	EFIB/Montlake		
Pam Herbst	AEW		
Mike Plumb	AEW		
Lealan Miller	Eide Bailly		
Rhet Hulbert	Clearwater		
Doug Bates	Clearwater		

MINUTES

Approval of the Minutes: Trustee Cilek made a motion to approve the minutes of the July 16, 2013 meeting as written. Trustee Fisher seconded the motion, which passed unanimously.

PORTFOLIO

Monthly Investment Report: Chief Investment Officer Bob Maynard presented the investment report. The capital markets are in a "waiting for Bernanke" mode, with the major guessing game being when the "taper", or the pull back of quantitative easing, will begin and its size. In addition, overseas economies appear to either be bottoming (China) or actually beginning to recover (Europe and Japan). Consequently, while US equity markets are negative for the month, overseas markets (including emerging markets) have recently shown some relative strength to US markets.

Consequently, August markets so far have seen US equity markets drop -1.6%, MSCI EAFE up 2.5%, and Emerging Markets up 1.2% (although emerging markets are still negative for the new fiscal and calendar year) US fixed income is down -1.0%.

As a result, the fund as a whole is down -0.2% for the month and is up 2.5% for the new fiscal year to date at \$13.069 billion.

PERSI's returns are still being driven by basic policy allocations away from the S&P 500 and Barclay's Aggregate and toward emerging markets, private equity, REITS, private real estate, and TIPS. For the fiscal year to date, emerging markets, REITs, and private assets are all trailing the S&P 500 - consequently, PERSI returns trail the 55-15-30 reference benchmark by 50 basis points (TIPS have been mildly additive so far this fiscal year).

Mr. Maynard also reviewed PERSI's strategic biases and returns compared to benchmarks.

Callan Year End Update: Michael O'Leary with Callan presented the fiscal year end update. PERSI underperformed its target policy index for the June quarter and trailed the target over the last twelve months. The quarter and trailing full-year results ranked in the 76th and 88th percentile, respectively, in Callan's Public Fund database. Over the last five years, total fund performance ranked below peers and target. However, over the last ten-year period the total fund has outperformed both its target and peer group median. He also discussed the asset allocations and the returns for the DC plan.

AEW Real Estate Update: Pam Herbst with AEW gave an overview of the current real estate market.

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

DIRECTOR UPDATES

GASB 67 & 68: Mark Olleman from Milliman gave a presentation regarding the accounting changes that will be implemented for PERSI and all PERSI employers over the next two years. Chairman Olson encouraged the Trustees to contact Milliman and/or Eide Bailly with any questions regarding these changes.

Executive Director's Update: Executive Director Don Drum informed the Trustees that staff is continuing an assessment of peers and other DC provider fees.

New Employer: The Housing Authority of the City of Buhl has requested admittance into the PERSI system. Trustee Cilek made a motion to accept the application effective September 1, 2013. Trustee Fisher seconded the motion which passed unanimously.

Deputy Director Update: Deputy Director Lisa Steele reviewed her status update which included an update on the IRIS system and highlights from the NASRA Annual Conference that Ms. Steele and Don Drum recently attended. She also let the Board know that PERSI is hosting the Northwest Pension Peers Conference this year in late September and that Don Drum is the state Campaign Chair this year for the State of Idaho Charitable giving campaign. She provided an overview of recent staff activities associated with both the conference and the campaign.

FISCAL

Fiscal Update: Chief Financial Officer Jim Monroe reviewed his Fiscal Update memo dated August 14, 2013 and reviewed and commented on the July expense reports for administration and portfolio. .

FY2015 Budget Request: Mr. Monroe presented a copy of the FY15 budget request for Board approval. Trustee Cilek made a motion to approve the request and authorize staff to submit to DFM and LBO. Trustee Deal seconded the motion which passed unanimously.

FY2013 Financial Statements: Fiscal Operations Manager Debbie Buck provided an overview of the Financial Statements ending June 30, 2013.

GFOA Award: For the 22nd year in a row PERSI received the GFOA award for Excellence in Financial Reporting. Chairman Olson thanked the staff who work on the CAFR for their diligence and hard work.

EXECUTIVE SESSION

Citing Idaho Code 67-2345(1)(b) Trustee Fisher made a motion to go into executive session. The motion was seconded by Trustee Deal and passed unanimously via roll call vote.

During the executive session the annual performance evaluation for Bob Maynard was discussed. Trustee Sullivan made a motion to give Mr. Maynard a \$40,000 annual bonus and a 5% salary increase going forward. The motion was seconded by Trustee Fisher and approved unanimously.

ADJOURNMENT: There being no further business to come before the Board, meeting adjourned at 11:45 a.m.

Donald D. Drum
Executive Director

Jody B. Olson
Chairman