



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., February 26, 2013. The following members were present:

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

Trustee Jeff Cilek was absent and excused. 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:

Mark Olleman	Milliman	Roger Gabel	DAG
Michael Iacoboni	Milliman	Mike Young	PERSI
Humberto Arechige	DBF	Daryl King	PERSI
Cody Barney	DBF	Debbie Buck	PERSI
Brandon Fitzpatrick	DBF	Diane Kaiser	PERSI
Drew Black	DBF	Patrice Perow	PERSI
Tom Kealey	Montlake Cap.	Cecile McMonigle	PERSI
Eoin Gill	BNY Mellon	Wayne Ellis	PERSI
Bruce Reeder	MPIA	Rose Marie Sawicki	PERSI
Mike Boren	Clearwater		
John Spengler	Clearwater		
Rod Mackinon	MPIA		
Chris Halvorson	EFIB		
Bill Palumbo	MPIA		
Katherine Guthrie	Xerox		

MINUTES

Approval of the Minutes: Trustee Sullivan made a motion to approve the minutes of the January 22, 2013 meeting as written. Trustee Fisher seconded the motion, which passed unanimously.

PORTFOLIO

Callan Quarterly Update: Michael O'Leary with Callan presented the 4th quarter 2012 update. PERSI outperformed its target policy index for the December quarter but trailed the target over the last twelve months. The quarter and trailing full-year results ranked in the 25th and 62nd percentile, respectively, in Callan's Public Fund database. Mr. O'Leary also gave an overview of activity in the DC plan.

Monthly Investment Report: Chief investment Officer Bob Maynard gave an update on the status of the Fund as of February 22, 2013. The markets in January and February have produced excellent overall returns, but poor relative returns for the fund against the 55-15-30 strategic benchmark. The main themes have remained consistent: slow US economic growth, adequate corporate earnings, marginally more positive news out of Europe, and the appearance that China has avoided a "hard landing" (although with mixed signals). Washington gridlock has now moved on to sequestration, keeping market concerns at a slow boil.

US equity markets are up 1.3% for the month, international stocks are down a similar amount, and bond markets are flat. As a result, PERSI has lost -0.1% for the month, and is now up 8.0% for the fiscal year to date, at \$12.763 billion. The return and asset levels for the fund reached all-time highs last week, then fell back as sequester issues, concern about the Fed long term commitment to QE, and Europe jitters (particularly about the Italian election) came to the fore.

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

DIRECTOR UPDATES

Executive Director's Update: Deputy Director Lisa Steele reviewed the update from Director Drum previously provided to the Board. The budget setting hearing went smoothly and there are no anticipated issues with this passing. PERSI teamed up with Division of Human Resources and Department of Administration to complete a Total Compensation Study for State employees. This study along with another study by the Office of Performance Evaluation regarding employee turnover were presented to both the House and Senate Commerce and Human Resource Committees. Both of these reports show that the PERSI benefit is an important factor in retention and morale of employees.

Disability Offset Appeal: Gordon Sanders is appealing the final decision related to the disability offset calculation applied to his disability retirement. On December 31, 2012 the hearing officer issued a Recommended Order that the appeal be denied. Mr. Sanders did not seek reconsideration by the hearing officer but did file an exception to the Recommended Order with the Board. DAG Roger Gabel from the Attorney General's Office was at the Board meeting to answer Board questions. Trustee Deal made a motion to accept the hearing officers Recommended Order to deny Mr. Sanders appeal and issue a Final Order. The motion was seconded by Trustee Sullivan and passed unanimously

Choice Plan Review: Manager Diane Kaiser presented a review of the Plan history, ongoing member education programs and potential options for the plan design and fund lineup to be further explored at a later meeting.

FISCAL

Fiscal Update: Chief Financial Officer Jim Monroe reviewed his Fiscal Update memo dated February 20, 2013 and reviewed and commented on the January expense reports for administration and portfolio.

Quarterly Financial Statements: Financial Operations Manager Debbie Buck presented the December 2012 quarter unaudited financial statements. There were no questions regarding the statements.

FUTURE BOARD DATES: Trustee Cilek has a conflict with the current board meeting dates. Chairman Olson asked the other Trustees to review their schedules and see if a change can be made to another day, such as the 4th Wednesday, sometime in the next six months.

ADJOURNMENT: There being no further business to come before the Board, meeting adjourned at 10:30 a.m.

Donald D. Drum
Executive Director

Jody B. Olson
Chairman