



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., July 16, 2013. The following members were present:

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

Executive Director Don Drum, 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:

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|---------------------|-------------------|--------------------|-------|
| Jeff Bradley | Milliman | Rose Marie Sawicki | PERSI |
| Connie Bunch | REAL | Diane Kaiser | PERSI |
| James Coleman | REAL | Mike Young | PERSI |
| Humberto Arechiga | DBF | Patrice Perow | PERSI |
| Brandon Fitzpatrick | DBF | Wayne Ellis | PERSI |
| Drew Black | DBF | Cecile McMonigle | PERSI |
| Mary Lou Taylor | REAL | Erik Brischler | PERSI |
| Rod MacKinnon | MPIA. | Daryl King | PERSI |
| Dennis Fitzpatrick | DBF | Mike Mitchell | PERSI |
| Karl Malott | Idaho Fire Chiefs | Carmen Brooks | PERSI |
| Bill Palumbo | MPIA | Debbie Buck | PERSI |
| Bruce Reeder | MPIA | | |
| J Doherty | State Street | | |
| S Currin | State Street | | |
| Bobbi Jo Anderson | REAL | | |
| Tom Kealey | EFIB/Montlake | | |
| Vikki Chandler | City of Nampa | | |
| Robin Nettinga | IEA | | |

MINUTES

Approval of the Minutes: Trustee Cilek made a motion to approve the minutes of the June 18, 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 new fiscal year has started out continuing the recent trends that closed out FY2013 with a new market dynamic dominating global capital markets.

This new atmosphere began in late May when Ben Bernanke expressly moved the term "taper" to the forefront of 2013 investment terminology. Under this new dynamic, markets are expecting less quantitative easing in the US, a higher level of bond yields (having risen already to over 2.5% for ten year yields), and a still slow but accelerating US economy. And, the picture overseas continues to be unpleasant, as has been the case for the calendar year, with China still apparently decelerating with continued credit tightening, Europe at best bumping along the bottom, and emerging markets still collapsing (with higher US bond yields accelerating the departure of foreign investment). The only supporting news is continued central bank support in Europe, the UK, and Japan.

Consequently, US equity markets lead the world with 4.9% returns month to date, and emerging markets at the other end with returns of 0.7% for the month to date. US fixed income is down -0.3%, and MSCI EAFE is keeping pace with 4.4% returns.

As a result, the fund as a whole is up 2.3% for the month and new fiscal year to date at \$13.064 billion.

As has been and will be the case for some time, a good absolute return but, as long as emerging markets dramatically underperform US equity markets, the relative returns of the fund will lag the reference 55% R3000 / 15% EAFE / 30% Agg benchmark.

As long as US growth is reasonably good (particularly with job creation), US equity markets will likely continue to modestly advance, bond yields will meander around higher levels, and international markets will be de-linked from the US, with emerging markets continuing in the doldrums. This appears to be the path for the next few months absent very unpleasant news (such as a threatened debt default or a worse than normal Eurozone crisis).

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

DIRECTOR UPDATES

CEM Benchmarking Results: Jan Hartford with CEM presented the FY12 benchmarking results. The report shows that PERSI's total operating costs are \$62 below the peer average and has a service score is in the top quartile in North America.

Executive Director's Update: Executive Director Don Drum provided an update on the preliminary fiscal year end funding status of the PERSI Fund (84.7%) and the Firemen's Retirement Fund (100.9%). He briefly covered GASB 67 & 68 changes which Milliman will cover further in a presentation to the Board in August. PERSI is currently looking at office location options for the Pocatello Service Office.

LEGAL:

Legislative Ideas: Deputy Attorney General Joanna Guilfooy presented the proposed changes to statutes and rules and asked the Board to approve submission to DFM. Trustee Deal made a motion to accept the staff recommendation. Trustee Sullivan seconded the motion which passed unanimously.

FISCAL

Fiscal Update: Chief Financial Officer Jim Monroe reviewed his Fiscal Update memo dated July 11, 2013 and reviewed and commented on the 2nd quarter travel report and the FY13 year end expense reports for administration and portfolio. He also updated the Board on audit activities.

The proposed FY15 budget was provided to the Trustees. A final budget request will be presented at the August meeting for approval.

EXECUTIVE SESSION

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

The purpose of the executive session was to discuss potential litigation with legal counsel.

ADJOURNMENT: There being no further business to come before the Board, meeting adjourned at 11:20 a.m.

Donald D. Drum
Executive Director

Jody B. Olson
Chairman