



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 15, 2014. The following members were present:

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

Trustee Jeff Cilek were absent and excused. Executive Director Don Drum, Deputy Director Lisa Steele, Chief Investment Officer Bob Maynard, Investment Officer Richelle Sugiyama, Financial Officer James Monroe, Deputy Attorney General Joanna Guilfoy and Management Assistant Cheri Campbell were also in attendance. Other persons attending portions of the meeting were:

Michael O'Leary	Callan	Eon Gill	BNY Mellon
Tom Kealey	EFIB	Robin Nettinga	IEA
Larry Johnson	EFIB	Chis Halvorson	EFIB
Drew Black	DBF	Louise Gates	GRS
Brandon Fitzpatrick	DBF	Jim Anderson	GRS
Prabhab Banskota	DBF	Rita Foltman	SCO
Dennis Fltzpatrick	DBF	Julie Gschwind	Berkadia
Humberto Arechiga	DBF	Ann Posey	Callan
Michael Iacoboni	Milliman	Greg Allen	Callan
Mark Olleman	Milliman	Sally Haskell	Callan
Jeff Bradley	Milliman	Bob Plumb	AEW
Bobbie Jo Anderson	REAI	Mike Byrens	AEW
James Coleman	REAI	Rose Marie Sawicki	PERSI
Bruce Reeder	MPIA	Wayne Ellis	PERSI
Rod MacKinnon	MPIA	Mike Young	PERSI
Bill Palumbo	MPIA	Kelly Cross	PERSI
Kaci Guthrie	Xerox	Cecile McMonigle	PERSI

Approval of the Minutes: Trustee Sullivan made a motion to approve the minutes of the March 18, 2014 meeting as written. Trustee Deal seconded the motion, which passed unanimously.

PORTFOLIO

Callan Presentation: With Michael O'Leary's retirement, Ann Posey and Greg Allen are taking over the PERSI account. After introductions Mr Allen gave a short presentation on the "Inherent Difficulty of Tactical Investing".

Private Real Estate Update: Bob Plumb with AEW gave a general real estate market overview and Mike Byrne reviewed a portion of the PERSI private real estate portfolio, including the 2013 accomplishments and the goals for 2014.

Monthly Investment Report: The steady advance of the capital markets over the past few years seems to have stalled this calendar year. Continued slow, relatively steady global growth has been the past and the present, and appears to be the future as well. This general view was most recently confirmed by the IMF annual world economic outlook, which sees the global economy growing 3.6% in 2014 and 3.9% in 2015, up from 3.0% in 2013. This growth is widely expected to be continued to be led by the developed economies, and particular by the US and the UK. Emerging markets, while expected to grow at higher levels (4.7% in 2013 rising to 5.3% in 2015) is expected to have less momentum. All in all, this view is consistent with broadly held capital market views, and appears now to have been fully priced into the markets, thus leading to rather dull market movements.

As a result, the US equity market is down this month (off -3.0%), international markets are off -0.9% (with emerging markets up 2.2%), and fixed income is up moderately (+0.8%). The fund as a whole is down -1.0%, with a fiscal year to date return of 10.8% at \$13.960 billion. The fund reached all time return and asset level highs on April 2nd (at \$14.167 billion), and the recent retreat seems to be relatively normal market action, although on that might contain a change in market emphasis away from tech and momentum stocks.

PERSI's particular strategic biases away from the S&P 500 and toward emerging markets, REITs, and private equity and private real estate have recently been beneficial, particularly with emerging markets and REITS up over 8.0% over the past few months (compared to +2.4% for the S&P 500). This turnaround in REITs and emerging markets has particularly helped Zesiger's relative underperformance, and has increased Bernstein Global's lead in absolute performance (at +22.4% for the fiscal year) and relative performance to benchmark (+6.0%). Other fiscal year standouts are Brandes, Donald Smith, Longview, and Mountain Pacific.

Excitement is overrated in the investment industry, and dull, steady, grinding economic growth translating into dull and moderately growing capital markets is to be welcomed after the excitement of the 2007-2012 years.

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

DIRECTOR UPDATES

GRS Actuarial Review: Louise Gates and Jim Anderson with Gabriel Roeder Smith and Company presented their findings from their actuarial audit of Milliman's 2013 Draft and 2010 and 2012 Final Experience Study Reports. Their review shows that GRS believes the results provided by Milliman are overall reasonable. Their recommendation would be that additional disclosure information be added to future valuations to indicate all assumptions and methods used by the retained actuary in the annual valuation. Further recommendations included using a smoothing practice and increasing the assumption for further COLAs. The Board decided to consider, but did not necessarily accept the recommendations. Trustee Deal made a motion to accept the review as written. Trustee Fisher seconded the motion which passed unanimously.

Milliman Experience Study: Jeff Bradly and Mark Olleman with Milliman presented a summary of the Retired Member Mortality and Economic Assumption Study including various options for actuarial economic assumption changes. No decision needs to be made at this time.

Executive Director's Update: Director Drum gave an update on his employer education efforts in regards to GASB 67 and 68. He also provided a summary of legislative changes from the 2014 session that affected PERSI.

Deputy Director Update: Deputy Director Lisa Steele reviewed the status of the IRIS project. The project remains on-time and on-budget. She also reported that everything is in place to send out the first PERSI Active Member newsletter electronically this month and provided the quarterly operations metrics.

LEGAL

Judges Retirement Fund PARF: Deputy Attorney General Joanna Guilfooy presented a Proposed Administrative Rules Form (PARF) to the Board for approval. This proposed rule will give the Board the authority to administer the Judges Retirement Fund as of July 1, 2014. Trustee Deal made a motion authorizing staff to submit the PARF form to Division of Financial Management. Trustee Fisher seconded the motion which passed unanimously.

FISCAL

Fiscal Update: Chief Financial Officer Jim Monroe reviewed his Fiscal Update memo dated April 9, 2014 and reviewed and commented on the March expense reports for administration and portfolio and the quarterly travel and training report. He also reviewed the CEC approved by the Legislature for FY15.

Before going into Executive Session Chairman Olson asked for any questions or comments from the audience. Connie Bunch with REAL thanked Mr. Drum for his presentations at the regional conferences around the state and she wanted the Trustees to know that Mr. Drum makes the retirees feel comfortable with the Board actions.

EXECUTIVE SESSION

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

Upon reconvening into general session, Trustee Sullivan stated that the Board had reviewed Executive Director Drum's evaluation and they feel his performance has been exemplary. Trustee Sullivan made a motion to give Director Drum a 5% ongoing increase for FY15 and a short term merit up to \$5,000.00 per the current FY14 Salary Savings plan for PERSI staff. The motion was seconded by Trustee Fisher and passed unanimously.

Adjournment: There being no further business to come before the Board, meeting adjourned at 11:50 a.m.

Donald D. Drum
Executive Director

Jody Olson
Chairman