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., December 2, 2014. The following members were present:

Jody Olson
Kirk Sullivan
Jeff Cilek

Trustees Bill Deal and Joy Fisher were absent and excused. 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 Jess Simonds were also in attendance. Other persons attending all or portions of the meeting were:

- Bruce Reeder MPIA
- Rod MacKinnon MPIA
- Bill Palumbo MPIA
- Mark Olleman Milliman
- Larry Johnson EFIB
- Lee Miller Eide Bailly
- Dennis Fitzpatrick DBF
- Casey Macomb DBF
- Connie Bunch REA
- Kaci Guthrie Xerox
- Ali Breshears Clearwater
- Brittany Pfiester Clearwater
- Chris Brechbuhler Clearwater
- Tim Dunn

Approval of the Minutes: Trustee Cilek made a motion to approve the minutes of the October 21, 2014 meeting. Trustee Sullivan seconded the motion, which passed unanimously.

PORTFOLIO
Monthly Investment Report: November has continued the general themes of the past months (and much of this calendar year) – a relatively strong and steadily recovering U.S. economy, coupled with a depressing picture in almost all of the rest of the world economies (Japan, China, emerging markets and, particularly, Europe). As the nonmarket tensions of Ebola, the Ukraine, and ISIS move away from center stage, the US markets, at least, have resumed their slow but relatively steady rise. The Fed has gone on “hold” with the end of quantitative easing but maintaining ZIRP (Zero Interest Rate Policy), while central banks in other regions are either implementing or signaling greater easing moves. With holiday shopping around the corner, and generally full valuations, U.S. market moves have been generally positive but muted.
In November the U.S. equity market rose +1.7% to bring the fiscal year to date return to +5.3%. MSCI 
EAFE has gained 1.4% for the month but remains down -5.9% for the fiscal year, while bonds are up 
0.7% for the month and slightly positive (+1.9%) for the fiscal year. Emerging markets are down - 
1.1% for the month to date and -4.7% for the fiscal year, while REITs continue their remarkable rise of 
the last few months, and are up +9.7% for the fiscal year to date. TIPS are having a poor fiscal year, 
having dropped -1.0%. As a result, the fund as a whole is up +1.5% for the month to date and +1.5% 
for the fiscal year to date, at $14.873 billion (having hit a new all-time return high the day before 
Thanksgiving. The calendar year is +8.5%, around the return that was expected at the end of last 
calendar year.

With the unstable economic situation in Europe and the emerging markets, the fund is trailing 
the reference (and US dominated) 55-15-30 benchmark by -1.1%, after leading that reference for much of 
the fiscal year. Private real estate (+6.6%) is a relative contributor for the fiscal year to date – a 
welcome change from recent years. The Adelante REIT account has the best returns (+11.5%), while 
the Mondrian EAFE account (-6.5%) is the worst. Mountain Pacific has the best performance relative 
to their benchmark (+5.2% over their index), while Zesiger lags the most (-6.0% behind the World 
Index returns).

Quarterly Portfolio Update – Callan: Greg Allen of Callan presented their performance evaluation 
report for the 3rd quarter of 2014 of the PERSI Fund which included a capital market review, asset 
class performance review, and investment manager analysis. Mr. Allen stated that overall the stock 
markets experienced a set back during the 3rd quarter as the broad US equity market ended 
especially flat and non US equity markets lost 5.9%. Long term government bonds provided the 
highest public market return for the quarter of +2.6%. The Total Fund returned -1.14% for the 3rd 
quarter which slightly trailed the policy target (-0.97%).

Mr. Allen also provided a historical summary of the PERSI Fund and noted that the Total Fund has 
returned 9.17% and 7.59% for the five and ten-year periods respectively, trailing the benchmark 
slightly over both time horizons. The PERSI Total Fund ranks in the 18th percentile (outperforming 
82% of public funds) over the ten-year time horizon. Over that ten year period, the managers within 
each asset class have exceeded their benchmarks, with the only exception being the Private Real 
Estate portfolio.

Chairman Olson asked Mr. Allen about how PERSI's 70% equity, 30% fixed income portfolio 
compared to other public funds and the corporate world. Mr. Allen commented that PERSI's asset 
mix is typical in the public sector but is heavy in equities when compared to the corporate world. Mr. 
Allen noted that many public funds have moved out of fixed income and into alternatives like real 
estate, private equity, and natural resources. Chairman Olson also asked Mr. Allen how PERSI's 
funding ratio compares to other public funds and if the employer cost of around 11% was normal. Mr. 
Allen said that he believed PERSI, in comparison to other public funds, was in the top quartile- 
nearing top decile- in terms of funding ratio, and that the employer cost is comparatively low.

Private Equity Update – Hamilton Lane: Paul Yett of Hamilton Lane presented an update of the 
private equity (PE) portfolio. Mr. Yett stated that the PE portfolio continued to be self-funding during 
the first three quarters of 2014 and has outperformed the public benchmark over the ten-year and 
since-inception time horizons. Mr. Yett commented that the industry “tailwinds” include strong 
liquidity, available and attractive debt, and conservative leverage multiples, while the industry 
“headwinds” include capital overhang, deal volume, and average fund life.

Investment Advisor Contracts: Investment Officer Richelle Sugiyama presented material supporting a 
staff recommendation regarding contract renewal for staff advisors Bill Raver (Alban Row), Bob 
Storer, and Dwight Churchill (Chartwell Consulting LLC). Specifically the recommendation would
authorize the renewal of these Staff Advisor Agreements through December 2015 with the same terms. Trustee Cilek made a motion to accept the staff recommendation. Chairman Olson seconded the motion, which passed unanimously.

Transition Management Agreement: Investment Officer Richelle Sugiyama presented material supporting a staff recommendation to approve the hiring of State Street Bank and Trust Company as the transition management provider and to authorize Staff to execute the transition management agreement on behalf of the Board. Trustee Sullivan made a motion to accept the staff recommendation. Trustee Cilek seconded the motion, which passed unanimously.

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

DIRECTOR UPDATES
Executive Director Status Update: Executive Director Don Drum updated the Board on the recent GASB meetings which were centered on engaging employer auditors. Mr. Drum commented that employers and their auditors were invited to attend these meetings, and at each of the 5 meetings (statewide) approximately 50 people attended. Milliman and Eide Bailly will complete the initial work required by GASB 68 in January 2015, at which point PERSI would communicate with employers and post the allocated share of the Net Pension Liability (NPL). Mr. Drum said that employers will be posting pension liability on their financials for the first time, and although that liability is not new, the visibility of the number could cause issues for employers- for example, with public perception. Mr. Drum also commented that employer accountants/auditors need to be engaged, which was the reason for these meetings. Trustee Sullivan commented that he would like PERSI management to develop strategies to ensure that smaller employers are engaged in this process.

Mr. Drum also told the Board that PERSI management is evaluating office space/building needs and would provide an update at the January or February meeting.

Deputy Director Update: PERSI Deputy Director Lisa Steele updated the Board on the IRIS project, the Choice Plan third party administrator transition, and staffing changes.

FISCAL
Fiscal Update: Financial Officer Jim Monroe presented PERSI’s FY 2015 expense reports and went through the first quarter FY2015 financial statements.

Annual Report: Financial Officer Jim Monroe provided the Board with the FY2014 Comprehensive Annual Financial Report (CAFR). The section layout and data presented is prescribed by GASB, GFOA and GAAP.

Executive Session
Citing Idaho Code 67-2345(1)(b), Trustee Cilek made a motion to go into executive session. The motion was seconded by Trustee Sullivan and approved unanimously via roll call vote. There were no decisions made during the session.

Adjournment: There being no further business to come before the Board, meeting adjourned at 10:50 a.m.