



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 18, 2014. The following members were present:

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

Trustee Kirk Sullivan was 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 Guilfooy and Management Assistant Miho Reed were also in attendance. Other persons attending portions of the meeting were:

Michael O'Leary	Callan	Mary Lou Taylor	REAI
Tom Kealey	EFIB	James Coleman	REAI
Dave Boren	Clearwater	Mike Young	PERSI
Philip Bartlett	Clearwater	Cecile McMonigle	PERSI
Brandon Fitzpatrick	DBF	Kelly Cross	PERSI
Drew Black	DBF	Diane Kaiser	PERSI
Natalie Peikrishvili	DBF	Mike Mitchell	PERSI
Harriet Jacobs	Great West	Wayne Ellis	PERSI
Mark Olleman	Milliman	Dusty Schild	PERSI
Robin Nettinga	IEA	Lisa Conn	PERSI
Bruce Reeder	MPIA	Catherine Atchison	PERSI
Rod MacKinnon	MPIA	Kim Hall	PERSI
Bill Palumbo	MPIA		
Tom Lovell	Professional Fire Fighters of Idaho		

After the Call to Order, there was a discussion regarding amending the agenda to add an Executive Session to the end of the meeting for the purpose of discussing new information regarding potential litigation that the Board just received. Trustee Deal made the motion to amend the agenda. Trustee Cilek seconded the motion, which passed unanimously.

MINUTES

Approval of the Minutes: Trustee Cilek made a motion to approve the minutes of the January 21, 2014 meeting as written. Trustee Deal seconded the motion, which passed unanimously.

PORTFOLIO

Callan Quarterly Update: Michael O'Leary with Callan presented the 4th quarter 2013 performance evaluation.

Monthly Investment Report: After a mild (and somewhat expected) correction since late January, the markets recently seem to have regained their footing bolstered by decent trade data out of China, a smooth transition from Bernanke to Yellen, and the avoidance of confrontation on extending the US debt ceiling. While not regaining the highs reached on January 22nd, the markets for the month so far have been broadly positive. U.S. equities have gained 3.2%, international developed market equities have risen 3.3%, international emerging markets, while still lagging, have gained 2.3%, and bonds are flat (with TIPS down slightly at - 0.2%. As a result, the fund as a whole is up 1.9% for the month to date and 10.0% for the fiscal year to date at \$13.799 billion.

For the fiscal year to date, the markets continue their schizophrenic behavior, with US and international developed market equities up substantially (around 17%) with all other public and private markets noticeably lagging (Bonds +1.9%, Emerging Markets +3.2%, TIPS +0.4%, REITs +3.1%, private real estate +4.2%, private equity +5.9%). As with last fiscal and calendar years, diversification away from the large public equity markets has hurt markedly, and, for the meantime, that trend looks to continue.

As a result, PERSI continues to trail the reference 55% Russell 3000, 15% EAFE, 30% Barclay's Aggregate Benchmark by 2.4%, due entirely to market actions in the diversification to private equity, private real estate, REITS, emerging markets, and TIPS.

Donald Smith (+21.5%) and Bernstein Global (+21.5%) have the best absolute returns so far this fiscal year, with Bernstein Global as well having the best performance compared to benchmarks, while Zesiger Global (+1.9%) has the worst equity performance for the fiscal year as well as the greatest underperformance against benchmarks.

Choice Plan Options: Staff requests that the Board approve adding three index funds to the Choice Plan Investment options: specifically, that

1. Choice Plan investment option be expanded to include the addition of index mutual funds for REITs, Emerging Markets, and TIPS;
2. the choice of particular mutual funds be delegated to staff with the assistance of Callan; and
3. the actual addition of those funds be timed to coincide with the implementation of the new contract for a record-keeper chosen in the RFP process.

This action is being requested now so that it can be fully incorporated into the RFP and selection process for a new record keeping contract. While the choice of particular index funds is delegated to staff and Callan, the Board will be informed prior to that inclusion so that individual or collective comments or concerns can be expressed.

Trustee Cilek made a motion to approve the addition of three index funds to the Choice Plan Investment options. Trustee Fisher 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's Update: GASB Education Update - Kelly Cross, Lisa Steele and Don Drum have begun the GASB awareness campaign with PERSI employers. Kelly Cross has done a great job putting together the power point presentation which was shown at the Board meeting. PERSI plans to send letters to every PERSI employer and arrange meetings in their regions to help them understand GASB's reporting requirements. The meetings we have had to date have been informative and productive.

PERSI plans to begin the second phase of our campaign the week of March 10th. We will most likely spend from now to the early part of summer completing the campaign. The goal is to make all employers aware of the impact of GASB 68 and to explain we are available and willing to help them with communication efforts to explain the liability the employers will be recording on their financial statements.

Deputy Director Update: Deputy Director Lisa Steele reviewed the status of the IRIS project. The project remains on-time and on-budget. The new Pocatello office on Yellowstone Avenue opened February 14, 2014. Deputy Director Steele thanked everyone involved especially Larry Sweat, Branden Kennah, Kelly Cross, Jim Monroe, Tess Myers, Kim Hall, Lisa Conn, Lisa Mabe, Lynnette Hancock and Linda Parker for their work with the move to ensure the site was operational. A brief update was provided on the three RFPs currently in progress for Disability, Choice Plan, and Imaging. Deputy Director Steele provided an overview of the Sick Leave program administered by PERSI.

Choice Plan Fees: Staff requests that the Board approve the following implementation plan, method of calculation and resulting schedule of fees for the Choice Plan. PERSI has developed a plan to begin charging administrative and investment management fees to participants to coincide with the new record keeping contact beginning in early 2015. Included in the plan are fees for the record keeping, plan administration and investment management.

The Plan Document authorizes PERSI to assess fees to participants, in amounts determined by the Board. Staff recommends the fee structure be reviewed on a periodic basis and adjusted as need with Board approval.

Trustee Deal made a motion to approve the fees. The motion was seconded by Trustee Cilek and approved unanimously via roll call vote.

## FISCAL

Fiscal Update: Chief Financial Officer Jim Monroe reviewed his Fiscal Update memo dated February 13, 2014 and reviewed and commented on the January expense reports for administration and portfolio and the quarterly travel and training report. Financial Operations Manager Debbie Buck presented the Unaudited Financial Statements for the Year to Date December 31, 2013 and 2012.

Budget Request Update: Budget setting by JFAC for PERSI is scheduled for Wednesday February 19<sup>th</sup>, 5<sup>th</sup> on the list for that day.

## EXECUTIVE SESSION

Citing Idaho Code 67-2345(1)(f) Trustee Cilek made a motion to go into executive session. The motion was seconded by Trustee Fisher 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 10:40 a.m.

Donald D. Drum  
Executive Director

Jody Olson  
Chairman