



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., January 21, 2014. The following members were present:

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

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 Miho Reed were also in attendance. Other persons attending portions of the meeting were:

Brent Nye	Boise Schools	Bruce Reeder	MPIA
Eoin Gill	BNY Mellon	Rod MacKinnon	MPIA
Mike Boren	Clearwater	Connie Bunch	REAI
Rhet Hulbert	Clearwater	James Coleman	REAI
Dennis Fitzpatrick	DBF	Mary Lou Taylor	REAI
Drew Black	DBF	Mike Young	PERSI
Prabhab Banskota	DBF	Cecile McMonigle	PERSI
Humberto Arechiga	DBF	Kelly Cross	PERSI
Greg Koehler	DBF	Rose Marie Sawicki	PERSI
Robin Nettinga	IEA	Diane Kaiser	PERSI
Mark Olleman	Milliman	Mike Mitchell	PERSI
Jeff Bradley	Milliman	Wayne Ellis	PERSI
Bill Palumbo	MPIA	Kimberlee Hall	PERSI

After the Call to Order, there was a discussion regarding amending the agenda to remove the Public Defender Petition decision point. Removing the item was at the request of the party who asked for the discussion and who apparently had determined the issue needs further study. Trustee Deal made the motion to amend the agenda. Trustee Cilek seconded the motion, which passed unanimously.

MINUTES

Approval of the Minutes: Trustee Fisher made a motion to approve the minutes of the November 27, 2013 and December 3, 2013 meeting as written. Trustee Cilek seconded the motion, which passed unanimously.

## PORTFOLIO

Monthly Investment Report: In a historically anomalous move, the US equity market started out the new calendar year with losses despite generally favorable economic news (except for a disappointing jobs report). Concerns about overvaluation drove the decline. For the month to date US equity markets dropped -0.2% while international developed equity markets are marginally positive (+0.2%). Emerging markets continue to have tough times, and are down -3.0%. Fixed income markets halted their recent slide and are up 0.9% for the month, with TIPS performing even better at +1.3%.

As a result, the fund as a whole is up 0.1% for the month and is up 9.8% for the new fiscal year to date at \$13.908 billion, just below all-time return high and all-time asset highs earlier in the month. Since the lows reached on March 9, 2009, PERSI has advanced 99% (actually 99.87%) as of the date of this report.

The month also saw the continuation of a year-long pattern -- that of a schizophrenic capital market. Investment in anything other than US equities (+33% last calendar year) and, to a lesser extent, international developed market equities (+23%) was and continues to be "dead money". Emerging Markets lost -2.3% last year, bonds dropped -2.0%, TIPS lost -8%, and REITS were flat at +1.3%. As a comment in a Wall Street Journal article observed, the more colors one had in an asset allocation pie chart, the worse one did over the past year. That trend appears to be set to continue for the time being, particularly with regard to the emerging markets.

Zesiger continues to have the second worst absolute and worst relative equity performance to benchmarks for the fiscal year to date, primarily due to their historic emerging markets exposure. Bernstein Global, Peregrine, and Mountain Pacific have the best absolute returns, while Bernstein Global, Adalente, and Longview have the best relative returns to benchmark.

Increasingly and for the past few months, capital market commentary is coming to the consensus that the US market, at least, is "fully valued", and predictions for at least a pause in the recent advance are now commonplace. Recent market activity supports that view. But, it continues to be a very nice run and fiscal year targets in return [above the 7.5% gross (7.0% net) discount rate] and funding level (above 90%) have been reached. The hope continues that any slippage will be temporary.

Mr. Maynard also presented the economists market expectations for 2014.

Private Equity Update: Paul Yett from Hamilton Lane presented the 2<sup>nd</sup> quarter 2013 private equity update. Performance remained strong between the 1<sup>st</sup> and 2<sup>nd</sup> quarters. The private equity portfolio has outperformed the public benchmark over the 10-year and since inception time periods.

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

## DIRECTOR UPDATES

Letter to Secretary of State: Director Don Drum presented a drafted letter to the Secretary of State regarding the transfer of the Judges' Retirement Fund (JRF) to PERSI. Trustee Deal made a motion to authorize the letter be signed by the Chair and sent to the Secretary of State. Trustee Cilek seconded the motion which passed unanimously.

Executive Director's Update: Director Don Drum provided an update on the IRIS project and the current partnership with Tegrit. Director Drum acknowledged Wayne Ellis and the staff for their time and efforts on the IRIS project.

Director Drum discussed his meeting with the Change in Employee Compensation (CEC) Committee and advised the Board the primary question was whether PERSI can continue to sustain the fund based on assumptions and the amortization period while distributing COLAs.

Director Drum also met with the Joint Finance-Appropriates Committee (JFAC) whose primary focus was on the increasing number of retirees year to year and employee contributions. Director Drum advised the Board that from the Committee meetings he has attended, PERSI does not appear to be an issue for the Legislators.

Victoria Mecham Appeal: This is an appeal of a final decision made by the Board on September 17, 2013 to deny Ms. Mecham from applying for disability retirement benefits. Trustee Cilek made a motion to authorize the Executive Director to appoint a hearing officer to hold a contested case hearing and issue a recommended decision to the Board. Trustee Fisher seconded the motion which passed unanimously.

Deputy Director Update: Deputy Director Lisa Steele reviewed the status of the IRIS project, commenting the last group of PETRA employers will begin reporting on March 10, 2014. The Deputy Director acknowledged the efforts of Wayne Ellis and the staff involved in the IRIS project. The training department has been conducting 6 month follow-up visits to 60 employers in the Boise area to identify training needs and how to better reach and educate PERSI members and employers. The Deputy Director updated the Board on the new Pocatello office, advising the anticipated move in date is scheduled for February 15, 2014. A brief update was provided on the three RFPs currently in progress for Disability, Choice Plan, and Imaging. Chairman Olson commented he thought the Disability RFP was complete, to which Deputy Director Steele advised the RFP was cancelled due to certain circumstances and they are currently in the process of reestablishing a new RFP with State Purchasing.

#### FISCAL

Fiscal Update: Chief Financial Officer Jim Monroe reviewed his Fiscal Update memo dated January 15, 2014 and reviewed and commented on the December expense reports for administration and portfolio and the quarterly travel and training report.

Audit Service Renewal: Chief Financial Officer Jim Monroe recommended the Board retain Eide Bailly under the existing contract to perform audit service for FY2014. Trustee Fisher made the motion to approve the staff recommendation and retain Eide Bailly under the existing contract. Trustee Cilek seconded the motion which passed unanimously.

#### EXECUTIVE SESSION

Citing Idaho Code 67-2345(1)(f) Trustee Sullivan 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.

The Board met in executive session to get an update related to a matter in litigation related to the commercial loan program. No action was needed or taken.

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