



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., March 18, 2014. The following members were present:

Jody Olson

Kirk Sullivan

Bill Deal joined part of the meeting via telephone

Trustee's Joy Fisher and 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 Guilfooy and Management Assistant Cheri Campbell were also in attendance. Other persons attending portions of the meeting were:

Michael O'Leary	Callan	Connie Bunch	REAI
Tom Kealey	EFIB	James Coleman	REAI
Doug Bates	Clearwater	Larry Johnson	EFIB
Philip Bartlett	Clearwater	Mike McMillen	McMillen & Co
Brandon Fitzpatrick	DBF	Susan Marshall	Barrings
Drew Black	DBF	Rose Marie Sawicki	PERSI
Dennis Fltzpatrick	DBF	Mike Mitchell	PERSI
Humberto Arechiga	DBF	Wayne Ellis	PERSI
Jay Doherty	State Street	Kelly Cross	PERSI
Robert Schmidt	Milliman	Mike Young	PERSI
Scott Gregory	Milliman	Cecile McMonigle	PERSI
Mary Lou Taylor	REAI		
James Coleman	REAI		
Bruce Reeder	MPIA		
Rod MacKinnon	MPIA		
Bill Palumbo	MPIA		

There being no quorum at the beginning of the meeting, all decision/action items were postponed until later in the meeting when Bill Deal joined via telephone. Trustee Deal joined via telephone after the fiscal update.

PORTFOLIO

Monthly Investment Report: Poor data out of China (particularly trade data), ambiguous US economic data with a general perception of a slightly overvalued equity market, and a political crisis in the Ukraine all combined to generate mixed worldwide capital markets so far this month.

US equities are down -0.8% for the month, international developed markets are off -3.4%, emerging markets are off -2.9%, REITs are down -0.3% and fixed income is flat.

As a result, the fund as a whole is down -1.0% for the month and is now up +10.1% for the fiscal year to date at \$14.896 billion (after hitting all time return and asset value highs on March 6th at \$14.093 billion).

For the fiscal year to date, the markets continue their schizophrenic behavior, with US and international developed market equities up substantially (around 16%-18%%) with all other public and private markets noticeably lagging (Bonds +2.5%, Emerging Markets +1.2%, TIPS +1.3%, REITs +4.5%, private real estate +2.5%, private equity +8.4%). As with last fiscal and calendar years, diversification away from the large developed 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 2.6%, due entirely to market actions in the diversification to private equity, private real estate, REITS, emerging markets, and TIPS.

Mountain Pacific (+22.8%) and Bernstein Global (+21.8%) have the best absolute returns and Bernstein Global as the best relative returns to benchmark (+5.6% over benchmark) so far this fiscal year, while the Emerging Markets Index Fund (+1.1%) has the worst account (equity or fixed) performance for the fiscal year and Zesiger Global the greatest underperformance against benchmarks. Western continues its fixed income outperformance with returns of 4.3%, outperforming its benchmark by 1.8%.

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: Director Drum has been meeting with employers to discuss the GASB changes. He will continue to hold these group meetings around the state to reach as many employers as possible. There will be a video of the presentation placed on the PERSI website once it is ready. A preliminary copy of Actuarial Review done by GRS was provided to the trustees. The final report will be presented at the April Board meeting.

Jeff Bradley with Milliman gave a short presentation on the funding status of the Judges Retirement Fund and Director Drum updated the Trustees on the progress for the transition and potential issues the Board may have to address after July.

Deputy Director Update: Deputy Director Lisa Steele reviewed the status of the IRIS project. The project remains on-time and on-budget. A brief update was provided on the three RFPs currently in progress for Disability, Choice Plan, and Imaging. She also provided update on new and revised training materials that have been developed for both members and employers in various formats. The PERSI Active Member newsletter will be changing to an electronic/email format in April 2014. This is anticipated to save PERSI approximately \$182,000 per year.

FISCAL

Fiscal Update: Chief Financial Officer Jim Monroe reviewed his Fiscal Update memo dated March 12, 2014 and reviewed and commented on the February expense reports for administration and portfolio and gave an update on the status of the PERSI budget request.

FUTURE BOARD MEETINGS: This year the Investment Manager Conference will take the place of the regular June Board meeting. For this reason it was decided to add a May meeting to the schedule. The meeting will be on May 20, 2014 at 8:30 in the PERSI offices. The June 17, 2014 meeting will be canceled.

ACTION ITEMS

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

New Employer: Minidoka Soil and Water Conservation District has requested admittance to PERSI effective April 1, 2014. Trustee Deal made a motion to accept the new employer effective April 1, 2014. Trustee Sullivan 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 Deal and approved unanimously via roll call vote.

Upon reconvening into general session, Trustee Sullivan made a motion to approve the staff recommendation in the matter of PERSI bringing suit against BP related to the Deep Water Horizon spill. Trustee Deal seconded the motion which passed unanimously. This action authorizes Labaton Sucharow to file on PERSI's behalf in the BP litigation; and authorize the Executive Director to: upon final review/acceptance by legal, sign the retention agreement on behalf of the Board; request the Office of the Attorney General issue a special DAG appointment to Labaton Sucharow; and take other steps that are reasonably related and required to move forward in the litigation.

Trustee Deal made a motion to accept the staff recommendation in the matter of a class action suit against the State Insurance Fund involving premium payment dividends. Trustee Sullivan seconded the motion which passed unanimously. This action authorizes the Executive Director to take steps recommended by the AG's office to be excluded from the class certification in Dairy Queen v. SIF and have the AG's office seek a resolution outside the class action.

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