



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., August 18, 2015. The following members were present:

- Jody Olson
- Kirk Sullivan
- Jeff Cilek
- Celia Gould

Trustee Fisher was absent and excused. Director Don Drum, Chief Investment Officer Bob Maynard, Investment Officer Richelle Sugiyama, Financial Officer James Monroe, Deputy Attorney General Joanna Guilfooy and Management Assistant Jess Simonds were also in attendance. Other persons attending all or portions of the meeting were:

Connie Bunch	Retired Educators	Mary Lou Taylor	REA - IEA
Karl Malott	Idaho Fire Chiefs	Judy Shock	EFIB
Brandon Fitzpatrick	DBFitzpatrick	Laurel Fritz	EFIB
Prabhav Banskota	DBFitzpatrick	Kelly Cross	PERSI
Dennis Fitzpatrick	DBFitzpatrick	Pat Gittings	PERSI
Greg Allen	Callan	Mika Milette	PERSI
Jeff Bradley	Milliman	Mike Mitchell	PERSI
Brad Berls	Eide Bailly	Rose Marie Sawicki	PERSI
Doug Bates	Clearwater	Deanna Ross	PERSI
Chris Brechbuhler	Clearwater	Mike Young	PERSI
Bruce Reeder	MPIA	Larry Sweat	PERSI
Bill Palumbo	MPIA	Diane Kaiser	PERSI
Rod MacKinnon	MPIA	Lisa Conn	PERSI
Rita Foltman	SCO		

Amended Agenda: Chairman Olson stated that the CEM Benchmarking presentation was inadvertently left off the agenda and said that the Board would need a motion to adopt the amended agenda to include CEM Benchmarking. Chairman Olson also indicated that the Request for Final Decision on Benjamin Simpson would be moved to be discussed after the Executive Session. Trustee Cilek made a motion to amend the agenda to add CEM Benchmarking and move the Request for Final Decision on Benjamin Simpson. Trustee Sullivan seconded the motion, which passed unanimously.

Approval of the Minutes: Trustee Sullivan made a motion to accept the minutes from the July 21, 2015 meeting. Trustee Cilek seconded the motion, which passed unanimously.

PORTFOLIO

Callan Year End Update: Greg Allen of Callan presented the Fiscal Year End Performance Evaluation for the PERSI fund. The summary included a market review, performance overview, a look at individual asset class performance, and also included a review of DC (Choice Plan) and Sick Leave fund performance. Specifically for the DB Total Fund (Base Plan), the return for FY 15 was +3.03% -- outperforming the Policy Target by 58 bps. Over the recent ten-year period, the Total Fund returned +6.99%, trailing the Policy Target return of +7.18% and slightly underperforming the Long-Term Target of +7.00%, with managers within each asset class having exceeded their benchmarks, with the only exception being the Private Real Estate portfolio. The PERSI Total Fund ranks in the top quartile of public funds over the ten-year time horizon.

Monthly Investment Report: The new fiscal year continues to disappoint, led by continued worries about China's economy and capital markets. As Greece fades into the background, the Chinese economy continues to stumble, the stock market has not recovered from its recent collapse, and the yuan recently had its first devaluation in quite some time. Emerging markets continue to decline in conjunction with Chinese and commodity worries. Elsewhere, the developed world economies appeared to be bumping along, with Europe coming off of a bottom, Japan taking a slight step backwards, and the US continuing its slow growth, with a September Fed rate increase increasingly seen as likely.

As a result, in August the U.S. equity market is down -1.0%, but is up 0.7% for the fiscal year to date, the developed world EAFE index is also off -0.7% for the month but up 1.4% for the fiscal year to date, and the US bond market is up 0.2% for the month and 0.9% for the fiscal year. TIPS are flat for the month and are up 0.2% for the fiscal year. REITs continue their great start and are up 0.5% for the month and 6.5% for the fiscal year to date, while emerging markets are at the other extreme with losses of -2.5% for the month and -9.2% for the fiscal year.

Overall the fund as is down -0.4% for the month but is up +0.2% for the new fiscal year to date, and has dropped back slightly to \$14.933 billion. With the continuing losses in the emerging markets and the lagging valuations of private assets, the fund continues to trail the reference (and US dominated) 55% US equity, 15% EAFE, and 30% US Bond benchmark by -0.7%. Bernstein Emerging markets has the worst performance at -11.5%, which also lags its benchmark by -2.2%. The Adelante REIT account has the best absolute performance at +6.9%, while Mountain Pacific has the best performance against their benchmark, with a return of 2.2% which is +3.2% above their benchmark.

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 GASB meetings with small employers, his participation in the National Association of Retirement Administrators annual meeting, and on his efforts to communicate, through mail and by personal meetings, with Idaho Legislators (plan sponsors).

New Employer: Gooding County: Director Drum presented the staff recommendation that the Board approve the admittance of Gooding County with an entry date of October 1, 2015. Trustee Cilek made a motion to accept the staff recommendation. Trustee Gould seconded the motion, which passed unanimously.

Signature Authorization: The Board was given the *Acknowledgment of Specimen Signatures of Retirement Board Members and Individuals Designated by the Retirement Board as Authorized*

Signers, which is needed for administrative purposes. Trustee Cilek made a motion to reaffirm the agreement with the individuals designated as authorized signers and to obtain current signatures. Trustee Sullivan seconded the motion, which passed unanimously.

CEM Benchmarking: Jan Hartford of CEM Benchmarking provided a summary of their FY2014 study on PERSI as it relates to pension administration benchmarking using peer comparative analysis methods. Some statistical highlights mentioned in the report include:

- PERSI's total pension administration cost of \$56 per active member and annuitant was \$56 below the peer average of \$112.
- PERSI's total service score, which measures communication channels, turnaround times, availability, choice, content, and outcome quality, was 79 out of 100, compared to the peer median of 78.
- PERSI has a 30 second average total phone call wait time average (including negotiating auto attendants) compared to a peer average of 79 seconds.

FISCAL

FY 2017 Budget Proposal: Financial Officer Jim Monroe presented the proposed request (staff recommendation) for the FY 2017 administrative and portfolio budgets. The differences compared to FY 2016 are larger increases (by \$ amount) to replacement items and one new item -- an administrative assistant position to assist program and management staff. Additionally, FY 2017 has a 27th payroll. Trustee Cilek made a motion to accept the staff recommendation which would allow for minor changes as final calculations are completed before submission on September 1. Trustee Sullivan seconded the motion, which passed unanimously.

Fiscal Year 2015 Financial Statements: The Board reviewed the year-end unaudited financial statements.

Fiscal Update/ Expense Reports: The Board reviewed the year-to-date expense reports which covered the first month of FY 16.

EXECUTIVE SESSION

Upon conclusion of the regular meeting at 10:50am, Chairman Olson stated the Board would move to Executive Session. Citing Idaho Code 74-206(1)(b) & (f), Trustee Cilek made a motion to go into executive session. The motion was seconded by Trustee Gould and approved unanimously via roll call vote. In Executive Session, the Board discussed a personnel matter and litigation. There was no action taken during the Executive Session. The Board returned to regular session at 11:15am.

DIRECTOR UPDATES (continued)

Request for Final Decision – Benjamin Simpson: The Board reviewed the staff recommendation to affirm (in a final decision) the staff decision and decision of the Deputy Director regarding Judge Simpson's eligibility to receive PERSI retirement and advise Judge Simpson that PERSI will not make him a retroactive payment back to January 1, 2010. Chairman Olson commented that the case was similar with similar relevant facts to other requests. Trustee Cilek made a motion to accept the staff recommendation. Trustee Sullivan seconded the motion, which passed unanimously.

Adjournment: There being no further business to come before the Board, meeting adjourned at 11:17 a.m.

Donald D. Drum
Executive Director

Jody Olson
Chairman