



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 24, 2015. The following members were present:

- Jeff Cilek (Acting Chairman)
- Kirk Sullivan
- Joy Fisher

Chairman Olson was 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 Guilfooy and Management Assistant Jess Simonds were also in attendance. Other persons attending all or portions of the meeting were:

Bruce Reeder	MPIA	Kaci Guthrie	Xerox
Bill Palumbo	MPIA	James Coleman	REAL
Rod MacKinnon	MPIA	Kole Crofts	Boise Police
Jeff Bradley	Milliman	Karl Malott	Idaho Fire Chiefs
Mark Olleman	Milliman	Pat Gittings	PERSI
Robert Schmidt	Milliman	Kelly Cross	PERSI
Prabhab Banskota	DBF	Rose Marie Sawicki	PERSI
Branden Fitzpatrick	DBF	Mike Young	PERSI
Dennis Fitzpatrick	DBF	Diane Kaiser	PERSI
Chris Halverson	EFIB	Melody Hodges	PERSI
Laurel Fritz	EFIB	Cecile McMonigle	PERSI
Chris Brechbuhler	Clearwater	Mike Mitchell	PERSI
Dave Bolen	Clearwater	Dusty Schild	PERSI

Approval of the Minutes: Trustee Fisher made a motion to approve the minutes of the January 20, 2015 meeting and the January 29, 2015 special meeting. Trustee Sullivan seconded the motion, which passed unanimously.

PORTFOLIO

Callan Quarterly Update: Ann Posey of Callan presented a capital market review and a summary of the PERSI fund performance for the 4th Quarter 2014 and calendar year 2014 as a whole. Ms. Posey commented that the US stock markets rebounded from the third quarter sell off and ended the year on a positive note. Non US equity markets continue to lag US equities and lost 3.8% for the quarter. Long term government bonds provided positive returns of 5.6% while the broader bond market as measured by the Barclays. Aggregate provided +1.8% return for the quarter. PERSI's total fund return for the quarter was 1.68% and 7.43% for the calendar year 2014 outperforming

the policy target return of 1.47% and 7.04% respectively. The primary source of this out performance was the overweight to US equity managers and underweight to Bond managers. The total fund ranked in the 56th percentile (just below median) for the quarter and 15th percentile (top quartile) for the year relative to Callan's total public fund database.

Over the five-year period the fund ranked in the 73rd percentile in Callan's total public fund database and trailed the policy target return by 73 basis points annualized (8.65% versus 9.38% for the fund and target respectively). The underperformance relative to the policy target is largely due to the private real estate portfolio. Over the last 10 years the fund ranked in the 33rd percentile of its public fund peers. The underperformance relative to the policy target (6.84% versus 7.32%) can be attributed to the real estate portfolio. On a positive note, the public market managers in aggregate provided valued-added results over their respective benchmarks. The Total Fund essentially matched the Long Term Target return of 6.87% over 10 years.

Ms. Posey also presented a report done by Callan on DC plans (public and private sector employers). She stated that about three-quarters of the DC plan sponsors surveyed also offer a DB plan- although half of those are frozen. Ms. Posey commented that the top three areas of focus for the plan sponsors were participant communication, fund/manager due diligence, and compliance, while the top three measures of success was participant rate, contribution rate, and retirement income adequacy.

Trustee Fisher asked how the draft proposal of PERSI's new Choice Plan fee structure would align with other public funds. Ms. Posey responded that PERSI was an outlier, but is now moving in line with most other funds.

Monthly Investment Report: With the U.S. economy still showing continued signs of improving strength, but with the rest of the world at best bumping along a bottom, capital markets are generally moving sideways and slightly positive. Capital markets are fully valued and, recently, are primarily concerned with the fallout of a possible "Grexit", with the consequences of potential failed negotiations remaining murky. The Fed remains on "hold" with the end of quantitative easing while central banks in other regions are attempting to stimulate their moribund economies.

So far in February the U.S. equity market is up a robust +5.3% after a depressing January, to bring the fiscal year to date return to +7.7%. MSCI EAFE has gained 3.2% for the month to date to reduce their losses to down -5.7% for the fiscal year, while bonds are down -1.2% for the month and +2.8% for the fiscal year. Emerging markets are up +2.7% for the month and are down -4.6% for the fiscal year, while REITs have halted their remarkable rise of the last year, and are down -1.6% for the month but remain up +17.2% for the fiscal year to date. TIPS are having a subpar fiscal year, and are down -1.3% for the fiscal year to date

As a result, the fund as a whole is up +2.3% so far in February, increasing the fiscal year to date return to +3.1% and rising above \$15 billion for the first time at \$15.073 billion. This is both a return and an asset level high for the fund.

With the earlier collapse of Europe and the emerging markets, along with TIPS underperformance, the fund is trailing the reference (and US dominated) 55-15-30 benchmark by -1.2%. Private real estate (+15.2%) is a major contributor for the fiscal year to date – a welcome change from recent years. The Adelante REIT account has the best returns (+18.5%), while the Genesis EM account (-10.5%) has the worst. Longview has the best performance relative to their benchmark (+6.7% over their index), while Donald Smith lags the most (-8.0% to 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 Legislative meetings and hearings. He noted that the presentation to JFAC went well and that the rule changes have been going as anticipated in the germane committees.

Deputy Director Update: Deputy Director Lisa Steele updated the Board on the IRIS Project and the Choice Plan vendor transition. Trustee Sullivan asked what problems employers are facing in the Go-Live part of the IRIS project. Deputy Director Steele commented that all employers are now using full reporting which means that they are reporting all employees instead of just their declaration of 'PERSI eligible', which is a change from the past and therefore is taking some adjustment and training. Director Drum added that the IEN broadband issue may cause issues for employers regarding internet connectivity.

FISCAL

Proposed Choice Plan Fee Structure: Acting Chairman Cilek commented that the proposal would be carried over to a later date.

Fiscal Update/ Quarterly Financial Statements: Financial Officer Jim Monroe presented PERSI's FY 2015 expense reports to-date, the quarterly financial statements, a budget request update, and a GASB 68 employer allocation update.

Executive Session

Citing Idaho Code 67-2345(1)(b), Trustee Fisher made a motion to go into executive session. The motion was seconded by Trustee Sullivan and approved unanimously via roll call vote. Upon conclusion of the Executive Session, Acting Chairman Cilek brought the meeting back to regular session. No decisions were made during the Executive 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