



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 20, 2015. The following members were present:

- Jody Olson
- Kirk Sullivan
- Jeff Cilek
- Joy Fisher

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 Jess Simonds were also in attendance. Other persons attending all or portions of the meeting were:

Bruce Reeder	MPIA	Connie Bunch	REA
Bill Palumbo	MPIA	Jim Coleman	REAI
Mark Olleman	Milliman	Rita Foltman	SCO
Jeff Bradley	Milliman	Rose Marie Sawicki	PERSI
Laurel Fritz	EFIB	Pat Gittings	PERSI
Brad Berls	Eide Bailly	Kelly Cross	PERSI
Branden Fitzpatrick	DBF	Mike Young	PERSI
Casey Macomb	DBF	Diane Kaiser	PERSI
Dennis Fitzpatrick	DBF	Melody Hodges	PERSI
Kaci Guthrie	Xerox	Cecile McMonigle	PERSI
John McClure	ProfitScore	Melody Hodges	PERSI
Mike Bolen	Clearwater	Larry Sweat	PERSI
Chris Brechbuhler	Clearwater	Dusty Schild	PERSI

Approval of the Minutes: Trustee Fisher made a motion to approve the minutes of the December 2, 2014 meeting. Trustee Cilek seconded the motion, which passed unanimously.

PORTFOLIO

Monthly Investment Report: January has started out with the type of capital markets introduced at the end of the last year: nervous. Collapsing oil prices, European financial issues (and yet another “Grexit” possibility), Asian uncertainties, and fully valued markets all resulted in sideways market actions and marginal overall gains and losses. The underlying themes remained the same – a relatively strong and steadily recovering U.S. economy, with a noticeably improving labor market and a relatively healthy consumer buoyed by good holiday spending, coupled with a depressing picture in almost all of the rest of the world economies (Japan, China, emerging

markets and, particularly, Europe). The Fed has gone on “hold” with the end of quantitative easing while central banks in other regions are either implementing or signaling greater easing moves.

So far this calendar year, the U.S. equity markets are off -1.4% to bring the fiscal year to date return to +3.7%. MSCI EAFE lost another -2.3% for the month to extend their losses to down -11.2% for the fiscal year, while bonds are up 1.1% for the month to date and up +3.1% for the fiscal year. Emerging markets are down -0.1% for the month and are down -7.7% for the fiscal year, while REITs continue their remarkable rise of the last few months, and are up +18.4% for the fiscal year to date. TIPS are having a poor fiscal year, having dropped -1.1%.

As a result, the fund as a whole is down -0.3% for the month to date, reducing the fiscal year to date return to 0.2% at \$14.674 billion.

With the 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 -1.0%. Private real estate (+7.0%) is a relative contributor for the fiscal year to date – a welcome change from recent years. The Adelante REIT account has the best returns (+18.6%), while the Genesis EM account (-13.8%) has the worst. Longview has the best performance relative to their benchmark (+6.2% over their index), while Zesiger lags the most (-6.8% behind the World Index returns).

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 stated that on January 8th he and Chairman Olson attended the CEC Committee and were asked questions about the COLA and contribution rate decisions. He has heard there is interest from at least one legislator to propose having new employees convert to a Defined Contribution (DC) plan, that there may be interest in having elected officials participate in a DC plan, that there may be interest in addressing lobbyist participation in PERSI, and lastly, interest in removing legislators’ exemption from split calculation. Director Drum also stated he would be busy presenting rule changes in the coming month, and would keep the Board apprised on the progress.

Petition for Contested Hearing- Robert Elgee: On December 8, PERSI received a Petition from Judge Robert J. Elgee requesting a contested case hearing upon the Board’s Final Decision of October 24, 2014- which was to affirm the Executive Director’s decision that Judge Elgee is not eligible to retire (or retroactively retire) while he is employed by the state of Idaho.

Director Drum presented the staff recommendation which was to authorize the appointment of a hearing officer to hold a contested case hearing and issue a recommended decision to the Board. Trustee Cilek made a motion to approve the staff recommendation. Trustee Fisher seconded the motion, which passed unanimously.

PERSI Building Assessment: Financial Officer Jim Monroe gave the Board a summary of the staff’s review of future office space needs and regarding the potential use of the vacant building at 820 W. Washington. He stated that PERSI does not plan to renew the agreement with the current 4th floor tenants as there is a great need for more office and meeting space. He also asked the Board for direction on the idea of replacing the vacant 820 W. Washington building with a new modern office building. Chairman Olson commented that this type of item is not normally an action item requiring a vote, but that he was happy with the direction the staff was moving.

Callan Contract Amendment Renewal: Financial Officer Jim Monroe presented a draft of the Fourth Amendment to the Investment Consultant Agreement with Callan. The primary change involved fee amounts. Trustee Fisher made a motion to approve the language of the contract amendment and authorize execution of the agreement. Trustee Cilek seconded the motion, which passed unanimously.

Deputy Director Update: PERSI Deputy Director Lisa Steele updated the Board on the IRIS Project including the January 13th hearing before the State of Board of Examiners, the Choice Plan vendor transition, the Disability vendor transition, and regarding the revamping of the Training/Education department.

FISCAL

Choice Plan Change – Enhancement: Choice 401(k) Plan Manager Diane Kaiser presented the staff recommendation to adopt a slight change to the PERSI 401(k) Plan Section 5.3(g) to say: “(g) Any other optional form of benefit offered by the Plans service provider as of the date ~~on which the distribution commences~~ the participant makes or changes his or her election pursuant to Section 5.2(d).” Trustee Fisher made a motion to approve the staff recommended change. Trustee Cilek seconded the motion, which passed unanimously.

Proposed Choice Plan Fee Structure: Financial Officer Jim Monroe presented a proposal of a new record keeping and administrative fee structure for the Choice 401(k) plan which is one of the key components of completing the contractual agreement with Empower Retirement (the new 401(k) plan vendor). The handout provided to the Board for review included a proposed fee structure and a document authorizing the Executive Director to sign the service contract with Empower Retirement. Chairman Olson concluded that the Board needed further time to review the proposal and that the recommendation would be considered at the next meeting.

Fiscal Update: Financial Officer Jim Monroe presented PERSI’s FY 2015 expense reports to date, the quarterly travel and training report, and also reviewed the FY 2016 budget request.

Audit Services Renewal: Financial Officer Jim Monroe presented the staff recommendation that PERSI retain Eide Bailly under the existing contract to perform audit service for the fiscal year 2015 for a contract price of \$80,900, a 3% increase. Trustee Fisher made a motion to approve the staff recommendation. Trustee Sullivan seconded the motion, which passed unanimously.

Executive Session

Citing Idaho Code 67-2345(1a), (1b) and (1f), Trustee Sullivan made a motion to go into executive session. The motion was seconded by Trustee Cilek and approved unanimously via roll call vote. Upon conclusion of the Executive Session, Chairman Olson brought the meeting back to regular session. Trustee Cilek made a motion to proceed with a plan for PERSI to pursue lead plaintiff status in the Petrobras litigation provided the Attorney General’s Office and the Governor’s Office approved of the decision. Trustee Fisher seconded the motion, which passed unanimously.

Adjournment: There being no further business to come before the Board, meeting adjourned at 10:50 a.m.

Donald D. Drum
Executive Director

Jody Olson
Chairman