



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., July 21, 2015. The following members were present:

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

Trustee Gould 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	Anne Cappel	Empower
Kole Crofts	Boise Police Dept	Lisa Tilley	Empower
Brandon Fitzpatrick	DBFitzpatrick	Laurel Fritz	EFIB
Humberto Arechega	DBFitzpatrick	Larry Johnson	EFIB
Dennis Fitzpatrick	DBFitzpatrick	Robin Nettinga	IEA
Mario Giannini	Hamilton Lane	Rita Foltman	SCO
Liz Smith	Alliance Bernstein	Mary Lou Taylor	REA - IEA
Henry D' Aceria	Alliance Bernstein	Rose Marie Sawicki	PERSI
Dave Boren	Clearwater	Cecile McMonigle	PERSI
Chris Brechbuhler	Clearwater	Kelly Cross	PERSI
Tony Wilkins	BNY Mellon	Larry Sweat	PERSI
Bill Palumbo	MPIA	Diane Kaiser	PERSI
Rod MacKinnon	MPIA	Lisa Conn	PERSI
Bruce Reeder	MPIA	Mike Young	PERSI
Jeff Bradley	Milliman	Pat Gittings	PERSI
Jim Van Heuit	Callan	Jack Borton	PERSI
Ann Posey	Callan	Melody Hodges	PERSI
Greg Allen	Callan		

Approval of the Minutes: Trustee Cilek made a motion to accept the minutes from the June 16, 2015 meeting. Trustee Fisher seconded the motion, which passed unanimously.

PORTFOLIO

Monthly Investment Report: June continued the slow deterioration of the capital markets that began in May as the prospect of generally increasing interest rates and moderately improving economic prospects in the developed markets were being absorbed into current expectations. Since late April, ten year yields rose over half a percent in the US and developed markets, with another noticeable jump beginning this month. Higher yields, in turn, impacted the relative values of the equity markets adversely. Overseas markets also dropped on continued “Grexit” worries, particularly with the Greek default at the very end of the month. Emerging markets, in particular, gave back all of their remarkable advance of April.

As a result, in June the U.S. equity market was down -1.7% to bring the fiscal year return to +7.3%. MSCI EAFE was down -2.8% for the month, lowering the fiscal year losses to -3.8%. Bonds were also down -1.1% but remained up +1.9% for the fiscal year. Emerging markets fell another -2.5% and ended down -4.8% for the fiscal year, while REITs were down -4.4% and thus remained up +5.2% for the fiscal year. TIPS lost another -1.0% and ended down -1.7% for the fiscal year.

Overall the fund as a whole was down -1.6% for the month, ended up +3.0% for the fiscal year, and dropped just below \$15 billion to \$14.915 billion.

With the earlier collapse of Europe, along with TIPS, private equity, and emerging market underperformance compared to the broader public market alternatives, the fund trailed the reference (and US dominated) 55% US equity, 15% EAFE, and 30% US Bond benchmark by -1.0%. Private real estate (+16.9%) was a major contributor for the fiscal year to date – a welcome change from recent years. The Peregrine US large cap growth account has the best public market returns (+16.5%), while the Genesis Emerging Market account (-11.6%) had the worst. Longview has the best performance relative to their benchmark (+12.2% returns which is +10.2% over their index), while Donald Smith lagged the most (-10.3% returns which was -16.8% to their benchmark index).

Private Equity Update – Hamilton Lane: Mario Giannini of Hamilton Lane presented a summary of PERSI’s private equity (PE) portfolio second half of 2014 performance and a general PE market update. Mr. Giannini stated that the PE portfolio continues to post positive performance with a point-to-point return of 1.12% for the second half of 2014 which brought the one year point-to-point return to 8.19%. He said 64% of active partnerships in the PE portfolio generated positive gains in 2014. Mr. Giannini stated that he believes that PE valuations are consistently undervalued, but also said that if the public markets have 9% returns this next year, then private equity will have a hard time keeping up.

Callan Asset Allocation & Liability Study: Ann Posey and Jim Van Heuit presented the results of the analysis undertaken by Callan to review current PERSI investment policies and compare expected outcomes to PERSI objectives. In summary, Callan’s study found that the strategic policy has an expected return consistent with the actuarially-assumed return, is expected to earn returns consistent with the amount of risk taken, and is well diversified without unnecessary complexity. Callan’s analysis showed that PERSI’s funded status is one of the few state systems at or above 90% funded.

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, legislative communication and visits, and PERSI’s estimated year end gross fiscal year return (3.02%).

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

New Employer: Twin Falls County: Director Drum presented the staff recommendation that the Board approve the admittance of Twin Falls County with an entry date of September 13, 2015. Trustee Sullivan made a motion to accept the staff recommendation. Trustee Cilek seconded the motion, which passed unanimously.

LEGAL

JRF Rules Amendments: Deputy Attorney General Joanna Guilfooy presented a summary of the the staff recommendation regarding JRF Rules Amendments. The staff recommendation was to 1. Submit the PARF to DFM, 2. Adopt and publish the rule amendments as temporary (effective July 21, 2015) and proposed; and 3. For the rules to be adopting as pending rules, conditioned on no comments being received by the comment deadline (and if comments are received, they be considered at subsequent Board meetings). The language of the proposed rule amendments were given to the Board members prior to the meeting and were posted publicly. Trustee Fisher made a motion to accept the staff recommendation. Trustee Cilek seconded the motion, which passed unanimously.

FISCAL

Empower Retirement – Q2 Summary: Anne Cappel and Lisa Tilley of Empower Retirement presented a summary of the 2nd Quarter Choice 401(k) Plan field activity and provided statistics from the conversion. Empower recorded a transfer of \$686.8 million in total assets on the 5/1/15 conversion (to Empower as the new Choice 401(k) plan vendor for PERSI). The total number of participants with a balance in their account was nearly 42,000 at conversion. During the presentation, Empower summarized plan enhancements and also enhancements that will come about with the IRIS implementation.

DC Plan Investment Policy: Choice Plan Manager Diane Kaiser presented the staff recommendation to adopt the revised Choice Plan Investment Policy which the Board had reviewed prior to the meeting. Trustee Sullivan made a motion to accept the staff recommendation. Trustee Fisher seconded the motion, which passed unanimously.

GASB Base Plan Allocation Report Revision: Financial Officer Jim presented the staff recommendation that the Board approve the corrected version of the Base Plan Allocation Report done by Eide Bailly. Jim stated that a re-approval was needed because it was discovered that there was an error that caused the allocation percentage to the 22 FRF employers to be mismatched. Chairman Olson asked staff what the process was for quality control on the report. Director Drum stated that Milliman does the allocation, PERSI reviews that allocation, then Eide Bailly audits the allocation, and PERSI reviews the Audit. Trustee Cilek made a motion to accept the staff recommendation. Trustee Fisher seconded the motion, which passed unanimously.

FY 2017 Preliminary Budget Proposal: Financial Officer Jim Monroe presented the preliminary budget request for FY 2017 which was at the same basic level as the FY 2016 year just begun. At the time, one new line item was being looked at which was to request an administrative assistant position to assist the administrative and legal departments.

Fiscal Update/ Expense Reports: Financial Officer Jim Monroe presented the FY 2015 expense reports, the out-of-state travel and training report, and updated the Board on the FY 2015 audit services.

EXECUTIVE SESSION

Upon conclusion of the regular meeting at 11:00am, Chairman Olson stated the Board would move to Executive Session. Citing Idaho Code 74-206(1)(b), Trustee Cilek 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.

Adjournment: There being no further business to come before the Board, meeting adjourned at 11:30 a.m.

Donald D. Drum
Executive Director

Jody Olson
Chairman