



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., June 16, 2015. The following members were present:

- Jody Olson
- Kirk Sullivan
- Celia Gould

Trustees Cilek & Fisher were 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:

Connie Bunch	Retired Educators	Judy Shock	EFIB
Prabhab Banskota	DBFitzpatrick	Laurel Fritz	EFIB
Casey Macomb	DBFitzpatrick	Rita Foltman	SCO
Dennis Fitzpatrick	DBFitzpatrick	Robin Nettinga	IEA
Greg Koehler	DBFitzpatrick	Bruce Singkhaophet	Empower
Mark Olleman	Milliman	Melody Hodges	PERSI
Jeff Bradley	Milliman	Rose Marie Sawicki	PERSI
Brad Berls	Eide Bailly	Cecile McMonigle	PERSI
Andre Cherington	TCW	Kelly Cross	PERSI
Tony Wilkins	BNY Mellon	Larry Sweat	PERSI
Mike Bolen	Clearwater	Diane Kaiser	PERSI
Chris Brechbuhler	Clearwater	Deanna Ross	PERSI
Bruce Reeder	MPIA	Mike Young	PERSI
Bill Palumbo	MPIA	Pat Gittings	PERSI
Rod MacKinnon	MPIA	Jack Borton	PERSI

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

PORTFOLIO

Callan – Intro to Asset/Liability Studies: Bob Maynard, on behalf of Ann Posey of Callan who had travel issues and was not able to be present, presented Callan’s “Asset Liability Study Overview”. The study reviewed the purpose and objective of PERSI’s investment policy, investment assumptions like capital market projections, benefit policy, contribution policy, and a sample analysis of returns and risks with certain asset mixes.

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

As a result, so far in June the U.S. equity market is down -1.1% to bring the fiscal year to date return to +8.0%. MSCI EAFE is down -1.8% for the month, lowering the fiscal year to date losses to -2.8%. Bonds are down -1.2% but remain up +1.7% for the fiscal year. Emerging markets have fallen another -2.6% and are now down -4.8% for the fiscal year, while REITs are down -2.6 and thus remain up +7.2% for the fiscal year to date. TIPS again are underperforming the general bond market with a loss of -1.6%, and are now down -2.4% for the fiscal year.

Overall the fund as a whole is down -1.3% for the month, is up +3.4% for the fiscal year to date, and fell barely below \$15 billion at \$14.999 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 is trailing the reference (and US dominated) 55% US equity, 15% EAFE, and 30% US Bond benchmark by -1.2%. Private real estate (+16.4%) is 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 (+15.8%), while the Genesis Emerging Market account (-11.2%) has the worst. Longview has the best performance relative to their benchmark (+12.8% returns which is +10.0% over their index), while Donald Smith lags the most (-7.0% returns which is -13.3% to their benchmark index).

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 related employer meetings and Twin Falls County’s entry into PERSI. With regard to the GASB employer meetings, he stated that the employer leadership (boards, commissions, councils, etc.) are dependent on their key staff (many have less than 5 employees) and their auditors to inform them and explain these changes and the financial impact to the employer. While the majority of the key staff and auditors understand the net pension liability (NPL) and are prepared to display their allocation in their financials, there are some issues with understanding the impact of GASB 68. Don will continue the meetings – statewide - through the summer and fall. Chairman Olson reiterated that PERSI will need to continue outreach and education to employers, especially small employers, regarding NPL.

With regard to Twin Falls County’s entry into PERSI, Director Drum stated that the Twin Falls County Commissioners voted to explore entry into PERSI. It was a 2 to 1 vote and other individuals in prominent positions in the county were not entirely sold on the idea. He said the Milliman study and data indicated there would be no entry fee requirement. The County has now scheduled an employee hearing on June 22nd. PERSI is anticipating they will have all their entry documents submitted for the July meeting.

New Employer: Southern Valley County Recreation District: Director Drum presented the staff recommendation that the Board approve the admittance of the Southern Valley County Recreation

District with an entry date of July 1, 2015. Trustee Sullivan made a motion to accept the staff recommendation. Trustee Gould seconded the motion, which passed unanimously.

Kootenai County Class 2 Reclassification Requests: Executive Director Don Drum reviewed the packet of material given to the Board regarding the Kootenai County Board of Commissioner's request for 14 positions to be reclassified by the Board to police officer. He presented the staff recommendation which was for the Board to maintain its previous and consistent position by denying the reclassification request and recommend to the Commission that it seek legislative change if it wishes the positions to have police officer member status. Trustee Sullivan made a motion to accept the staff recommendation. Trustee Gould seconded the motion, which passed unanimously.

820 Washington Building: Public Information Officer Kelly Cross gave a presentation on the current status and future of the vacant former PERSI headquarters building. He updated the Board on the staff recommendation to empty the building and prepare for demolition which would be overseen by AEW Capital Management (AEW). AEW would also investigate future-use options using local experts for legal, real estate, and construction advice. Trustee Sullivan commented that he was 100% behind the idea and getting AEW involved.

Deputy Director Update: Deputy Director Lisa Steele provided an update on the IRIS Project and the Choice Plan transition from Xerox to Empower Retirement.

FISCAL

Audit of GASB 68 Schedule of Allocations by Employer: Financial Officer Jim Monroe presented the staff recommendation to approve the GASB 68 Schedule of Allocations and Net Pension Amounts by Employer for both the PERSI Base Plan and FRF. Trustee Sullivan made a motion to accept the staff recommendation. Trustee Gould seconded the motion, which passed unanimously.

Fiscal Update/ Expense Reports/ Quarterly Financial Statements: Financial Officer Jim Monroe presented the FY 2015 expense reports, quarterly financial statements for the Base Plan, JRF, Choice, and Sick Leave Funds, and an update on the FY2015 audit services.

Adjournment: There being no further business to come before the Board, meeting adjourned at 10:30 a.m.

Donald D. Drum
Executive Director

Jody Olson
Chairman