



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., March 24, 2015. The following members were present:

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

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:

J Doherty	State Street	Floyd Greenwood	BFD Retired
Nick Bonn	State Street	Don Boyer	Firefighter- Retired
Nancy Rego	State Street	Kole Crofts	Boise Police
Rod MacKinnon	MPIA	Karl Malott	Idaho Fire Chiefs
Jeff Bradley	Milliman	Alan Herzfeld	IRFA
Robert Schmidt	Milliman	Roger Wassler	IRFA
Casey MaComb	DBF	Kelly Cross	PERSI
Branden Fitzpatrick	DBF	Rose Marie Sawicki	PERSI
Rhet Hulbert	Clearwater	Mike Young	PERSI
Doug Bates	Clearwater	Diane Kaiser	PERSI
Judy Shock	EFIB	Melody Hodges	PERSI
Larry Johnson	EFIB	Cecile McMonigle	PERSI
Khalif Edwards	Clarion Partners	Larry Sweat	PERSI
Kerrisha Jenkins	Clarion Partners	Deanna Ross	PERSI
Rita Foltman	SCO	Kathy Grover	PERSI
James Coleman	REAI	Pat Gittings	PERSI

Approval of the Minutes: Trustee Fisher made a motion to approve the minutes of the February 24, 2015 meeting, the February 26, 2015 special meeting, and the March 3, 2015 special meeting. Trustee Cilek seconded the motion, which passed unanimously.

PORTFOLIO

Monthly Investment Report: With increasingly disparate policies between the central banks of the world (US expected to tighten, the rest of the world loosening) the U.S. dollar soared in the past

weeks and has – with the collapse in oil prices – become a central feature of the current world economic and capital markets. The U.S. stock market was already considered fairly to slightly overvalued, and with an S&P 500 overweight to energy companies and one-third of its revenues (and half of its earnings) from overseas sources, the most recent developments have at least stalled the gradual U.S. equity market advance of this fiscal year. On the other hand, although recent economic data has disappointed in being less robust than expected, the US economy and labor market still appears to be steadily advancing. The rest of the world economies remain bumping along an apparent bottom with future progress murky and their capital market prospects moribund (particular in U.S. dollar terms).

So far in March the U.S. equity market is down -1.0%, to bring the fiscal year to date return to +7.2%. MSCI EAFE has lost -2.7% for the month to date (due entirely to currency losses), increasing the fiscal year to date losses to -5.9%. Bonds are down -0.3% for the month but remain up +2.8% for the fiscal year. Emerging markets are down another -4.1% this month and are down -8.1% for the fiscal year, while REITs have halted their remarkable rise of the last year, and are down -0.2% for the month but remain up +14.6% for the fiscal year to date. TIPS are having a miserable month and fiscal year, and are down -2.1 for the month and -2.4% for the fiscal year to date. As a result, the fund as a whole is down -1.3% so far this month, dropping the fiscal year to date return to +2.4% and retreating below \$15 billion to \$14.944 billion.

With the earlier collapse of Europe and the emerging markets, along with TIPS underperformance, the fund is trailing the reference (and US dominated) 55% US equity, 15% EAFE, and 30% US Bond benchmark by -1.6%. 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 (+17.9%), while the Genesis EM account (-14.2%) has the worst. Longview has the best performance relative to their benchmark (9.9% returns which is +8.8% over their index), while Donald Smith lags the most (-8.3% returns which is -13.4% 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

FRF COLA: Alan Herzfeld, Esq., representing the Idaho Retired Firefighters Association (IRFA) made a presentation regarding the Firemen's Retirement Fund (FRF) Cost of Living Allowance (COLA). Mr. Herzfeld suggested PERSI has erroneously included the wages of part-time employees of Idaho Fire Departments in the calculation of the yearly COLA which is taken from the "average paid firefighter's salary or wage" as set forth in Idaho Code § 72-1471. Mr. Herzfeld on the behalf of the IRFA requested the Board change the PERSI administrative procedure. Mr. Herzfeld referred specifically to reserve firefighters in the Lewiston Fire Department, suggesting their wages should be excluded from the calculation.

Trustee Sullivan asked Mr. Herzfeld if he was aware of any other cities that report employees like Lewiston to which Mr. Herzfeld said he was not aware of any other entities that report to PERSI like Lewiston. Chairman Olson asked Mr. Herzfeld how he would recommend the PERSI Board proceed, if the Board were to choose to act on the IRFA recommendation, to which Mr. Herzfeld requested that PERSI refrain from applying the PERSI definition of "employee" to "paid firefighters" for purposes of calculation of the FRF state average. In addition, Mr. Herzfeld requested a retroactive recalculation and repayment of the difference in COLA since 2009, and that PERSI provide a bright line between who is, and who is not reported as a "paid firefighter". Chairman Olson commented that from a fairness standpoint he was not inclined to say that retired firefighters are being mistreated and from a legal standpoint the Board was comfortable with PERSI's administrative procedure. The Board agreed not to take action at this point in time.

Executive Director Status Update: Executive Director Don Drum updated the Board on the Choice Plan fee communication plan which was intended to inform members of the fee changes to the Choice Plan which will start May 1, 2015. Mr. Drum outlined the progress of the communication plan, which included: a letter to 42,000 members with Choice Plan accounts, call center availability and readiness, reference material, 28 meetings statewide held by Mr. Drum, and 4 webinars for those who could not or did not want to attend the in-person meetings. Mr. Drum gave the Board some feedback from meeting participants and commented that the vast majority of members thanked him and Board for taking care of the Base Plan.

Trustee Cilek asked Director Drum to give the Board a feel for the attendees of the meetings that had taken place to date, to which Mr. Drum said the normal meeting attendance was comprised of approximately 75% retirees or long-term active employees, and the majority was on the lower-end of the account balance scale. Mr. Drum also said that many members told him they took the fee structure to their financial planners and many were told that the fees were reasonable and the returns were hard to match.

Deputy Director Update: In the absence of Deputy Director Lisa Steele, Public Information Officer Kelly Cross presented an update on the IRIS project, the Choice Plan transition to Empower as the recordkeeper, and on internal staffing.

FISCAL

Fiscal Update/ Expense Reports: Financial Officer Jim Monroe presented PERSI's FY 2015 expense reports to-date, an update on the FY 16 budget request, and a GASB 68 update. Mr. Monroe stated that PERSI removed the GASB 68 related NPL employer allocation document from the PERSI website after Eide Bailly received further guidance from GASB that there needed to be additional information posted (the allocation data was correct). PERSI is providing information to employers about the situation.

Adjournment: There being no further business to come before the Board, meeting adjourned at 9:50 a.m.

Donald D. Drum
Executive Director

Jody Olson
Chairman