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., October 20, 2015. The following members were present:

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

Director Don Drum, 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:

- Robin Nettinga IEA
- Rod MacKinnon MPIA
- Bruce Reeder MPIA
- Bill Palumbo MPIA
- Jim Coleman REIA
- Jeff Bradley Milliman
- Robert Schmidt Milliman
- Mark Olleman Milliman
- Chris Brechbuhler Clearwater
- Mike Boren Clearwater
- Casey Macomb DBFitzpatrick
- Brandon Fitzpatrick DBFitzpatrick
- Dennis Fitzpatrick DBFitzpatrick
- Lee Miller Bruce Singkhaophet Laurel Fritz Barry Wood Deanna Ross Kelly Cross Cecile McMonigle Diane Kaiser Mike Mitchell Mike Young Rose Marie Sawicki Mike Mitchell Carmen Brooks

Approval of the Minutes: Trustee Gould made a motion to accept the minutes from the September 15, 2015 meeting. Trustee Sullivan seconded the motion, which passed unanimously.

PORTFOLIO
Monthly Investment Report: The first week of October saw a substantial rebound in the capital markets as various sectors reacted to signs that the Federal Reserve may delay the first interest rate increase in years in light of softer domestic and worldwide economic conditions. The dollar weakened, financial conditions eased, bonds rallied, and stock markets worldwide (including the emerging markets) stabilized. The underlying dynamics, however, still remain the same: the developed world economies still appear to be bumping along, with Europe coming off of a bottom, Japan taking a slight step backwards, and the US continuing its slow growth; China’s economy still
struggles, with attendant weakness in commodities and emerging markets, and the dollar continues
to show overall strength. And, political chaos in the House has brought fears of potential government
shutdowns and debt default back into the US picture for the late fall and early winter. Thus the
rebound has not erased all of the losses of the fiscal year, and the markets (and the fund) continue to
repeat the experience of last year around this time.

Nonetheless, October has, so far, been enjoyable. The US equity market is up +5.1%, lowering the
fiscal year loss to -2.5%, developed markets (EAFE) are up +6.9%, lowering their loss for the fiscal
year to -4.0%, and emerging markets have risen +8.6% to somewhat soften their previous
catastrophic decline to “only” -10.8% for the fiscal year to date. REITs are still leading the pack with
gains of 4.8% for the month and +8.0% for the fiscal year to date. The Aggregate is up 0.1% for the
month and a +1.3% return for the fiscal year to date, while TIPS have gained 0.7% for the month but
are still down -0.5% for the fiscal year to date.

Overall the fund is up +3.6% for the month, reducing the fiscal year to date loss to -1.1%, at
$14.686 billion.

Even with the continuing losses in the emerging markets the fund is ahead of the reference (and US
dominated) 55% US equity, 15% EAFE, and 30% US Bond benchmark by +0.4%, due to
outperformance by private equity and real estate (both public and private). Bernstein Emerging
markets has the worst performance at -15.2%, which also lags its benchmark by -4.4%. Adelante
REITs has the best absolute performance at +8.0% so far this fiscal year, and Mountain Pacific has
the best public market performance relative to benchmark, with a gain of +1.2% being +6.3% above
their midcap benchmark.

**Investment Manager Comments:** The Investment Managers who were present shared their opinions
and predictions for the current market situation.

**DIRECTOR UPDATES**

**PERSI, FRF, and JRF Actuarial Valuation Adoption – Milliman:** Jeff Bradley and Robert Schmidt of
Milliman presented the final actuarial valuations for the PERSI Fund, the Firefighters’ Retirement
Fund (FRF), and the Judges Retirement Fund (JRF) as of July 1, 2015. Milliman reported the FY 15
year end funded ratio of the PERSI Fund to be 90.0% with an amortization period of 18.5 years. Milliman
reported the FY 15 year end funded ratio of the JRF to be 78.07% with an amortization
period of 29 years. Milliman reported the FY 15 year end funded ratio of the FRF to be 119.6%.
Trustee Cilek made a motion to accept the FY 15 valuations. Trustee Fisher seconded the motion,
which passed unanimously.

**Executive Director Status Update:** Director Don Drum updated the Board on employer (GASB
related) and Legislator meetings, on PERSI internal operations, and led a discussion on the Board’s
decision items related to contribution rates and cost of living adjustments (COLA).

**PERSI Fund Contribution Rate and COLA Discussion:** Director Drum stated that based on the 18.5
year amortization period of the PERSI Fund’s unfunded actuarial liability, no contribution rate
increase was necessary for the PERSI Fund. Director Drum stated that the mandatory COLA, which
is based on the Consumer Price Index (CPI-U), is 0.2%. The Board could also offer a retroactive
COLA up to 3.75%. Chairman Olson commented that the Board has in the past and continues to
make discretionary COLA decisions based on Trustee experience and analysis of market conditions,
among other factors. Director Drum stated that the Board has been successful maintaining a healthy
fund while keeping retirement payments equal with inflation - thus maintaining retiree purchasing
power. Trustee Sullivan made a motion for the Board to make no changes to the PERSI Fund
contribution rates and for the Board to award a 1% total COLA for eligible retirees (consisting of 0.2%
mandatory and 0.8% retroactive). Trustee Cilek seconded the motion, which passed unanimously.
JRF Contribution Rates Discussion: Director Drum stated Title 1 Chapter 20 of Idaho Code reads that the Board must take action if the amortization period for the unfunded actuarial liability of the JRF exceeds 25 years. As of June 30, 2015, the actuarial valuation for the JRF shows an amortization period of 29 years, and thus the Board would have to propose a contribution rate increase. Director Drum stated that the question before the Board is where the rate ought to be set. He said a potential goal is to not have to raise the rate again next year (in consecutive years) if market returns are below the actuarial assumption. Director Drum showed a chart which modeled where the total contribution rate could be set assuming a range of two-year rate of return.

Chairman Olson commented that the JRF would be managed similarly to the FRF (the FRF came under PERSI management in 1980 and is now funded at 119.6%) in that the Board would need to make contribution rate adjustments to keep the amortization period within statutory requirements. Trustee Sullivan conferred with Chief Investment Officer Bob Maynard about his current market assessment with respect to indications of rate of return for the next two years. The Board discussed their options and Trustee Sullivan made a motion to increase the total contribution rate of the JRF to 74.10% (employer contribution rate of 62.53% and employee contribution rate of 11.57%). Trustee Cilek seconded the motion, which passed unanimously.

2016 Board Meeting Dates: The Board discussed meeting dates for 2016 and tentatively decided on a schedule. Chairman Olson directed Jess Simonds to circulate the dates via email for further discussion.

LEGAL
Expansion of Hearing Officer Registry: Deputy Attorney General Joanna Guilfoy presented the staff recommendation which is for the Board to expand the hearing officer registry by adding the name of Natalie Greaves and authorize the Executive Director to execute the contract for hearing officer services on behalf of the Board. Trustee Cilek made a motion to accept the staff recommendation. Trustee Fisher seconded the motion, which passed unanimously.

FISCAL
FY 15 Audited Financial Statements – Eide Bailly: Lee Miller of Eide Bailly reported that the FY 15 Audit had been completed with a result of a clean and unmodified opinion from Eide Bailly. He stated that Eide Bailly encountered no significant difficulties in dealing with management in performing and completing the audit. Trustee Fisher made a motion to accept the FY 15 Audit Report. Trustee Cilek seconded the motion, which passed unanimously. Trustee Fisher commended the staff for all their efforts on the Audit Report.

Fiscal Update/ Expense Reports: Financial Officer Jim Monroe updated the Board on the FY 15 Audit services, the FY 16 expense reports, the quarterly travel and training report, and on interest rates for calendar year 2016. The regular interest rate credited to each PERSI members’ account is 2.39% for 2016.

Adjournment: There being no further business to come before the Board, meeting adjourned at 10:25 a.m.