



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., February 23, 2016. The following members were present:

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

Trustee Fisher was absent and excused. Executive Director Don Drum, Deputy Director Michael Hampton, 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:

James Coleman	REAI	Andrea Patterson	ID Supreme Court
Robin Nettinga	IEA	Andy Snook	AGO
Tim Dunn	Clearwater	Michelle Watts	EFIB
Chris Brechbuhler	Clearwater	Larry Johnson	EFIB
Jeff Bradley	Milliman	Jim Schilmoeller	Provaliant
Mark Olleman	Milliman	Kelly Cross	PERSI
Brandon Fitzpatrick	DB Fitzpatrick	Larry Sweat	PERSI
Greg Koehler	DB Fitzpatrick	Mike Mitchell	PERSI
Bill Palumbo	MPIA	Catherine Atchison	PERS
Bruce Reeder	MPIA	Cecile McMonigle	PERSI
Anne Cappel	Empower	Pat Gittings	PERSI
Lisa Tilley	Empower	Diane Kaiser	PERSI
Ali Belden	Empower	Mika Milette	PERSI
Tony Wilkins	BNY Mellon	Lisa Conn	PERSI
Ann Posey	Callan	Rose Marie Sawicki	PERSI

Approval of the Minutes: Trustee Gould made a motion to approve the minutes of the January 19, 2016 meeting. Trustee Cilek seconded the motion, which passed unanimously.

PORTFOLIO

Callan Quarterly Update: Ann Posey of Callan presented a report titled "Fourth Quarter 2015 Performance Evaluation". The report provided a market summary, performance overview, and asset class breakdown for the Base Plan, and also provided a performance summary for the Choice 401(k) and Sick Leave Plans. In terms of Base Plan performance, the total fund returned

+2.56% for 4Q 2015, slightly underperforming the policy. Calendar year 2015 ended on a slightly positive note, with the Total Fund returns of +0.33%, outperforming the target by 82 basis points.

Monthly Investment Report: February so far has continued the miserable start to the new calendar year. The fund dropped further below \$14 billion at \$13.78 billion (far off the high of \$15.4 billion set in April of last year) with a month to date loss of -1.3% and a fiscal year to date loss of -6.5%.

This collapse continues to be centered around (1) ongoing disappointing news from China (with increasing expectations of a major devaluation of the renminbi); (2) continued low prices in oil and other commodity prices (with oil staying below \$30 a barrel); (3) follow on impacts surrounding the rate increase by the Fed and speculation on the future path of interest rates; and (4) mildly disappointing economic data (although the underlying strength of the US labor market and the slow European recovery still appear intact). The severity of the recent equity market retreat has puzzled many, leading some to worry that this may be one of those times where the equity and commodity markets are “seeing” something that the apparent economic data is missing (with some, like the Bank of America, now raising the odds of a recession over the next year to as high as 50%).

In any event, as a result US equities are down -2.4% for the month and are now down -9.2% for the fiscal year to date. Developed markets (EAFE) are down -3.2% for the month and are now down -15.5% for the fiscal year. Emerging markets continued their decline and are off -1.4% for the month resulting in a remarkable -23.7% for the fiscal year. REITs lost -4.9% for the month but are up +1.3% for the fiscal year to date. Bonds rose +0.3% and remain up +2.5% for the fiscal year, while TIPS have dropped -0.2% and remain down -0.5% for the fiscal year so far. Private equity remains up +1.7% for the fiscal year, while private real estate shines at +14.2% for the fiscal year to date.

With the continuing relative underperformance of the emerging markets and TIPS the fund remains behind the reference (and US dominated) 55% US equity, 15% EAFE, and 30% US Bond benchmark by -0.1% for the fiscal year to date. Bernstein Emerging markets has the worst performance at -26.2%, and Bernstein Global (with returns of -18.9%) lags its benchmark by -7.6%. Private Real Estate has the best absolute performance at +14.2% so far this fiscal year, and Mountain Pacific has the best public market performance relative to benchmark, with a loss of -6.3% being +11.2% above their midcap benchmark.

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

Investment Policy: Chief Investment Officer Bob Maynard presented the staff recommendation that the Board adopt the Investment Policy as revised. Mr. Maynard stated that the updated Investment Policy has been before the Board for review since the December meeting. All Board members have had an opportunity to make suggested changes, and all proposed changes were incorporated. In addition, PERSI’s general, real estate, and private equity consultants have made comments and their suggestions have been incorporated as well. Mr. Maynard said that while a number of changes have been made, there has been no material change to the basic and general investment approach of the Fund; changes have been primarily organizational, grammatical, updates due to changed circumstances, or similar corrections or improvements in wording. He added that more time has been taken in reviewing this Policy update than in the past few years due to the review of the recent asset/liability study, the addition of a new Board member, and new general consultants and real estate consultants.

At the conclusion of Mr. Maynard’s comments, Trustee Sullivan made a motion to accept the staff recommendation that the Board adopt the Investment Policy as revised and attain appropriate signatures for formal execution. Trustee Cilek seconded the motion, which passed unanimously.

## DIRECTOR UPDATES

Choice Plan 4Q Report – Empower Retirement: Anne Cappel of Empower Retirement presented the fourth quarter 2015 plan review for the Choice 401(k) plan. Ms. Cappel provided an update on plan assets, contributions, participation, distributions, loans, participant services, and field activity. Plan assets were at \$673.54 million as of December 31, 2015, which was a 3.4% increase from October 1, 2015. Contributions totaled \$16.09 million from October 1, 2015 to December 31, 2015. As of December 31, 2015, the plan had 42,096 participants.

Deputy Director Status Update: Deputy Director Michael Hampton updated the Board on personnel, the Choice Plan, the annual pay plan, the office-building, and on the IRIS Project. Notably, with regard to the IRIS Project, Mr. Hampton stated that a review of the IRIS Project timeline has been undertaken and completed, and both PERSI and Tegrit, with Provaliant’s input, have agreed on a new timeline for completion. The new “go live” date will now be the week of September 5, 2016. Both PERSI and Tegrit have agreed to this schedule and there will be no change in the current Tegrit contract.

Executive Director Status Update: Executive Director Don Drum first updated the Board on the current Legislative Session. Director Drum stated that the rules presentations in both the House and the Senate Commerce & Human Resources Committees went very well as did PERSI’s budget presentation in the Joint Finance-Appropriations Committee (JFAC). Each committee was interested in how the market volatility is affecting the fund.

Next, Director Drum stated that Governor Otter had appointed him to the State’s Cyber Security Task Force last fall. The Task Force has since held multiple meetings to analyze agency preparedness for dealing with cyber issues. Director Drum commented that the meetings have been very informative and clearly the State as a whole has work to do.

Last, Director Drum commented that Deputy Director Hampton and he would be travelling to Washington, D.C. on February 27<sup>th</sup> to attend the National Association of State Retirement Administrators (NASRA) Winter Meeting and the National Institute on Retirement Security (NIRS) Annual Conference. These meetings, Director Drum commented, would provide Mr. Hampton and him with an opportunity to meet the NASRA and NIRS staffs and the directors of the other state systems, as well as learn about current pension issues in all states. Director Drum is a member of the NASRA Executive Committee.

Signature Authorizations: Executive Director Don Drum presented the staff recommendation that the Board reaffirm the agreement with the individuals designated as authorized signers on specific administrative (fiscal) documents; that current signatures are obtained; and the document be executed. Director Drum commented that this document was last updated in August 2015 but new Deputy Director Michael Hampton has been added as an authorized signer. Trustee Cilek made a motion to accept the staff recommendation. Trustee Sullivan seconded the motion, which passed unanimously.

## FISCAL UPDATE

Fiscal Update / Expense Reports / Quarterly Financial Statements: Financial Officer Jim Monroe updated the Board on the professional audit service Request for Proposal (RFP), the year-to-date expense reports for the Administrative and Portfolio funds, the quarterly financial statements, and the budget request submitted to the Legislature as recommended by the PERSI and the Governor’s Budget Office (budget setting begins February 23).

## EXECUTIVE SESSION

At 10:40 a.m. Chairman Olson stated the Board intended to move to Executive Session in accordance with Idaho Code 74-206(1)(f). Trustee Cilek made a motion to move into executive session. The motion was seconded by Trustee Sullivan, and approved unanimously via roll call vote.

Upon conclusion of the Executive Session, Trustee Sullivan made a motion to return to the regular session. Trustee Cilek seconded the motion, which passed unanimously.

#### EXECUTIVE DIRECTOR

The Board returned to regular session at 11:30 a.m. and members of the public were invited into the boardroom (none were present). Chairman Olson stated that during the Executive Session the Board discussed possible litigation with legal counsel. The Board did not make any decisions after returning to regular session.

Adjournment: There being no further business to come before the Board, meeting adjourned at 11:32 a.m.

Donald D. Drum  
Executive Director

Jody Olson  
Chairman