



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 15, 2016. The following members were present:

- Jody Olson
- Jeff Cilek
- Celia Gould
- Kirk Sullivan (by phone)
- Joy Fisher (by phone)

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:

Robin Nettinga	IEA	Andy Snook	AGO
Doug Bates	Clearwater	Scott Zanzig	AGO
Chris Brechbuhler	Clearwater	Bruce Singkhaophet	Empower
Jeff Bradley	Milliman	Andrea Patterson	ID Supreme Court
Mark Olleman	Milliman	Larry Sweat	PERSI
Brandon Fitzpatrick	DB Fitzpatrick	Mike Mitchell	PERSI
Casey Macomb	DB Fitzpatrick	Kelly Cross	PERSI
Bill Palumbo	MPIA	Brandon Rigby	PERS
Bruce Reeder	MPIA	Cecile McMonigle	PERSI
Judy Shock	EFIB	Diane Kaiser	PERSI
Michele Watts	EFIB	Rose Marie Sawicki	PERSI

Approval of the Minutes: Trustee Cilek made a motion to approve the minutes of the February 23, 2016 meeting and the March 1, 2016 and March 10, 2016 special meetings. Trustee Gould seconded the motion, which passed unanimously.

PORTFOLIO

Monthly Investment Report: March has temporarily and partially reversed the carnage that characterized the start of the new calendar year. The fund has risen back above \$14 billion to \$14.339 billion with a month to date gain of +2.6% and with the fiscal year to date loss reduced to -2.4%. There is no particularly surprising news. While commodity prices firmed a bit (and oil crept above \$30), corporate earnings remain moribund, Asia (both China and Japan) still seems to be seeking a bottom, the UK debates Brexit, and the remainder of the world still battles reduced trade and debt worries. The U.S economy still leads a slower growth world, with a strong labor market

fueling continued expectations of some rate hikes later this year. The capital markets, in response, seem to continue the range bound behavior that has prevailed since the ending of QEIII in late 2014, the ending of ZIRP (Zero Interest Rate Policy) by the Fed last December, and the introduction of NIRP (Negative Interest Rate Policy) in Japan and parts of Europe. No clear end of the current environment appears in sight.

US equities are up +4.0% for the month and are now down -3.3% for the fiscal year to date. Developed markets (EAFE) are also up +4.3% for the month and are now down -10.6% for the fiscal year. Emerging markets have a rare leading role at +7.5% for the month but remain down -16.9% for the fiscal year. REITs have gained +4.7% for the month and are up +10.5% for the fiscal year to date. Bonds are down -0.4% but remain up +2.5% for the fiscal year, while TIPS have lost -0.4% and are now up +0.3% for the fiscal year so far. Private equity remains up +2.0% for the fiscal year, while private real estate continues to lead all accounts at +14.4% for the fiscal year to date.

With the continuing relative underperformance of the emerging markets and TIPS offsetting relative outperformance of real estate and private equity, the fund remains slightly behind the (US dominated) 55% US equity, 15% EAFE, and 30% US Bond benchmark for the fiscal year to date by -0.1%. Bernstein Emerging Markets has the worst performance at -19.0%, and Bernstein Global (with returns of -11.5%) lags its benchmark by -5.5%. Private Real Estate has the best absolute performance at +14.4% so far this fiscal year, and Mountain Pacific has the best public market performance relative to benchmark, with a gain of +0.9% being +10.2% 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

Executive Director Status Update: Executive Director Don Drum first updated the Board on the Legislative Session. He reported that he had attended hearings on the Department of Education's Sick Leave bill H452 and the Fire Fighter's Workers Compensation bill H554 but that neither of these bills ended up having a material effect on the programs which PERSI manages. Second, Director Drum discussed the NASRA and NIRS Winter Conference which he and Deputy Director Hampton attended. Director Drum stated that there is a new push to get the Public Employee Pension Transparency Act (PEPTA) heard in Congress. There are some concerning issues with this legislation and PERSI is working with peer administrators to make sure Congress is aware of those concerns. As a side note, Director Drum stated that the summer meeting for NASRA will be held in Coeur d' Alene August 6th thru the 10th.

Deputy Director Status Update: Deputy Director Michael Hampton updated the Board on personnel and the preliminary plan for the 4th floor of the PERSI office building. Regarding personnel, Mr. Hampton stated that Alex Simpson had accepted PERSI's Financial Executive Officer position and would start with PERSI in April. Mr. Simpson would be leaving his position as Director of Finance and Accounting at West Ada School District where he is responsible for financial and business functions including supervision and evaluation of all managers and personnel in budgeting, accounting, and business technology support.

LEGAL

JRF Rules – Amendment- Rule 101: Deputy Attorney General Joanna Guilfooy presented relative to a pending rule adoption. Ms. Guilfooy stated that in December of 2015, PERSI received the determination letter for the Judge's Retirement Fund (JRF) and a requirement of the letter was one small change to the current JRF rules. The rule makes clear that if a member of the JRF participates in 2 or more qualified DB plans maintained by the same employer, the maximum

permissible benefit (\$210,000 for 2016) applies to the total from the 2 plans. Ms. Guilfooy presented the staff recommendation that the Board:

1. Submit the Proposed Administrative Rules Form (PARF) to the Division of Financial Management; and
2. The rule amendment be adopted and published as proposed (would become effective at the end of the 2017 session); and
3. That the rule amendment be adopted as pending, conditioned on no comments being received by the comment deadline. (If comments are received, they can be considered at a subsequent Board meeting)

Trustee Gould made a motion to accept the staff recommendation. Trustee Cilek seconded the motion, which passed unanimously.

FISCAL UPDATE

Audit Services: Financial Officer Jim Monroe stated that the RFP for audit services for a new 5 year cycle closed on February 16. PERSI received two proposals. A team of PERSI staff under the direction of the PERSI Audit Committee thoroughly reviewed the bids and conducted oral presentations. The proposals included the additional cost of GASB 68 auditing.

Chairman Olson commented that he was very happy to have had the opportunity to serve on the Audit Committee this year and was proud of the work staff had done throughout the RFP process.

Mr. Monroe provided the staff recommendation that the Board approve retaining Eide Bailly, LLP as the PERSI auditor and instruct PERSI staff to finalize the contract for professional auditing services. Chairman Olson made a motion to accept the staff recommendation. Trustee Fisher seconded the motion, which passed unanimously.

Fiscal Update / Expense Reports: Financial Officer Jim Monroe updated the board on the year-to-date expense reports for the Administrative and Portfolio funds and also commented that the PERSI budget bill had passed the State Senate and was on third reading in the House.

EXECUTIVE SESSION

At 9:30 a.m. Chairman Olson stated the Board intended to move to Executive Session in accordance with Idaho Code 74-206(1)(f), to communicate with the Board's legal counsel on the legal ramifications of and legal options for pending litigation, or controversies not yet being litigated but imminently likely to be litigated. Trustee Cilek made a motion to move into executive session. The motion was seconded by Trustee Gould, and approved unanimously via roll call vote.

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

EXECUTIVE DIRECTOR

The Board returned to regular session at 11:00 a.m. and members of the public were invited into the boardroom. 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 11:02 a.m.

Donald D. Drum
Executive Director

Jody Olson
Chairman