



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., September 20, 2016. The following members were present:

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

Executive Director Don Drum, Deputy Director Michael Hampton, Chief Investment Officer Bob Maynard, Investment Officer Richelle Sugiyama, Financial Executive Officer Alex Simpson, 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	Retired Educators	Rita Foltman	SCO
Robin Nettinga	IEA	Andrea Patterson	Supreme Court
Mary Lou Taylor	Retired Educators	Andy Snook	AGO
Dustin Hurst	Freedom Foundation	Diane Kaiser	PERSI
Jeff Bradley	Milliman	Rose Marie Sawicki	PERSI
Robert Schmidt	Milliman	Mika Milette	PERSI
Mark Olleman	Milliman	Tanya Martin	PERSI
Michael Iacoboni	Milliman	Kelly Cross	PERSI
Dennis Fitzpatrick	DB Fitzpatrick	Larry Sweat	PERSI
Brandon Fitzpatrick	DB Fitzpatrick	Pat Gittings	PERSI
Huiyang Li	DB Fitzpatrick	Cecile McMonigle	PERSI
Tim Dunn	Clearwater	Theresa Lugo	PERSI
Chris Brechbuhler	Clearwater	Mike Mitchell	PERSI
Bruce Reeder	MPIA	Carmen Brooks	PERSI
Michelle Watts	EFIB	Brenda Cronin	PERSI
Jackie McCleve	SCO	Jim Monroe	PERSI

Amended Agenda: Chairman Olson stated that an additional executive session, pursuant to Idaho Code § 74-206 (1) (a), was added to the end of the agenda and the Board would need a motion to adopt the amended agenda. Trustee Cilek made a motion to amend the agenda. Trustee Fisher seconded the motion, which passed unanimously.

Approval of the Minutes: Trustee Gould made a motion to approve the minutes of the August 12, 2016 and August 16, 2016 meetings. Trustee Sullivan seconded the motion, which passed unanimously.

PORTFOLIO

Monthly Investment Report: The string of record highs the capital markets reached during the late summer (after the unexpected Brexit vote) at least temporarily came to an end over concern that central banks have ended the easing momentum and that monetary support has bottomed for the time being. Increasingly hawkish statements from a number of Fed governors, ECB reluctance to take additional easing steps, and uncertainty from Japan all caused the markets to retreat from record highs reached in the first week of September.

As a result the fund as a whole hit new all-time return highs during the month before retreating to a monthly return to date of -1.2%, a fiscal year to date return of +2.0%, and a calendar year to date return of +6.1% with assets at \$15.106 billion (after reaching an the all-time asset high of \$15.462 billion on September 7th). U.S. equities are down -1.4% for the month and are +2.8% for the new fiscal year, developed markets are down -1.2% and are +3.9% for the fiscal year, emerging markets are the best performing asset with month returns of -0.8% and +6.9% for the fiscal year, bonds are down -0.6% for the month and are down -0.1% for the fiscal year, and TIPS are down -0.7% and are down -0.3% for the fiscal year to date . REITs have collapsed -4.0% for the month and are down -3.2% for the fiscal year, behind private real estate which is up +2.2% for the new fiscal year. Private equity is up +1.0%.

Capital market and economic prospects remain tepid. Commodity prices are fluctuating at moderate or low levels (oil wanders in the \$40s), US economic news continues to come in with stumbling slow growth (with weak manufacturing) and a strong labor market. The Fed appears to be preparing for possible interest rate hike in September or December. On the other hand, corporate earnings remain soft, Asia (both China and Japan) still seem to be seeking a bottom, and the remainder of the world still battles reduced trade and debt worries.

The fund is slightly behind the (US dominated) 55% US equity, 15% EAFE, and 30% US Bond reference benchmark by -0.1%, due primarily to real estate. Bernstein Emerging and Peregrine have the best return at +8.0% while Peregrine has the best relative performance at +4.4% above their large cap growth benchmark. With returns of +3.0% Donald Smith has the worst relative performance at -3.6% behind their small cap benchmark.

EXECUTIVE DIRECTOR

Preliminary Fund Actuarial Valuations – Milliman: Jeff Bradley, Robert Schmidt, and Mark Olleman of Milliman presented the preliminary actuarial valuation for the PERSI fund, the Firefighters' Retirement Fund (FRF), and the Judges Retirement Fund (JRF) as of July 1, 2016. The PERSI fund preliminary valuation shows that PERSI has 68,517 contributing active members (increase of 2.3% from 2015), 44,181 members receiving benefits (increase of 3.6% from 2015), 12,251 vested terminated members, and 19,611 non-vested terminated members, for a total of 144,560 total members. The actuarial accrued liability (UAAL) is approximately \$16.1 billion and the approximate actuarial value of assets is \$13.9 billion, making an approximate unfunded actuarial accrued liability of \$2.2 billion, and resulting in a funding ratio of 86.3% and amortization period of 36.6 years. Milliman pointed out that the cost of a 1% Cost of Living Adjustment (COLA) for the current year has gone up to approximately \$90 million which is about 0.65% as a percentage of assets.

Regarding the Firefighter's Retirement Fund preliminary valuation, Milliman reported, as of July 1, 2016, a funded ratio of 123.3% stemming from the actuarial value of assets being \$68.7 million higher than the actuarial accrued liability.

The Judge's Retirement Fund preliminary valuation, as reported by Milliman as of July 1, 2016, shows a funded ratio of 75.33% with an amortization period of 19 years.

Executive Director Status Update: Executive Director Don Drum updated the Board on the status of the fund and discussed contribution rates and a COLA. Director Drum stated that Milliman's draft valuation estimates PERSI's funded status for Fiscal Year 2016 to be 86.3%. The funded status dropped approximately 4% from the 2015 status of 93%. The primary reason for the drop in funded status is that investment returns were subpar for the fiscal year and PERSI had a .49% increase in normal costs related to assumption changes. Director Drum stated that PERSI anticipates the amortization period for the UAAL will be approximately 36.6 years. Idaho Code 59-1322(5) would require the Board take action in regards to contribution rates (i.e. the amortization period is above 25 years) which means if the final valuation in October is consistent with the preliminary valuation, the Board will need to propose contribution rate increases. At this point, Director Drum stated the anticipated total contribution rate increase (employer + employee) would need to be approximately 1% in order to drop the amortization period below 25 years. A decision would need to be made in October or December.

Director Drum commented that PERSI remains one of the healthiest pension funds in the nation. He stated that the current provisions in Idaho Code keep the fund healthy and past legislators and governors, current legislators and the current Governor, and this Board has had great foresight into maintaining a healthy fund.

Director Drum also updated the Board regarding the final results of his summer employer meetings. He stated that according to RSVP / Sign-in sheet, he met with representatives from 365 different employers.

New Employer – City of Idaho City: Executive Director Don Drum presented the staff recommendation that the Board approve the admittance of the City of Idaho City with an entry date of October 1, 2016. Trustee Fisher made a motion to accept the staff recommendation. Trustee Cilek seconded the motion, which passed unanimously.

New Employer – Deary Rural Fire District: Executive Director Don Drum presented the staff recommendation that the Board approve the admittance of the Deary Rural Fire District with an entry date of October 1, 2016. Trustee Fisher made a motion to accept the staff recommendation. Trustee Cilek seconded the motion, which passed unanimously.

Deputy Director Status Update: Deputy Director Michael Hampton updated the Board on the IRIS project. Mr. Hampton reported that IRIS went live on September 6th, 2016. Staff is acclimating to the new system and becoming more confident every day. Support from Tegrity, IT and in house experts has been outstanding and timely. The new Member Portal went live on September 12th, 2016. This change has affected the entire PERSI membership and change is disconcerting. At this time the answer center is spending a majority of its time helping membership with Member Portal questions.

FISCAL UPDATE

Fiscal Update / Expense Reports: Financial Executive Officer Alex Simpson updated the Board on PERSI's year-to-date expense reports for the Administrative and Portfolio funds.

EXECUTIVE SESSION

At 10:10 a.m. Chairman Olson stated the Board intended to move to Executive Session in accordance with Idaho Code 74-206(1) (b) & (f), to consider the evaluation of the Chief Investment

Officer, and 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 Sullivan made a motion to return to regular session. Trustee Cilek seconded the motion, which passed unanimously.

REGULAR SESSION

The Board returned to regular session at 11:25 a.m. and members of the public were invited into the boardroom. Chairman Olson stated that during the executive session the Board discussed the annual performance evaluation for Chief Investment Officer (CIO) Bob Maynard and also discussed the legal matter before the Board -- Case 01-15 Robert J. Elgee vs. PERSI.

With regard to the CIO performance evaluation, the PERSI Board commended Mr. Maynard for his performance. Chairman Olson stated that each of the Board members received, read, and provided comments on the performance review submitted to the CIO by the Chairman. Trustee Sullivan stated that Mr. Maynard exceeded what was expected for FY 16 and was to be commended for producing very wise counsel for the Board on a wide multitude of issues. On behalf of the entire Board, Trustee Sullivan made a motion to increase Chief Investment Officer Bob Maynard's salary by 5%. By protocol, the decision would be discussed with the Governor. Trustee Fisher seconded the motion, which passed unanimously.

No other decisions were made, and thus according to the agenda, the meeting went to Break.

EXECUTIVE SESSION

At 11:50 a.m. Chairman Olson stated the Board intended to move to Executive Session in accordance with Idaho Code 74-206(1) (a), to consider hiring an individual agent(s), wherein the respective qualities of individuals are to be evaluated in order to fill a need. 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 Cilek made a motion to return to regular session. Trustee Sullivan seconded the motion, which passed unanimously.

REGULAR SESSION

The Board returned to regular session at 1:45 p.m. and members of the public were invited into the boardroom. Chairman Olson stated that during the executive session the Board was updated on the investment manager hiring process.

Adjournment: No other decisions were made, and there being no further business to come before the Board, the meeting adjourned at 1:46 p.m.

Donald D. Drum
Executive Director

Jody Olson
Chairman



Public Employee Retirement System of Idaho

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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 9:00 a.m., September 21, 2016. The following members were present:

Jody Olson
Kirk Sullivan
Jeff Cilek
Joy Fisher
Celia Gould

Executive Director Don Drum, Chief Investment Officer Bob Maynard, and Management Assistant Jess Simonds were also in attendance. Other persons attending the meeting were:

Andy Snook Attorney General's Office Roger Gable Attorney General's Office

REGULAR SESSION

Chairman Olson called the meeting to order at 9:00 am. In accordance with the agenda, Chairman Olson stated that the PERSI Board was to hold a hearing in Case No. 01-15 – Robert J. Elgee vs. PERSI. Ms. Joanna L. Guilfooy appeared on behalf of PERSI and Judge Robert J. Elgee appeared pro se. The proceedings were reported by Hedrick Court Reporting.

EXECUTIVE SESSION

At the conclusion of the hearing at 2:15 p.m., Trustee Cilek made a motion to move into Executive Session in accordance with Idaho Code section 74-206(1)(f). The motion was seconded by Trustee Sullivan, and approved unanimously via roll call vote.

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

REGULAR SESSION

The Board returned to regular session at 3:10 p.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. No decisions were made.

Adjournment: There being no further business to come before the Board, meeting adjourned at 3:11 p.m.

Donald D. Drum
Executive Director

Jody Olson
Chairman