



Public Employee Retirement System of Idaho

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO
607 North 8th Street
BOISE, IDAHO 83702

RETIREMENT BOARD
MEETING MINUTES
August 15, 2017

The Board of the Public Employee Retirement System of Idaho met at the PERSI Administration Building, 607 North 8th Street in Boise, Idaho. The following trustees were present:

Celia Gould
Jeff Cilek
Kirk Sullivan
Joy Fisher
Park Price

Executive Director Don Drum, Chief Investment Officer Bob Maynard, Deputy Director Michael Hampton, Financial Executive Officer Alex Simpson, and Deputy Attorney General Cheryl George were also in attendance. Other persons attending all or portions of the meeting were:

Jeff Bradley	Milliman	Mark Olleman	Milliman
Humberto Arechiga	DBF	Kathy Adams	PERSI
Dennis Fitzpatrick	DBFitzpatrick	Carmen Brooks	PERSI
James Colman	Retired Teacher	Elizabeth Conner	PERSI
Casey Macomb	DBF	Kelly Cross	PERSI
Brent Nye	Boise Schools	Brenda Cronin	PERSI
Brad Berls	Eide Bailly	Jenny Flint	PERSI
Chris Brechbuhler	Clearwater	Andrea Fonnesbeck	PERSI
Mike Bowen	Clearwater	Casey Hartwig	PERSI
Bruce Reeder	Mountain Pacific	Diane Kaiser	PERSI
Matt Lindstrom	Mountain Pacific	Cecile McMonigle	PERSI
Donnie Hall	Kaplan Fox	Rose Marie Sawicki	PERSI
Mark McNair	Kaplan Fox	Adel Stacy	PERSI
Fred Fox	Kaplan Fox	Larry Sweat	PERSI
Liz Wieneke	EFIB	Kelly Rowlands	PERSI
Larry Johnson	EFIB		
David Hahn	DFM		

Acting Chair Gould called the meeting to order at 8:30 a.m. and introduced the board's new member, Park Price. Trustee Price gave a brief background on his professional experience in the auto and banking industry. He is from Idaho Falls and is very excited to be on the PERSI Board.

Approval of the Minutes: Trustee Fisher made a motion to approve the minutes of the July 18, 2017, regular meeting, as presented; Trustee Cilek seconded the motion, which passed unanimously.

Callan Year End Update

Callan is a consulting company that provides education to investment boards. They also serve as an objective outside resource to assess and explain why certain investments are made. They host an annual conference in January for all investment boards and PERSI members are invited to attend.

Ms. Ann O'Bradovich presented the second quarter results from Callan. To summarize:

PERSI's Total Fund return for the quarter was 3.57%, outperforming the Policy Target return of 3.14%. During the quarter, the overweight to Non-US Equity added to the relative returns, while the underweight to Private Equity, Global Equity, and Emerging Markets detracted. Manager positive value-added of 53 basis points stemmed from the outperformance of U.S. Equity, Global Equity, Fixed Income, REITs, and Private RE relative to their respective benchmarks. The Total Fund ranked in the first quartile (10th percentile) for the quarter relative to Callan's Total Public Fund database.

For the fiscal year 2017, the Fund returned 12.71%, outperforming the Policy Target of 11.55%. Managers in aggregate outperformed by 91 basis points; the overweight to U.S. Equity and the underweight to Fixed Income were a positive contribution to the Total Fund returns. The Total Fund ranked above median (42nd percentile) for the year relative to Callan's Total Public Fund database.

Monthly Portfolio Update

Bob Maynard provided the monthly portfolio update. As of August 14, 2017, the current value of the fund is \$16,601,965,227; fiscal year net change in assets is \$ 218,365,827 with the fiscal year rate of returns being 1.4%. The month to date returns however is -0.2%.

Trustee Sullivan asked why the Sick Leave fund isn't on the monthly portfolio report; Mr. Maynard responded that the Sick Leave fund isn't an investment fund so it's tracked and reported differently. Trustee Sullivan followed up with asking why there has not been a report from the Hamilton Lane fund. Mr. Maynard responded that he will send an update tomorrow on Hamilton Lane and they are scheduled to report at the September board meeting.

Investment Manager Comments:

Acting Chair Gould asked that for the benefit of Trustee Price, each of manager explain who they represent and what their businesses do for PERSI: Chris Brechbuhler of Clearwater explained that they manage the cash portfolio for PERSI and invited Trustee Price to come over for a tour. Dennis Fitzpatrick of DBFitzpatrick manages the Idaho commercial mortgage program and Bruce Reader of Mountain Pacific has been the longest fund manager for PERSI.

Kaplan Fox: Mark McNair, Fred Fox and Donnie Hall of Kaplan Fox explained that their firm provides two services for PERSI: 1) monitoring portfolio for losses due to fraud and 2) monitoring electronic transfers or investments for possible fraud. They provide a weekly report and alert PERSI staff to any losses in the three (3) to five (5) million dollar level. If a loss occurs, Kaplan Fox develops

options for the board to review and take action on. This includes recommendations regarding any joint class action cases and what steps the board can take. Serving PERSI since 2011, Kaplan Fox has brought three (3) cases to the board for review and determination of level of involvement. As fiduciaries to the Board, they make recommendations as to how and when the Board should become involved in litigating fiduciary issues.

Executive Director Status Update:

Executive Director Don Drum presented his monthly update to the Board. He reported that he finished the PERSI Choice Plan tour in July and they all were well attended. In August, he attended the National Association of State Retirement Administrators (NASRA).

Director Drum stated that he is focusing on current State of Idaho policies that apply to PERSI. He gave a copy of Title 67 Chapter 92 the State Procurement Act to Board as well as PERSI staff. All PERSI staff will be given training on following the Procurement Act.

Trustee Sullivan asked Director Drum to identify all current exemptions and the rationale behind them and then present that information in writing to the Board.

New Employers:

- Moscow Rural Fire District
- Bonner Soil & Water Conservation District

Approval of new PERSI members: Trustee Fisher moved to accept the two new employers as presented. Trustee Sullivan seconded the motion, which passed unanimously.

Deputy Director Status Update:

Deputy Director Hampton presented three (3) pieces of legislation for review by the Board:

§59-1302 refines definitions for eligibility requirements and specifically defines the term “ineligible”.

§59-1346 involves addressing two sections of Idaho Code where calculations are for service retirement and early retirement. The same calculation is currently used for both service and early retirement, but this is not reflected in statute. This legislation corrects this oversight.

§72-1432 addresses the FRF retirement fund. In the event smaller fire districts are merged into one district to promote efficiencies, this legislation adds language to current code stating that the liability for FRF transfers is on the annexing district.

Trustee Cilek asked if these proposed changes are all PERSI staff recommendations. Deputy Director Hampton responded yes, and all three (3) proposed pieces of legislation have been reviewed by Deputy Attorney General George. Trustee Fisher asked how these pieces of legislation will proceed and Deputy Director Hampton said once the Board approves them, he will submit them to the Governor’s Office for review and submittal to Legislative Services.

Motion: Trustee Sullivan moved to approve the three legislative proposals recommended by PERSI staff. Trustee Fisher seconded motion, which passed unanimously.

Fiscal Update

Financial Executive Officer Alex Simpson presented the FY 2019 Preliminary Budget request. Two positions are being transferred to Administration Budget from the Portfolio Budget and there is no fiscal impact. In addition, one additional FTE is being requested for a Purchasing Agent. This Purchasing Agent will be responsible for monitoring contract issues and will also serve as the point of contact for all RFP's.

Trustee Fisher asked who will be responsible for this individual. Deputy Director Hampton said this position will report to the Financial Executive Officer.

Trustee Price supports this position but he is concerned that this may be too big of a load for one individual. Deputy Director Hampton said that the individual will not be responsible for all the details of each contract but will instead serve as the resident expert who will provide guidance to managers.

Deputy Director Hampton said that the State Board of Education just recently hired an individual in a similar position. This individual has access to the central data base of State approved contractors as well as being familiar with contract requirements. The intent of this position is to provide a centralized resource for assistance for all staff working on contracts and purchasing requirements.

Trustee Sullivan supports the position but would prefer another job title. Deputy Director Hampton said that there are limitations on job titles through the Department of Human Resources, and this title most closely fit the defined duties of the position.

Trustee Cilek asked Mr. Maynard if any of the proposed legislation or the staff change from Portfolio to Administration will cause any problems for him. Mr. Maynard replied that over all there are no problems with the proposed changes. However, there may be a questions later as to how the RFP process will be applied to some areas of Portfolio.

Trustee Price moved to approve the FY 2019 proposed budget. Trustee Sullivan seconded the motion, which passed unanimously.

Adjournment: There being no further business to come before the Board, the meeting adjourned at 11:10 a.m.



Don Drum, Executive Director Date

 9-19-17

Jeff Cilek, Chairman Date