



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

RETIREMENT BOARD
MEETING MINUTES
July 18, 2017

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

- Kirk Sullivan
- Joy Fisher
- Celia Gould

Trustee Cilek was absent. Executive Director Don Drum, Chief Investment Officer Bob Maynard, Deputy Director Michael Hampton, Investment Officer Richelle Sugiyama, 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:

Connie Bunch	Retired Educators	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
Jeremy Wilkins	BNY Mellon	Jenny Flint	PERSI
Chris Brechbuhler	Clearwater	Andrea Foncesbeck	PERSI
Phil Bartlet	Clearwater	Casey Hartwig	PERSI
Bruce Reeder	MPIA	Diane Kaiser	PERSI
Bill Palumbo	MPIA	Cecile McMonigle	PERSI
Chuck Calhoun	CAM	Rose Marie Sawicki	PERSI
Chelsie Wasden	Mountain Pacific	Adel Stacy	PERSI
Tyler Jaglowski	DBFitzpatrick	Larry Sweat	PERSI
Brandon Fitzpatrick	DBFitzpatrick	Kelly Rowlands	PERSI
Suzanne Guinard	Judicial Branch	Lena Rupp	PERSI
Bruce Singkhaopphet	Empower		

Acting Chair Gould called the meeting to order at 8:30 a.m.

Approval of the Minutes: Trustee Sullivan made a motion to approve the minutes of the May 16, 2017, regular meeting; May 23, 2017, special meeting and the June 21, 2017, special meeting. Trustee Fisher seconded the motion. Motion passed unanimously.

PORTFOLIO

Idaho Commercial Mortgage Program Review Ms. Richelle Sugiyama presented summary information to the committee and introduced Brandon Fitzpatrick of DBFitzpatrick. Mr. Fitzpatrick said Idaho's economy has improved a great deal since the "great recession" and has made Idaho a place of interest for investors both foreign and domestic. As of June 30, 2017, the total value in the commercial mortgage portfolio is \$695.1 million with 240 loans averaging in loan size of \$2.9 million. One variable rate loan is \$4.2 million (0.6% of portfolio) and there was solid loan demand in 2015-2016. Outlook for loan demand during next 12 -18 months is unclear. Strategies for 2017 include: expanding the relationship network with a focus on east and north Idaho; preferred property types will be medical offices, industrial, business office, retail, hotel and multifamily units. Emphasis will be using efficiency and speed as a competitive advantage but continue to maintain conservative underwriting.

Investment Manager Comments:

Mr. Bob Maynard stated the Berkadia report that is included in the Board's packet is the yearly report to provide detailed and transparent information about the commercial mortgage program. PERSI should be proud of how well this investment program has worked, especially during "Great recession" of 2008-2009.

Last fiscal year ended up above \$16 billion for the first time in approximately 5 years. This resulted in an historic high ending of 12.5%. The net return will be approximately 12.4% after adjustments for fees and costs.

A hard copy of the report was available to the committee and members of the audience. This information is also available at www.PERSI.idaho.gov.

Trustee Sullivan stated that he was disappointed in the private equity return; Mr. Maynard explained that the Russell 3000 was high and as a result, private equity relative to public markets under performed. However, overall this isn't an issue. Mr. Maynard predicts there will be less focus on private equity investments simply because they have not kept up. Also, more investors have are questioning fees and other issues, so Mr. Maynard and Ms. Sugiyama are tracking this topic closely and looking for new investment opportunities if the market changes. Private equity will be reviewed at the September PERSI board meeting for further discussion and update.

Acting Chair Gould then thanked Mr. Maynard, Ms. Sugiyama and Rose Marie Sawicki for putting on a fantastic investor conference; she really enjoyed it.

Manager Comments: The Investment Managers who were present shared their opinions and predictions of relative to the general market conditions. They also thanked former Chair Jody Olsen for his service to PERSI.

EXECUTIVE DIRECTOR

Executive Director Status Update: Executive Director Drum reviewed his status memo with the Board. PERSI ended the year with an estimated funded status of 91.1%. He reviewed the 3 rate contribution options presented in his memo. He informed the Board that in September, Millman will present a draft evaluation of contributions rates to the Board for decisions that will need to be made at the October board meeting. Then, in December, the Board must make a decision about COLA's.

Choice Plans meetings around the state: Executive Director Drum said the Choice Plan meetings have all been extremely well attended. A copy of his PowerPoint presentation was provided in the Board packet. He also complimented Lena Rupp and Kathy Adams for their great job setting up the meetings and doing outreach to members. These type of meetings provide a good path for achieving positive customer service.

IDOC and Rule of 80 Issue Executive Director Drum recently met with the Director of the Idaho Department of Corrections (IDOC). Executive Director Drum has also met with the Attorney General's office and the Department of Human Resources about the issue.

Chair Gould asked Executive Director Drum to schedule a Board retreat as the new board member is appointed by the Governor. This retreat would focus on educating the new member as well as provide refreshment training for other Board members. Executive Director Drum said he and his staff would begin working on this immediately.

GFOA's Excellent in Financial Reporting Award to PERSI Executive Director Drum presented this award to the Board and thanked Financial Executive Officer Alex Simpson for all the hard work that went into receiving this award.

New Employers:

- South Bingham Soil Conservation District
- Wood River Soil Conservation District
- Gooding Soil Conservation District

Trustee Fisher asked how potential employers are trained so that they understand the long term commitments to PERSI. Executive Director Drum responded that both Mr. Simpson and Deputy Director Mike Hampton have done a good job explaining all the details to potentially eligible employers.

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

Deputy Director Status Update: Deputy Director Mike Hampton reviewed his memo on PERSI's Operational Status. He highlighted the implementation of the PIN program to ensure security of accounts for members. This program was well communicated, rolled out and implemented in a short period of time. Deputy Director Hampton complimented all the PERSI staff dedicated time and focus to get this all done.

PERSI's new "Web Committee" has been implemented and is headed up by Stacy Paar. This group will be working on making improvements to the website for the public, employers and employees.

The Fiscal Year 2019 Budget is underway. One of the costs allocated in the budget will be developing a "Quality Assurance" questionnaire for departing PERSI employees. Management wants to know how departing employees feel about their time at PERSI and if there are things management can improve on. Enhancing communication with employees, employers, and the public is a primary focus.

Executive Director Drum added that the National Association of State Retirement Administrators (NASRA) views Idaho as an excellent example of communicating to legislators and other individuals. In fact, Executive Director Drum will be presenting a break out session at NASRA this August.

CEM Benchmarking Status Update FY 16: Paul Martiniello presented the CEM report to the Board. He explained the custom peer group was established for Idaho for comparisons. PERSI has a total pension administration costs is \$75 per active member and annuitant which is very low compared to the other groups.

FISCAL UPDATE

Fiscal Update / Expense Reports / Quarterly Financial Statements: Mr. Simpson presented a review of the annual state budget process and where we are on the timeline. All the information must be submitted to the State by September 1. He also reviewed the administration costa and the expense ratio. There were no questions from the Board.

Adjournment: There being no further business to come before the Board, the meeting adjourned at 10:50 a.m.



Don Drum, Executive Director Date

 8/15/17

Cecilia Gould, Acting Chair Date