



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., May 16, 2017. The following members were present:

Jody Olson
Kirk Sullivan
Joy Fisher
Celia Gould

Trustee Cilek was absent and excused. 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	Jess Simonds	PERSI
Larry Lee	Retired Educators	Kathy Adams	PERSI
Brent Nye	Boise Schools	Brenda Cronin	PERSI
Penni Cyr	IEA	Adel Stacy	PERSI
Dave Boren	Clearwater	Kelly Rowlands	PERSI
Bruce Reeder	MPIA	Cecile McMonigle	PERSI
Matt Lindstrom	MPIA	Andrea Fonnesbeck	PERSI
Bill Palumbo	MPIA	Carmen Brooks	PERSI
Larry Johnson	EFIB	Diane Kaiser	PERSI
Jeff Bradley	Milliman	Rose Marie Sawicki	PERSI
Mark Olleman	Milliman	Kelly Cross	PERSI
Brandon Fitzpatrick	DB Fitzpatrick	Casey Hartwig	PERSI
Dennis Fitzpatrick	DB Fitzpatrick	Lena Rupp	PERSI
Suzanne Guinard	Judicial Branch	Jenny Flint	PERSI
Roger Gabel	AGO	Larry Sweat	PERSI

Amended Agenda: Chairman Olson stated the agenda would need to be amended to reflect that the Knoll Disability Appeal was not completed in time for Board consideration at this meeting and therefore would need to be dropped from the publically posted agenda and discussed at a future meeting. Trustee Gould made a motion to amend the agenda according to Chairman Olson's statement. Trustee Fisher seconded the motion, which passed unanimously.

Approval of the Minutes: Trustee Sullivan made a motion to approve the minutes of the April 18, 2017 meeting. Trustee Fisher seconded the motion, which passed unanimously.

PORTFOLIO

Monthly Investment Report: The fund and the markets continue to reach all-time highs, with the fund's month to date return of +0.8% and fiscal year to date return of +11.1% at \$16.210 billion.

The prospects for significant further appreciation, however, appear muted. Along with rich valuations (at least in the US), the market now expects higher interest rates and an announced eventual "running off" of the massive Fed balance sheet starting next year. On the other hand, this is accompanied with optimism about the strength of the economy and the state of the labor market. Economic prospects appear solid around the world. The major questions over the next few months are (1) whether corporate earnings can increase enough to justify the noted recent increase in valuation measures (such as the P/E ratio in the US), and (2) whether Trump's growth-friendly agendas can get traction in the political process. Brexit, North Korea, and Syria continue to be sources of tension, although the French elections results have taken one source of concern off the table.

The US equity market has risen +0.7% so far this month to bring the fiscal year return to +17.1%. U.S. bond returns are flat for the month, leaving the fiscal year loss at -1.1%. EAFE has risen another +2.6% for a +19.7% fiscal year gain. Emerging markets are still advancing and are up +3.4% for the month for a fiscal year gain of +23.3%. REITs slid another -1.2% increasing the fiscal year loss to -5.4%, while private real estate is up +7.6% for the fiscal year and private equity is up +8.3%.

The fund is behind the 55% US equity, 15% EAFE, and 30% US Bond reference benchmark by -0.7%, due to the inability of private markets to keep up with the surging US equity market since mid-November and the poor performance of REITs. Peregrine has the best absolute and relative return at +26.1%, which is +7.9% above their large cap growth index. The Mellon REIT index fund has the worst absolute performance at -6.0%. With returns of +18.5%, Genesis has the worst relative performance at -4.8% behind their emerging market index. The new accounts of BLS, Fiera, and Walter Scott for global equity, along with IR+M for fixed income, are fully funded and have performance numbers starting April 1.

Investment Manager Comments: The Investment Managers who were present shared their opinions and predictions relative to the general market conditions.

EXECUTIVE DIRECTOR

Executive Director Status Update: Executive Director Don Drum updated the Board regarding the current estimated funding status, his planned statewide meetings with members regarding the Choice Plan, and on his nomination as the 2nd Vice President of NASRA. Regarding the current fiscal year funding status, Director Drum stated that at this point, with a month and half to go in the fiscal year, the investment returns put the Board on the threshold of being able to consider the delay, amendment, or even elimination of the proposed contribution rate increases.

Holladay Disability Appeal: Executive Director Don Drum stated that the Board considered this matter at the April 18th, 2017 Board meeting and issued an Order of Remand to PERSI with the instructions to perform a disability evaluation of Petitioner Holladay's (Petitioner) alleged disabling injuries or conditions including an independent medical examination to ensure proper identification of the underlying cause(s) for Petitioner's disabling injuries or conditions and a determination as to whether Petitioner is disabled under PERSI disability standard. On April 25, 2017, the Petition filed a motion that requests "PERSI to set a standard for evaluating given disability and accept exhibit (Q) plus recent MRI taken 3/11/17". On May 3, 2017, PERSI, the Respondent, filed a response, by and through its attorneys of record. The matter was before for the Board for a decision. The Board could:

- schedule oral argument by the parties before the Board before issuing a final order; or

- remand the matter for further evidentiary hearings with additional guidance as to the terms “occupational cause” and “occupational hazard” if it determines further factual development is needed or further guidance regarding the identified terms is needed before issuing a final order; or
- remand the matter to PERSI for further disability evaluations; or
- issue a final order

Having reviewed the relevant documents, Trustee Fisher made a motion that the Board issue an order stating the Petitioner’s Requests be denied in its entirety, based on the findings that:

- 1) The standards of PERSI disability are sufficiently set forth in Idaho Law (see Idaho Code Section 59-1302 (12) and PERSI Disability Rules 301, 302, and 303). Thus, the use of an OSHA standard for disability would conflict with Idaho law).
- 2) The Board’s Order of Remand does not refer to any evaluation or determination with respect to “occupational cause.” Thus, the use of any OSHA standard for “occupational cause” is unnecessary.
- 3) The information in Petitioner’s proposed Exhibit Q and Petitioner’s recent MRI may be considered by the disability evaluator to the extent allowed by applicable Idaho law.

Trustee Gould seconded the motion, and the motion was passed unanimously.

Deputy Director Status Update: Deputy Director Michael Hampton updated the Board on the progress each of the five departments had made over the prior month. Mr. Hampton specifically mentioned that PERSI’s IRIS project has been nominated by a national pension organization of Chief Information Officers for recognition in excellence. Additionally, Director Hampton addressed Chairman Olson’s question regarding purchasing/ procurement policies. Trustee Sullivan stated that he was very pleased to hear that PERSI is ultra-sensitive in adhering to procurement policies.

Choice Plan 1Q Update – Empower Retirement: Anne Cappel of Empower Retirement provided a 1st Quarter update of the Choice 401(k) plan:

- Plan assets were at \$790.07 million as of March 31, 2017
- Plan assets grew by \$39.24 million (5.2%) from January 1, 2017 to March 31, 2017
- Contributions were \$16.26 million from January 1, 2017 to March 31, 2017
- From January 1, 2017 to March 31, 2017 there were 39,623 participants

FISCAL UPDATE

Fiscal Update / Expense Reports / Quarterly Financial Statements: Financial Executive Officer Alex Simpson updated the Board on PERSI’s year-to-date expense reports for the Administrative/ Portfolio funds and the quarterly financial statements. The year-to-date total actual expense ratio of the Portfolio is 35.7 basis points of the average net assets compared to the budgeted ratio of 37.2 which are both below the 50 basis point target ratio, which is due primarily to asset growth relative to the fixed components of expense.

EXECUTIVE SESSION

At 10:00 a.m. Chairman Olson stated the Board intended to move to Executive Session in accordance with Idaho Code 74-206(1)(b) to consider the evaluation of the Executive Director. Trustee Sullivan 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 Fisher made a motion to return to 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 the evaluation and compensation of Executive Director Don Drum.

Trustee Sullivan stated that with regard to Executive Director Don Drum's evaluation, the Board recognizes Mr. Drum's excellent performance for the membership. Trustee Sullivan thanked staff for the superb research performed to provide statewide and national total compensation comparisons for Director level positions both inside and outside pension systems. Trustee Sullivan stated that Mr. Drum met openly with PERSI employees, employers, Legislators, and many other constituent groups, and he is to be commended for his commitment and willingness to travel statewide to meet directly with members. Trustee Sullivan made a motion to increase Executive Director Don Drum's salary by 10%. By protocol, the decision would be discussed with the Governor. Trustee Fisher seconded the motion. The motion passed on a 3 to 1 vote.

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



Donald D. Drum
Executive Director



Acting-Chairman