



PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

607 North 8th Street
BOISE, IDAHO 83702

RETIREMENT BOARD
MEETING MINUTES
October 17, 2017

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

Celia Gould
Jeff Cilek
Kirk Sullivan
Joy Fisher

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:

James Coleman	REAL	David Hahn	DFM
Connie Bunch	REAL	Carrie Cloud	ISDA
Brandon Fitzpatrick	DB Fitzpatrick	Sarah Mabey	ISDA
Dennis Fitzpatrick	DB Fitzpatrick	Carmen Brooks	PERSI
Robert Schmidt	Milliman	Kelly Cross	PERSI
Brent Nye	Boise Schools	Brenda Cronin	PERSI
Phil Hainschild	IFF	Kelly Rowlands	PERSI
Chris Brechbuhler	Clearwater	Andrea Fannesbeck	PERSI
Rhet Hulbert	Clearwater	Casey Hartwig	PERSI
Bruce Reeder	Mountain Pacific	Diane Kaiser	PERSI
Matt Lindstrom	Mountain Pacific	Cecile McMonigle	PERSI
Bill Palumbo	Mountain Pacific	Rose Marie Sawicki	PERSI
Mark Olleman	Milliman	Adel Stacy	PERSI
Jeff Bradley	Milliman	Larry Sweat	PERSI
Michael Iacoboni	Milliman	Elizabeth Conner	PERSI
Tony Wilkins	BNY Mellon	Richelle Sugiyama	PERSI
Rob Shoplock	IPP	Kathy Adams	PERSI
Brad Berls	Eide Bailly		

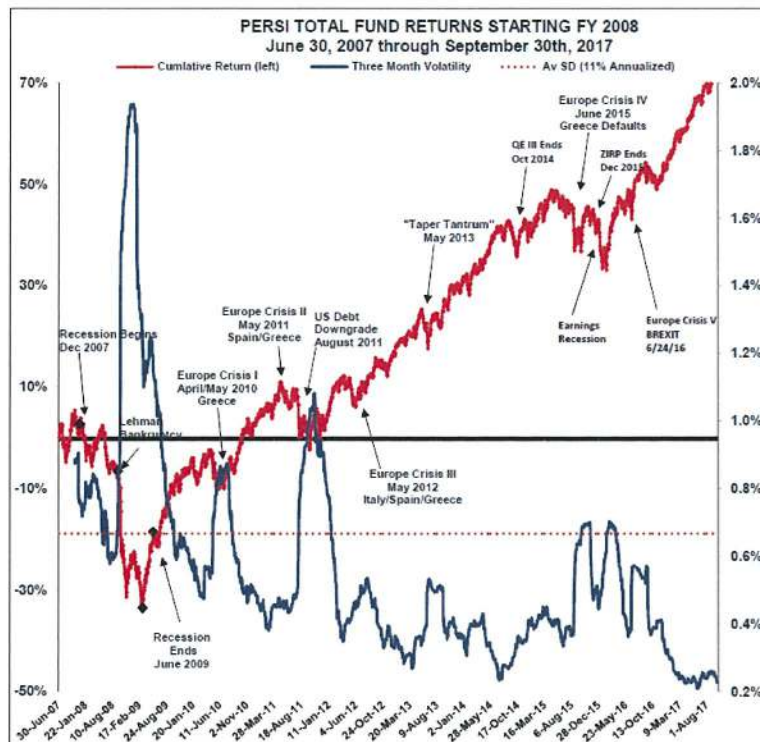
Chairman Cilek called the meeting to order at 8:30 AM. He welcomed everyone to the meeting.

Approval of the Minutes: Trustee Fisher made a motion to approve the minutes from the September 18, 2017, Board retreat as well as the minutes of the September 19, 2017, regular meeting, with a minor typographical correction. Trustee Gould seconded the motion and the motion passed unanimously.

Monthly Portfolio Update

Bob Maynard presented the investment information to the Board. The current value of the fund is \$17,098,396,349; the fiscal year net change in assets is \$ 717,796,949. Fiscal year to date returns are 4.8% and the month to date returns are 1.2%.

He showed the cumulative return of the fund since June, 2007, to August, 2017 with the following graph:



According to Mr. Maynard, PERSI is seeing good returns and the market looks calm into the near future.

Investment Manager Comments:

Dennis Fitzpatrick of D.B. Fitzpatrick believes there will be some upward pressure on interest rates so he sees a flat yield curve for the next year or two. Brandon Fitzpatrick reports that multifamily construction has continued to do well and if interest rates stay low, that investment will continue. Tony Wilkins of BYN Mellon said that volatility has been low because of global markets have made a concerted effort in the past 10 years to coordinate fiduciary training, systems and regulations which has facilitated greater transparency across markets. This has resulted in less volatility around the globe.

Milliman

Mark Olleman reviewed the actuarial valuation information. He referred to Table 1 (Gains and Losses for the Year Ended July 1, 2017):

Table 1: Gains and Losses for the Year Ended July 1, 2017

	Actuarial Accrued Liability ⁽¹⁾ (in millions)	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability (in millions)	Funded Ratio	Amort. Period (years)
July 1, 2016 Valuation	\$16,090.3	\$13,884.2	\$2,206.1	86.3%	36.6
March 1, 2017 Discretionary COLA of 0.10%	9.0	-	9.0		
July 1, 2016 Valuation with March 1, 2017 Discretionary COLA	\$16,099.3	\$13,884.2	\$2,215.1	86.2%	36.9
1.00% Increase to Future Contribution Rates, Starting July 1, 2018	3.3	-	3.3		
July 1, 2016 Valuation with Changes	\$16,102.6	\$13,884.2	\$2,218.4	86.2%	25.7
Expected Change Between Valuation Dates	682.9	640.4	42.5		
Expected at July 1, 2017	\$16,785.5	\$14,524.6	\$2,260.9	86.5%	24.7
Effect of Actuarial Experience Gains and Losses:					
• Investments [Gain]	-	772.1	(772.1)		
• Salaries [Loss]	198.0	-	198.0		
• Membership Growth [Loss]	18.9	-	18.9		
• Return to Employment [Loss]	10.2	-	10.2		
• Retired Member Experience [Gain]	(17.6)	-	(17.6)		
• Active and Inactive Member Experience [Loss]	68.3	-	68.3		
Total Experience Gains and Losses	277.8	772.1	(494.3)		
July 1, 2017 Valuation without Discretionary COLA	\$17,063.3	\$15,296.7	\$1,766.6	89.6%	16.2

(1) Amounts are net of expected future optional retirement program (ORP) Contributions.

Mr. Olleman reviewed the summary of key valuation results that were presented to the Board at the September 19 meeting. This information was summarized in Table 3:

Table 3: Summary of Key Valuation Results

	July 1, 2016 Valuation ⁽¹⁾	July 1, 2017 Valuation ⁽²⁾	Percentage Change
1. Total Membership			
A. Contributing Active Members	68,517	70,073	2.3%
B. Members and Beneficiaries Receiving Benefits	44,181	45,468	2.9%
C. Vested Terminated Members	12,251	12,669	3.4%
D. Non-vested Terminated Members	19,611	21,482	9.5%
E. Total Membership	144,560	149,692	3.6%
2. Annual Salaries			
A. Annual Total (\$Thousands)	\$ 2,833,369	\$ 3,040,649	7.3%
B. Annual Average per Active Member	\$ 41,353	\$ 43,393	4.9%
3. Annual Benefits			
A. Annual Benefits (\$Thousands)	\$ 793,277	\$ 836,201	5.4%
B. Annual Average Benefits	\$ 17,955	\$ 18,391	2.4%
4. Actuarial Accrued Liability (\$Millions)			
A. Contributing Active Members	\$ 7,031.3	\$ 7,491.3	6.5%
B. Members and Beneficiaries Receiving Benefits	\$ 8,229.4	\$ 8,683.2	5.5%
C. Terminated Members	\$ 867.6	\$ 926.5	6.8%
D. Total Actuarial Accrued Liability (AAL)	\$ 16,128.3	\$ 17,101.0	6.0%
E. Less Present Value of Future ORP Contributions	\$ 38.0	\$ 37.7	-0.8%
F. AAL Funded by PERSI Contributions	\$ 16,090.3	\$ 17,063.3	6.0%
5. Value of System Assets (\$Millions)			
A. Market Value	\$ 13,884.2	\$ 15,296.7	10.2%
6. Funded Status (\$Millions)			
A. Funding Reserve (Unfunded Actuarial Accrued Liability, UAAL) (5A - 4F)	\$ (2,206.1)	\$ (1,766.6)	
B. Funded Ratio (5A ÷ 4F)	86.3%	89.6%	
7. Contribution Rates (percent of salaries)			
A. Current Total Blended Contribution Rate	18.42%	18.42%	
B. Total Normal Cost Rate	14.87%	14.83%	
C. Contribution Rate Minus Normal Cost Rate (7A - 7B)	3.55%	3.59%	
D. Ultimate Total Blended Contribution Rate ⁽³⁾	18.42%	19.42%	
E. Amortization Period for UAAL Based on Currently Scheduled Contribution Rates ⁽³⁾	36.6 years	16.2 years	

Approval of Actuarial Valuations: Trustee Gould, made the motion to accept the Milliman actuarial evaluations as presented. Trustee Fisher seconded the motion and the motion passed unanimously.

Executive Director Report

Executive Director Don Drum presented information on COLA and contribution rates. His PowerPoint showed PERSI's funded status is 92% funded. He then showed a breakdown of the COLA contribution rate history as follows:

Year	Employer (%)	Employee (%)	Employer (%)	Employee (%)
1994-1996	11.85	8.53	11.61	6.97
1997-2003	10.01	7.21	9.77	5.86
2004-2012	10.73	7.65	10.39	6.23
2013-2017	11.66	8.36	11.32	6.79
Proposed*	12.28	8.81	11.94	7.16

Because the market has provided good returns and appears that it will stay this way for some time, Executive Director Drum reviewed the three options the Board has regarding the mandated and discretionary contribution rate:

	FUNDED RATIO	UAAL	AMORTIZATION PERIOD
2017-Implemented*	89.6%	\$1.8B*	16.2 years
2017-Postponed*	89.6%	\$1.8B*	16.6 years
2017-Eliminated*	89.7%	\$1.8B*	21.8 years

PERSI staff recommends the Board adopt approval of a .9% discretionary COLA and postpone contribution rate increase for one year to July 1, 2019.

Executive Director Drum also suggested to the Board that they wait to revisit the discussion of a potential retroactive increase to sometime next year. Trustee Sullivan asked if PERSI staff had looked at the costs related to various potential retroactive COLA's. Executive Director said he will have staff develop example costs to discuss with the Board in the future.

Adoption of COLA and Contribution Rates: Trustee Fisher moved to accept staff recommendations of the mandatory 1% plus .9% discretionary COLA and postpone the 1% contribution rate increase from July 1, 2018 to July 1, 2019. Trustee Sullivan seconded the motion and the motion passed unanimously.

Proposed Board Meeting Dates: Executive Director Drum reviewed the proposed 2018 Board meeting dates. Trustee Gould asked if another retreat could be arranged in 2018. Chairman Cilek supported the retreat idea and he would like Don to propose retreat dates and possible agenda ideas at the next meeting.

Approval of 2018 Board Meeting Dates: Trustee Gould made the motion to approve the 2018 meeting dates as proposed. Trustee Sullivan seconded the motion, and the motion passed unanimously.

New Employer

Executive Director Drum provided information on the proposed new member employer the City of Carey.

Approval of New Employer: Trustee Gould made the motion to approve the City of Carey as the newest PERSI member. Trustee Fisher seconded the motion and the motion passed unanimously.

Deputy Director Status Update

Deputy Director Mike Hampton reviewed the status of contested PERSI Disability case hearings that will come before the Board for final decision. This year there have been five Disability cases, which is within the historical average number that come before the Board. Deputy Director Hampton also said that there may be need for a special meeting called in the next few months for Board deliberation.

Chairman Cilek said he would like to have the more information on the Disability cases as early as possible so that he and the Board have the time to process the information thoroughly.

FY 2017 Audit

Brad Berls of Eide Bailly presented the FY 2017 Audit to the Board. He said that there were no findings of any issues of the PERSI financials. He suggested that the Board review Page 4 of the audit report as that provides the summary of recommendations from Eide Bailly. Trustee Fisher said she met with the staff and auditors and she reports that Eide Bailly was very complimentary of staff and thanked them for all their assistance. There were no questions for Mr. Berls.

Motion to Approve FY 2017 Audit: Trustee Fisher made the motion to accept the FY2017 Audit as presented by Eide Bailly. Trustee Gould seconded the motion and the motion was approved unanimously.

Fiscal – DC Plan Fees

Financial Executive Officer Alex Simpson provided a brief review of the DC Plan fees. Mr. Simpson's presentation recommended to the Board that a policy should be crafted identifying the timing of when and how fees should be addressed. He also showed the proposed how an overall 5% reduction in fees would impact each rate tier.

Motion to Reduce DC Plan Fees: Trustee Fisher made the motion to accept staff recommendation to reduce fees by 5%. The motion was seconded by Trustee Sullivan and approved unanimously.

Interest Rates and Fiscal Report

Mr. Simpson provided information on what the interest rates will be for FY 2018 and he explained some of the monthly fiscal report. There were no questions from the Board.

Other

Chairman Cilek referenced memo from Deputy Attorney General Cheryl George that addressed class action lawsuits. He directed the Board to review this and Ms. George said she will keep the Board apprised as to when these class action lawsuits will require any Board action.

Chairman Cilek announced that the scheduled December 5th PERSI Board meeting will be in the new Board Room on the 4th Floor of the PERSI Building.

Motion to Adjourn: Trustee Fisher made the motion to adjourn the meeting at 10:20 AM. Trustee Gould seconded the motion and the motion passed unanimously.



Don Drum, Executive Director Date

 12-5-17

Jeff Cilek, Chairman Date