



Public Employee Retirement System of Idaho

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., January 16, 2018. The following members were present:

- Jeff Cilek
- Kirk Sullivan
- Joy Fisher
- Celia Gould
- Park Price

Executive Director Don Drum, Chief Investment Officer Bob Maynard, Investment Officer Richelle Sugiyama, 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:

Brent Nye	REAI	Brad Berls	Eide Bailey
James Coleman	REAI	Andrea Patterson	Supreme Court
Joanna Hiller	IPC	Connie Bunder	Bunch
Brandon Fitzpatrick	DB Fitzpatrick	Lena Rupp	PERSI
Casey Macomb	DB Fitzpatrick	Jenny Flint	PERSI
Robert Schmidt	Milliman	Kathy Adams	PERSI
Jeff Bradley	Milliman	Larry Sweat	PERSI
Michael Iacoboni	Milliman	Kelly Cross	PERSI
Mark Olleman	Milliman	Kris Colt	PERSI
Chris Brechbuhler	Clearwater Advisors	Maria Quitugua	PERSI
Tim Dunn	Clearwater Advisors	Adel Stacy	PERSI
Bruce Reeder	Mountain Pacific	Rose Marie Sawicki	PERSI
Bill Palumbo	Mountain Pacific	Casey Hartwig	PERSI
Matt Lindstrom	Mountain Pacific		
Aysun Kilic	Rothschild Asset		

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 December 5, 2017 Board meeting. Trustee Gould seconded the motion and the motion passed unanimously.

Monthly Portfolio Update

Chief Investment Officer Bob Maynard gave the investment update; Mr. Maynard stated the US economy is healthy and has experienced a string of positive economic surprises. The labor markets are strong, inflation is benign, interest rates are low with only moderate increases expected, financial conditions are accommodative, corporate profits are high, and with the tax cuts, are expected to be even higher. World growth is synchronized, the dollar is strong, commodities are reasonable, risk measure are low and tending down, and no bubbles are apparent (outside of cryptocurrencies). There is a remarkable optimistic consensus by market participants about the health of the current markets and economies.

PERSI has started January exceeding the 2017 all-time highs and remains above the \$17 billion level at \$17.831 billion. The estimated funded status is 94.4%. The sick leave fund is at all-time highs at \$525 million with a +11.3% fiscal year to date return. Valuations in almost all capital markets are stretched, and are underpinned by record low interest rates that appear poised to rise with expected central bank tightening.

U.S. equities have risen +15.8% for the fiscal year, while developed market international equities are up +14.0%. Emerging markets have risen +21.2% while REITs are lagging at -2.8%. Private real estate is up +9.1% and private equity is up +6.9%. Investment grade bonds are +0.7% and TIPS are up +1.5%. Mellon Emerging Markets Index has the best return at +21.8%, while BLS has the best relative performance with a return of +18.9% being +3.6% above their World benchmark. The Mellon REIT index has the worst equity performance at -3.2%, while Bernstein Emerging has the poorest relative performance at +17.8%, which is -3.4% behind their benchmark. The fund as a whole is behind the 55% US equity, 15% EAFE, and 30% US Bond reference benchmark by -1.1% due primarily to the lagging performance of REITs, private real estate, and private equity compared to the US public equity market.

Investment Manager Comments:

The Investment managers who were present shared their opinions and predictions relative to the general market conditions.

Executive Director Update:

Executive Director Drum announced that the Payette River Regional Technical Academy is the newest employer to join PERSI. This is a mandatory employer and vote by the Board was not required. Executive Director Drum said that from 2010-2017 PERSI has added 82 new employers.

Executive Director Drum stated the Board requested last fall to start to discuss, debate and decide on plan assumptions. Executive Director Drum established that the assumption discussion will take place over the next few months and will focus on inflation, real return and nominal return (discount rate) assumptions. Inflation is a factor in general wage assumption but at this point PERSI will limit the initial focus to the assumption related to investment returns. PERSI will then discuss wage assumptions, mortality and other demographic assumptions.

Executive Director Drum then introduced Mark Olleman of Milliman who presented a report titled "Preliminary Economic Assumptions Discussion". The report provided information on inflation assumptions, peer group comparisons and details regarding the upcoming demographic assumption analysis. A preliminary analysis is estimated to be available sometime in April. Presentation given by Mr. Olleman was included in the materials provided to the Board. Milliman and Callan will give a joint presentation to the Board at the meeting in February.

Fiscal

Financial Executive Officer Alex Simpson presented the fiscal update on the Administration and Portfolio FY2018 expense reports. Mr. Simpson also reported the expense ratio comparison for budgeted vs actual year-to-date. PERSI is operating at target.

Executive Session

At 10:15 AM, Chairman Cilek stated the Board intended to move to Executive Session in accordance with Idaho Code 74-206(1)(f), 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 Price made a motion to go into executive session. Trustee Fisher seconded the motion and the Board voted unanimously via roll call vote.

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

Regular Session

The Board was called back into regular session at 11:20 AM and members of the public were invited into the boardroom. Based on discussion during the Executive Session, the Board authorized Scott Zanzig to proceed with statute and negotiate with Judge Elgee in regard to the court order.

At 11:35 AM, the meeting reconvened for a working lunch for general discussion on assumptions. Executive Director Drum asked for direction from the Board on what they would like to cover at the next meeting. The Board asked that a plan is built to look at economic assumptions over the next few months.

No other decisions were made, and there being no further business to come before the Board, the meeting adjourned at 1:40 PM.



Don Drum, Executive Director Date

 2-20-2018

Jeff Cilek, Chairman Date