



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., March 20, 2018. The following members were present:

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

Chairman 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, Deputy Attorney General Cheryl George, and Management Assistant Lena Rupp were also in attendance. Other persons attending all or portions of the meeting were:

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|---------------------|-------------------|--------------------|------------------|
| Robert Plumb | AEW | Jim Coleman | REAI |
| Mike Byrne | AEW | Bill Palumbo | MPIA |
| Bob Norberg | AEW | Matt Lindstrom | MPIA |
| Walter Bastis | AEW | Andrea Patterson | ID Supreme Court |
| Sally Haskins | Callan | Kris Colt | PERSI |
| Jonathan Gould | Callan | Rose Marie Sawicki | PERSI |
| Ann Mahrtdt | Empower | Casey Hartwig | PERSI |
| Connie Bunch | Retired Educators | Adel Stacy | PERSI |
| Brandon Fitzpatrick | DB Fitzpatrick | Kelly Rowlands | PERSI |
| Dennis Fitzpatrick | DB Fitzpatrick | Cecile McMonigle | PERSI |
| Tony Wilkins | BNY Mellon | Kelly Cross | PERSI |
| Chris Brechbuhler | Clearwater | Jenny Flint | PERSI |
| Rhet Hulbert | Clearwater | Diane Kaiser | PERSI |
| Jeff Bradley | Milliman | Lisa Conn | PERSI |
| Mark Olleman | Milliman | Andrea Fannesbeck | PERSI |

Acting Chairman Gould called the meeting to order at 8:30 AM. She welcomed everyone to the meeting.

Approval of the Minutes: Trustee Fisher made a motion to approve the minutes of the February 20, 2018 meeting. Trustee Price seconded the motion, which passed unanimously.

PORTFOLIO

Real Estate Update: Jonathan Gould with Callan provided a review of the PERSI real estate portfolio.
Real Estate Review: Michael Byrne with AEW provided an update on the PERSI real estate portfolio performance.

Monthly Investment Report: Chief Investment Officer Bob Maynard updated the Board regarding Year-to-Date and Month-to-Date returns.

The US economy is healthy and is still experiencing mostly positive economic surprises, labor markets are strong, inflation remains benign, interest rates are still low with only moderate increases expected, financial conditions remain accommodative, corporate profits are high and, with the tax cuts, are expected to be even higher. World growth is synchronized, the dollar is retreating but healthy, commodities are reasonable, risk measures overall remain low, and no bubbles are apparent (outside of cryptocurrencies). Valuations remain stretched, however.

Peregrine has the best absolute performance while BLS has the best relative performance with a return above their World benchmark. The Mellon REIT index has the worst performance while Bernstein Emerging has the poorest relative performance which is behind their benchmark. The fund as a whole is ahead of the 55% US equity, 15% EAFE, and 30% US Bond reference benchmark.

EXECUTIVE DIRECTOR

Executive Director Status Update: Executive Director Don Drum updated the Board regarding legislation, the status of a hearing held at the PERSI office, assumptions and the funding guidelines.

Legislation:

- HB 400, HB 401 and HB 402 have moved through the House. They passed on the house floor with a vote of 68 to 0.
- HB 399 is a bill being ran by the Department of Juvenile Corrections (DJC). The intent of the bill is to allow certain DJC staff to have police officer status for PERSI purposes. This bill was voted down on the Senate floor.
- HB401 has drawn opposition from the courts. We were able after two hearings to move it through Senate Commerce & Human Resources. It passed the Senate with a 21 to 14 vote.
- HB 427 is a bill that would change the wording of 59-1302(15). The wording of the change is very problematic. We contend the language as written would effectively close the PERSI base plan if it were to pass. PERSI has offered language which would sync the Statement of Propose and the bill. At this point no changes is recorded. We have heard nothing new on this bill.
- HB 569 involves reporting requirements by PERSI if we invest in firms who show a prejudice to Israel. This is a template bill being pushed nationally. The bill has not had a hearing and we have not heard more about it.
- SB 1263 is a bill to change the value of sick leave that will be credited to an employee's sick leave account when the employee retires. The bill has been signed by the Governor and will go in to effect in July.

Hearing update:

A hearing was held at the PERSI office on March 14th for Ken Geddes who is contesting his employment classification. PERSI is waiting for the Findings of Fact, Conclusions of Law and Recommended Order from the Hearing Officer.

Assumptions:

Milliman has completed PERSI's request to provide 12 scenarios with varying inflation and real return assumptions. PERSI also asked that Milliman estimate what, if any, impact the new Mortality

tables may have on our funded ratio and amortization period. Mortality will have approximately a .8% impact across the assumptions on funded ratio. Milliman will present and discuss the new mortality table recommendations as well as the assumptions scenarios at the April Board meeting.

Funding Guidelines:

A working draft of the funding guidelines has been provided to the Board for review. Revisions, drafts and further discussion will be scheduled for a future Board meeting. A final draft of the Funding Guideline does not have to be completed until September or October.

DEPUTY DIRECTOR

Deputy Director Status Update: Deputy Director Michael Hampton provided an operations update to the Board. Deputy Director Hampton requested permission from the Board to request an updated study from The Land Group in regard to the vacant 820 building. The last study was done around two years ago. The Board approved the request for an updated study and the options for what to do with the 820 building will be discussed at a future Board meeting.

Deputy Director Hampton also requested permission from the Board to proceed with an analysis for adding an option for in-service distribution prior to age 70.5 as well as adding a Roth deferral option for participants in the Choice 401(k) Plan. The Board approved the request for an analysis of plan document changes, cost impact and timeline for adding both of these options. The analysis will be available for review at a future Board meeting.

LEGAL

Hislop Disability Appeal: Deputy Attorney General Cheryl George stated that this is an appeal of a PERSI final decision denying Ms. Hislop's application for disability retirement benefits. A contested case hearing was held on October 2, 2017. The Hearing Officer found that Ms. Hislop did not meet her burden to prove by a preponderance of evidence that she meets the statutory definition of disabled under Section 59-1302(12), Idaho Code. Ms. Hislop requested reconsideration, but was late in filing the petition for reconsideration by the Hearing Officer. The hearing officer denied the petition for reconsideration. The Board considered the request for reconsideration as a timely filing of exceptions to the Board and her arguments were also considered. The additional evidence submitted by petitioner was not considered by the Board as it was not previously made available to PERSI during the disability assessment or reconsideration process pursuant to IDAPA 59.01.04.204. The Hearing Officer issued Findings of Fact, Conclusions of Law and Recommended Order on January 10, 2018, recommending that Ms. Hislop's application for disability retirement be denied.


Trustee Fisher made a motion that the Board accepts the hearing officer's recommendation that this application be denied. A voice vote was taken which passed unanimously.

FISCAL

Fiscal Update / Expense Reports: Financial Executive Officer Alex Simpson updated the Board on PERSI's year-to-date expense reports for the Administrative/ Portfolio funds.

Adjournment: There being no further business to come before the Board, the meeting adjourned at 11:00 a.m.


Don Drum, Executive Director Date

 4-17-18
Jeff Cilek, Chairman Date