



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., September 18, 2018. The following members were present:

Jeff Cilek
Kirk Sullivan
Joy Fisher
Celia Gould
Park Price

Executive Director Don Drum, Deputy Director Michael Hampton, Chief Investment Officer Bob Maynard, 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:

Casey Macomb	DB Fitzpatrick	Paul Yett	Hamilton Lane
Brandon Fitzpatrick	DB Fitzpatrick	Andrea Patterson	Judicial
Peter Schmole	Aberdeen Standard Investments	John Borne	Prudential
Brad Berls	Eide Bailly	Ann Mahrtdt	Empower
Jeff Bradley	Milliman	Dan Morrison	Empower
Robert Schmidt	Milliman	Ed Humphreys	Retired
Bill Palumbo	Mountain Pacific	Kody Krigbaum	PERSI
Bruce Reeder	Mountain Pacific	Jenny Flint	PERSI
Matt Lindstrom	Mountain Pacific	Diane Kaiser	PERSI
Chelsie Wardon	Mountain Pacific	Kelly Rowlands	PERSI
Rhet Hulbert	Clearwater	Lisa Conn	PERSI
James Coleman	REAL	Kelly Cross	PERSI
Travis Crump	Public/Student	Casey Hartwig	PERSI

At 8:35 a.m., Chairman Cilek called the meeting to order. He welcomed everyone to the meeting. Chairman Cilek stated that due to time restrictions the agenda items at the end of the meeting may need to be adjusted and that this would be decided toward the end of the meeting.

Approval of the Minutes: Trustee Fisher made a motion to approve the minutes of the August 21, 2018 meeting. Trustee Gould seconded the motion, which passed unanimously.

PORTFOLIO

Update – Hamilton Lane: Paul Yett presented the quarterly private equity portfolio update including portfolio highlights, activity and a performance summary. The private equity portfolio generated a net value gain of \$181.2 million during the year ending March 31, 2018. All quarters generated positive results. The portfolio outperformed the public benchmark by 31 bps since inception. Mr. Yett also presented a general update on the private equity market.

Monthly Investment Report: Chief Investment Officer Bob Maynard gave the investment update; after reaching all-time highs at the end of August, September saw retreats across the capital markets. So far this month the fund is down -0.4%, lowering the fiscal year return to +2.6% at \$17.855 billion. The sick leave fund is up +3.9% at \$539 million for the fiscal year.

This month US equities have risen +0.1% for a fiscal year to date return of +7.1%. International developed markets lost -1.1% for a -0.6% fiscal year return, global equities are down -0.3% for a +4.1% fiscal year so far, and bonds are down -0.6% for a +0.1% fiscal year return. Emerging markets have lost another -2.5% this month, for a -2.9% fiscal year to date return, REITS are also off -1.2% for a +2.3% fiscal year to date return, while TIPS have lost -0.9% to show a fiscal year to date loss of -0.6%. Private real estate has risen +1.7% this fiscal year while private equity is up +6.5%. The fund as a whole starts this year behind of the 55% US equity, 15% EAFE, and 30% US Bond reference benchmark by -1.2%, due primarily to lagging performance of emerging markets, REITs, private real estate, and global equities compared to the Russell 3000.

EXECUTIVE DIRECTOR

Preliminary Fund Actuarial Valuations – Milliman: Robert Schmidt with Milliman presented the 2018 preliminary actual valuations to the Board. This included the base plan, potential discretionary COLA, the Firefighters Retirement Fund (FRF) and the Judges Retirement Fund (JRF). The information presented by Mr. Schmidt included the current assumptions of 7% investment earnings, 3.75% age inflation and 3% price inflation as well as scenarios showing the proposed contribution rate increase effective July 1, 2019 and the discretionary COLA.

Executive Director Status Update: Executive Director Don Drum gave his monthly director status update to the Board. Director Drum reminded the Board that no decisions need to be made this month regarding contribution rates or COLA. At the October Board meeting the Board will need to make a decision regarding the proposed contribution rate. PERSI's net return for fiscal year 2018 was 8.5%, dropping the amortization period to 13.9 years. The reduced amortization gives the Board a variety of options to consider. The options are to take no action which would put the rate increase into effect on July 1, 2019, to postpone the rate increase one year until July 2020, or to eliminate the rate increase.

The Board will also need to make a decision on discretionary and retro COLA by no later than the end of the December Board meeting. The August to August CPI-U is 2.7%. Thus, the mandatory 1% COLA will occur and the Board has discretion to propose an additional 1.7% discretionary COLA. A 1.7% discretionary COLA with the implementation of the rate increase would raise the amortization period to 15.8 years. Proposing a 1.7% discretionary COLA and postponing the rate increase would result in an amortization period of approximately 16.8 years. Eliminating the rate increase and proposing the 1.7% discretionary COLA would raise the amortization period to 21.3 years. The Firefighters Retirement Fund funded ratio has improved to 136.2%. The Judges Retirement Fund amortization period has dropped to 11 years and is now funded at 84%.

Director Drum stated that his employer meetings conclude next week. He has completed 23 employer meetings and met with over 450 individuals representing PERSI's 800 plus employers.

When his meetings are over he will have completed 28 meetings for the year. One commonality all PERSI employers are encountering is recruiting and retaining skilled, quality employees. They all state that the PERSI benefit is a significant factor to their compensation package and gives them the ability to compete with private sector employers. Employers have mentioned that they prefer not to see contribution rates grow, but would rather accommodate a rate increase instead of a benefit change. All are interested in finding legislative modifications which would allow PERSI retirees to continue to work. Employers have full confidence in the Board to make the best decision to protect the fund.

New Employer – Gooding Fire District: Executive Director Don Drum presented the staff recommendation that the Board approve the admittance of the Gooding Fire District with an entry date of October 1, 2018.

Trustee Price made a motion to approve the addition of this new employer. Trustee Fisher seconded the motion, which passed unanimously.

New Employer – Emmett Irrigation District: Executive Director Don Drum presented the staff recommendation that the Board approve the admittance of the Emmett Irrigation District with an entry date of October 1, 2018.

Trustee Price made a motion to approve the addition of this new employer. Trustee Fisher seconded the motion, which passed unanimously.

LEGAL

Contested Case before the Board - Kenneth Geddes: Deputy Attorney General, Cheryl George, gave a brief background on the Kenneth Geddes contested case. Mr. Geddes asked the Board to reconsider its decision in the final order dated July 17, 2018. The Board held a special Board meeting on August 20th, 2018 to address the issue. The Board remanded the case back to the Hearing Officer to address questions raised by the Board during the August 20th meeting. On August 29th, 2018 the Hearing Officer issued a Supplemental Findings and Conclusions of Law.

Trustee Fisher stated there has been a lot of discussion and consideration regarding this contested case. Trustee Fisher moved to deny the motion for reconsideration and to adopt the Hearing Officer's Findings of Fact and Recommended Order and the Supplemental Findings of Fact and Conclusions of Law. Trustee Price seconded the motion. Trustee Gould opposed the motion. The motion passed by majority vote.

DEPUTY DIRECTOR

Deputy Director Status Update: Deputy Director Michael Hampton introduced Kody Krigbaum, who is a new member of the Program Department and is the new internal trainer for PERSI.

Deputy Director Hampton presented an application from Capital City Development Corporation (CCDC) who is seeking entry into the Voluntary Sick Leave Program as prescribed by Idaho Statute 59-1365. Staff has reviewed the application and has found CCDC to be in compliance with the requirements of Idaho Statute 59-1365 and PERSI Administrative Rules 59.01.06.576 through 59.01.06.578.

Trustee Fisher made a motion to approve the application submitted by Capital City Development Corporation. Trustee Gould seconded the motion, which passed unanimously.

Annual Performance Summary – Empower: Dan Morrison and Ann Mahrtdt with Empower Retirement gave an update on the Choice 401(k) plan. Mr. Morrison stated that of the 22 plan

sponsors that they record keep for, PERSI has the highest engagement level with the Empower team. Mr. Morrison also stated that Empower has learned many things over the last 18 months and they are very committed to continued growth and service improvement. Ms. Mahrdrdt gave a brief review of the Choice Plan activity over the last year as well as upcoming communications projects and participant outreach plans.

FISCAL UPDATE

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

FEO Simpson also stated that the fiscal department recently completed their audit and it went very well. The fiscal department also has their audit committee call in a couple of weeks.

EXECUTIVE SESSION

At 10:50 a.m. Chairman Cilek stated the Board intended to move to Executive Session in accordance with Idaho Code 74-206(1)(b) and Idaho Code 74-206(1)(f), to convene in Executive Session to consider personnel matters and to communicate with legal counsel to discuss legal ramifications of and legal options for pending litigations or controversies. Trustee Fisher made a motion to move into Executive Session. The motion was seconded by Trustee Price, and approved unanimously via roll call vote.

Trustee Gould excused herself from the remainder of the meeting prior to the end of the Executive Session.


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

REGULAR SESSION

The Board returned to regular session at 11:48 a.m. and members of the public were invited into the Boardroom. During the Executive Session the Board discussed the evaluation and compensation of Chief Investment Officer Bob Maynard.

Trustee Price made a motion for a 5% salary increase for CIO Maynard. Trustee Fisher seconded the motion, which passed unanimously.

Adjournment: No other decisions were made, and there being no further business to come before the Board, the meeting adjourned at 11:50 a.m.

 10-16-18
Donald D. Drum
Executive Director


Jeff Cilek
Chairman