



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., August 20, 2019. The following members were present:

Jeff Cilek  
Joy Fisher  
Celia Gould  
Park Price  
Darin DeAngeli

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	Brent Nye	Retired Educators
Nate Oakley	MPIA	Jim Coleman	Retired Educators
Bill Palumbo	MPIA	Sidney Robinson	Empower
Bruce Reeder	MPIA	Andrea Patterson	Judicial
Matt Lindstrom	MPIA	Kelly Rowlands	PERSI
Chris Brechbuhler	Clearwater	Mike Anderson	PERSI
Dan Bates	Clearwater	Adel Stacy	PERSI
Robert Schmidt	Milliman	Larry Sweat	PERSI
Bret Linton	Milliman	Maggie Smith	Legislative Services

At 8:35 a.m., Chairman Cilek called the meeting to order. He welcomed everyone to the meeting.

Approval of the Minutes: Trustee Gould made a motion to approve the minutes of the July 15, 2019 meeting. Trustee Fisher seconded the motion, which passed unanimously.

Trustee Gould made a motion to amend the minutes of the July 16, 2019 meeting to clarify that Julie Gschwind of Berkadia was not in attendance at the meeting, but rather, provided a hard copy of their full report and summarized their findings via e-mail. Trustee DeAngeli made a supplementary motion to also amend the July 16, 2019 minutes to remove the incorrect new employer header referencing the City of Harrison.

Trustee Fisher seconded both motions, which passed unanimously.

## PORTFOLIO

Quarterly Update – Callan: Ann O’Bradovich, Senior Vice President of Callan Associates, gave a second quarter and fiscal year 2019 performance evaluation update. Strong equity markets continued in quarter two adding to the sharp rebound from quarter one. High yield is the strongest performer in the U.S.

The DB fund ended its Fiscal Year with \$18.52B which is a net increase of \$1.07B since 2018 fiscal year end. The DB fund also earned a return of +8.4% during the fiscal year, topping the Policy Target return of 7.5%. The five-year DB return was +6.9%, surpassing the Policy Target return of +6.1%. Over the last 20 years, the DB fund has provided an average annual return of +6.6%, outpacing the Long-Term Target return of +6.0%. The PERSI DB fund ranked in the top decile of its Public Fund peers for FY 19. For the past quarter the BD fund outperformed the Policy Target by 33 basis points and by 88 bps for the past 12 months.

The DC fund total assets were \$1.04B as of June 30, 2018. This is the first time assets have been over the billion mark. The Total Return Fund (+\$8.1M) had the largest inflow followed by STIP (+0.9M). Outflows of \$0.2M were recorded for Mellon large cap, Mellon small/mid cap, and Brandes. The Sick Leave Plan is passively managed relative to the Long-Term Target of 55% US Equity, 15% Non-US Equity and 30% Fixed Income. The fund lagged the Target by eight basis points for the quarter. While the funds in aggregate slightly exceeded their benchmarks (+3bps), the overweight to Domestic Equity (-3bps) and Fixed Income (-9bps) deducted from the total relative return.

Ms. O’Bradovich reviewed the Choice 401(k) Plan structure including what options are included in each of the Tier 1, Tier 2 and Tier 3 groups. There are a total of 15 difference investment options in the Choice Plan of which eight are passively managed and seven are actively managed. The Total Return Fund (TRF) is the default option for the Plan. 78.7% of participations in the Choice Plan are in the TRF.

Monthly Investment Report: Chief Investment Officer Bob Maynard gave the investment update; the fund has fallen -1.5% so far this month, for a fiscal year return of -1.1% at \$18.310 billion. The sick leave fund is down -0.81% at \$562 million. This month US equities (R3000) are down -3.2% for a fiscal year to date return of -1.8%. International developed markets (MSCI EAFE) are down -4.3% for a FYTD loss of -5.5%. Global equities (MSCI World) have retreated -3.4% for a -2.9% fiscal year loss and bonds (BB Aggregate) advanced +2.3% for a new fiscal year gain of +2.5%. Emerging markets (MSCI Emerging) have tumbled -6.3% this month for a FYTD -7.4% return. REITS are up +1.6% for a fiscal gain of +3.2% while TIPS have risen +2.0% for a gain of +2.3% for the fiscal year. Private real estate is up +1.4% and private equity (-0.3%) is essentially flat with little cash flow and few new valuations so soon in the fiscal year. Growth maintains its substantial outperformance over value. Adelante has the best absolute return at +4.5% and Genesis has the best relative return to benchmark at -4.3%, which is +3.0% above their emerging markets benchmark. Bernstein Emerging has the lowest return thus far at -9.3%, while Brandes has the worst relative return at -6.1%, which is -3.2% behind their global equity benchmark. The fund as a whole is behind of the 55% US equity, 15% EAFE, and 30% US Bond reference benchmark by -0.1%, due primarily to the underperformance of global equity compared to US public equity.

## EXECUTIVE DIRECTOR

New Employer - Mandatory: Director Drum announced that Fern-Waters Public Charter School has joined PERSI effective July 1, 2019. They have seven employees and are located in Salmon. This is a mandatory employer and vote by the Board was not required.

Franklin County Appeal: Franklin County Probation, Franklin County Commissioners and Franklin County prosecuting attorney, Vic Pearson, submitted letters of appeal to the Board requesting inclusion of the Franklin County Juvenile and Misdemeanor Probation Officers under rule of 80. Director Drum stated that if the Board were to grant this request it would create inconsistency with other counties who have employees in the same positions. Statute states the Board may grant these requests but are not required to. Historically the Board has referred employers or employees making a request for rule of 80 to the plan sponsor (legislature).

Trustee DeAngeli made a motion that the Board reject the appeal and advise the petitioner to make their request to the plan sponsor. Trustee Gould seconded the motion. The motion passed unanimously.

#### DEPUTY DIRECTOR

Contested Case before the Board – Marta Smith: Deputy Director, Michael Hampton, presented the Board their options for this case including the following: schedule oral arguments by the parties before the Board prior to issuing final order, remand the matter for further evidentiary hearings or vocational assessment if further factual development is needed, or issue a final order accepting, rejecting or modifying the Recommended Order from the Hearing Officer.

Trustee DeAngeli made a motion that the Board accepts the Recommended Order from the Hearing Officer and that the disability be granted. Trustee Gould seconded the motion. The motion passed unanimously.

#### FISCAL UPDATE

FY 2021 Budget Request: Financial Executive Officer Alex Simpson presented the proposed request (staff recommendation) for the FY 2021 administrative and investment budgets. The administrative budget includes a request for an internal actuary, software licensing, two external retirement plan specialists, and general counsel for the Board. The investment budget includes reclassification of an existing PCN, increase in wages for recruitment of an investment officer and succession planning for a CIO. FEO Simpson stated that an additional administrative item for directors & officers liability insurance was not included in the proposed budget materials provided. The estimated cost for this is \$100k but PERSI staff is still waiting on a final number.

Trustee Gould stated that the Governor's office released a budgeting memo requesting that agencies reduce their budget requests and to also look for items that can be cut from base budgets. Director Drum stated that the PERSI funding does not come from the state general fund and that PERSI assets increased \$1B over the last fiscal year. The items being requested could potentially reduce external costs such as it brings more services in-house, specifically the request for an internal actuary.

Trustee Price made a motion to accept the staff recommended FY 2021 budget request including the estimated \$100k for D & O insurance. Trustee Fisher seconded the motion. The motion passed unanimously.

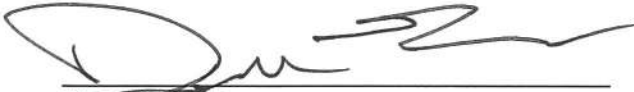
Fiscal Update / Expense Reports: Financial Executive Officer Alex Simpson updated the Board on PERSI's year-to-date expense reports and out of state travel.

Fiscal Year 2019 Financial Statements: Financial Executive Officer Alex Simpson stated that the FY 2019 year-end unaudited financial statements were enclosed in the packets for Board review. The final audited financial statements and additional detail that make up the financial section of the annual report are scheduled to be reviewed at the October meeting.


BOARD

The Board reviewed the preliminary agenda for September and discussed the possibility of moving the dates of the October or December meetings due to schedule conflicts. Bob Maynard, CIO, stated that the advisors and consultants who attend the December meeting may be unable to move dates. Chairman Cilek agreed to leave the December 3<sup>rd</sup> meeting date but asked that a survey be conducted of possible dates in October or November outside of the current meeting date of October 22<sup>nd</sup>. Management Assistant, Lena Rupp, will coordinate the survey results and report those to the Chairman for consideration. The Board also reviewed preliminary dates for the 2020 regular Board meetings. These dates will be confirmed at a future meeting.

Adjournment: No other decisions were made, and there being no further business to come before the Board, the meeting adjourned at 10:35 a.m.



Donald D. Drum  
Executive Director



Jeff Cilek  
Chairman