



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., February 26, 2019. The following members were present:

Jeff Cilek  
Joy Fisher  
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:

Brandon Fitzpatrick	DB Fitzpatrick	Chris Wester	PERSI
Brent Nye	REAI	Jenny Flint	PERSI
Robert Schmidt	Milliman	Diane Kaiser	PERSI
Bruce Reeder	Mountain Pacific	Kelly Rowlands	PERSI
Bill Palumbo	Mountain Pacific	Lisa Conn	PERSI
Nate Oakley	Mountain Pacific	Kelly Cross	PERSI
Matt Lindstrom	Mountain Pacific	Darren Trumbull	PERSI
Chelsie Wasden	Mountain Pacific	Jon Wald	PERSI
Brad Berls	Eide Bailly	Rose Marie Sawicki	PERSI
Chris Brechbuhler	Clearwater	Adel Stacy	PERSI
Dan Bates	Clearwater	Cecile McMonigle	PERSI
Andrea Patterson	Judicial	Jim Baker	Private Equity Shareholder Project
Ed Humphreys	Student		

At 8:32 a.m., Chairman Cilek called the meeting to order. He welcomed everyone to the meeting. Trustee Gould was absent and excused. Chairman Cilek stated that the agenda of the meeting is to be amended to remove the contested case matter regarding George Pauley. This case will be heard at a future meeting.

Approval of the Minutes: Trustee Price made a motion to approve the minutes of the January 14<sup>th</sup>, January 15<sup>th</sup> and January 29<sup>th</sup> meetings. Trustee Fisher seconded the motion, which passed unanimously.

## PORTFOLIO

Quarterly Update - Callan: Ann O'Bradovich from Callan Associates gave the Board an overall market review and summary for national and global markets. Ms. O'Bradovich also provided an update on the PERSI fund performance of the defined benefit, defined contribution and sick leave funds for Q4 of FY2018.

The defined benefit fund ended Q4 with \$16.6B (a decrease of \$1.3B during the quarter). The fund earned a return of -6.7% during the quarter, trailing the policy target by 33 bps. The five-year return was +5.7%, surpassing the policy target return of +5.1%. Over the last 20 years, the fund has provided an average annual return of +6.3%, outpacing the long-term target return of +5.6%. The fund underperformed the policy target by 33 basis points during the last quarter. The fund outperformed policy target by 13 basis points for the past 12 months, by 62 basis points for the past five years, and is in line with the policy target for the past 10 years.

The defined contribution plan has assets totaling \$905M as of December 31, 2018. The Total Return Fund had the largest inflow (+\$4.9M), followed by STIP (+\$1.9M). The largest outflow was from Dodge & Cox Income (-\$0.3M). The sick leave plan is passively managed relative to the long-term target of 55-15-30 with assets being invested in the State Street Global Advisors index funds. At the end of the 4<sup>th</sup> quarter, the Russell 3000 fund was underweight by 0.6% and the ACWI ex US fund by 1.5%. The bond fund was overweight by 2.1%.

Ms. O'Bradovich also presented results from Callan's 12<sup>th</sup> annual defined contribution trends survey (conducted fall of 2018).

Monthly Investment Report: Chief Investment Officer, Bob Maynard, gave the monthly investment update; February has seen the capital markets and the fund back within the return pattern. The January rebound has continued into the new month albeit at a slower pace. The fund has gained +2.1% so far this month, for a +3.4% return for the fiscal year to date at \$17.850 million. This represents a new return high for the fund, exceeding levels last seen in September of last year. The sick leave fund is up +2.5% for the fiscal year to date at \$535 million.

This month US equities are up +3.8% for a fiscal year to date return of +3.5%. International developed markets are up +2.1% for a -3.4% fiscal year return. Global equities are up +2.9% for a +0.6% fiscal year so far. Bonds are up +0.1% for a +2.9% fiscal year return. Emerging markets have risen +0.8% this month, for a +0.5% fiscal year to date return. REITS are up +2.2% for a +7.1% fiscal year to date return. TIPS have gained +0.3% to show a fiscal year to date gain of +0.4%. Private real estate has risen +7.7% this fiscal year. Private equity is up +8.5%.

For the fiscal year, Adelante (REIT manager) has the best return at +9.0%. Fiera has the best relative performance against their benchmark with a +7.1% return being +6.5% above their benchmark. Bernstein Global has the worst absolute as well relative performance against benchmark at -5.9%, which is -6.5% behind their benchmark. The fund as a whole is ahead of the 55% US equity, 15% EAFE, and 30% US Bond reference benchmark by +1.0%, due primarily to outperformance of private equity and real estate compared to the Russell 3000, as well as emerging markets outperformance compared to developed markets (EAFE).

Investment Manager Comments: The Investment Managers who were present shared their opinions and predictions relative to the general market conditions.

### EXECUTIVE DIRECTOR

Status Update: Executive Director, Don Drum, presented the Board a schedule of the intended meetings for the remainder of the year. Director Drum then gave an update on the bills currently being considered at the statehouse. Those include House bill 69, House bill 68, House bill 41, Senate bill 1070a, House bill 136 and House bill 177. House bill 177 will most likely replace House bill 136 as the bill wording is identical minus one small change in House bill 177 which adds the words "school resource officer" to one additional section.

### New Employer – Jerome Cemetery Maintenance District:

Executive Director, Don Drum, presented the staff recommendation that the Board approve the admittance of the Jerome Cemetery Maintenance District with an entry date of March 1, 2019.

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

### New Employer – City of Harrison:

Executive Director, Don Drum, presented the staff recommendation that the Board approve the admittance of the City of Harrison with an entry date of March 1, 2019.

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

### DEPUTY DIRECTOR

Disability Cases Review: Deputy Director, Michael Hampton, provided the Board with an update on FY 15 through FY 18 contested cases. Deputy Hampton provided statistics on the number of new applications & reconsiderations received as well as the results of those cases. Deputy Hampton also addressed S1070 which is a new piece of legislation currently being considered in this year's session. The legislation applies to PERSI members who have been approved for PERSI disability and would like to volunteer or work for nominal compensation. If passed, the bill would allow a person to work or volunteer ten (10) or less hours per week or earn twenty-five percent (25%) or less of the minimum benefit threshold per week as determined in section 59-1342, Idaho Code. An annual tax return will be required from individuals receiving PERSI disability and working within this guideline.

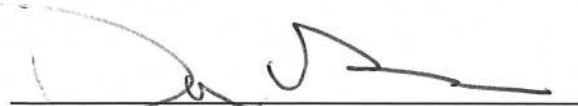
### FISCAL UPDATE

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

The Board reviewed the preliminary March Board meeting agenda. Chairman Cilek asked that special notice be taken for the reception that will be held for former Trustee Sullivan at the March meeting.

Director Drum stated that he had an additional update to his status. During his presentation for the House Commerce and Human Resources Committee earlier this month, Representative Anderson mentioned the possibility of a subcommittee being formed in regard to PERSI. Representative Anderson stated that the purpose of the subcommittee is to evaluate PERSI and the costs associated with PERSI. No further information has come forward in regard to the subcommittee but Director Drum will keep the Board informed as details become available.

Adjournment: No other decisions were made, and there being no further business to come before the Board, the meeting adjourned at 10:25 a.m.

  
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Donald D. Drum  
Executive Director

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Date

  
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Jeff Cilek  
Chairman

\_\_\_\_\_  
Date

3-19-19