



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 15, 2019. The following members were present:

Jeff Cilek
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	Tom Kealey	ID Commerce
Brandon Fitzpatrick	DB Fitzpatrick	Matt Borud	ID Commerce
Bret Linton	Milliman	Ann Mahrtdt	Empower
Robert Schmidt	Milliman	Eliza Storms	PERSI
Bruce Reeder	Mountain Pacific	Shasta Wardle	PERSI
Bill Palumbo	Mountain Pacific	Chris Wester	PERSI
Nate Oakley	Mountain Pacific	Jenny Flint	PERSI
Matt Lindstrom	Mountain Pacific	Diane Kaiser	PERSI
Brad Berls	Eide Bailly	Kelly Rowlands	PERSI
Chris Brechbuhler	Clearwater	Lisa Conn	PERSI
Dan Bates	Clearwater	Kelly Cross	PERSI
James Coleman	Retired Educators	Casey Hartwig	PERSI
Aysun Kilic	Rothschild & Co	Jon Wald	PERSI
Andrea Patterson	Judicial	Rose Marie Sawicki	PERSI
Travis Crump	Student	Adel Stacy	PERSI
Ed Humphreys	Student	Cecile McMonigle	PERSI
John Borne	Prudential		

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

Approval of the Minutes: Chairman Cilek requested the minutes of the December 3, 2018 meeting be amended to reflect that the meals for spouses in attendance were not paid for by PERSI nor the host, Hamilton Lane. Trustee Fisher made a motion to approve the amended minutes of the December 3, 2018 meeting. Trustee Gould seconded the motion, which passed unanimously.

Trustee Gould made a motion to approve the minutes of the December 4, 2018 meeting. Trustee Fisher seconded the motion, which passed unanimously.

Trustee Fisher made a motion to approve the minutes of the December 10, 2018 meeting. Trustee Gould seconded the motion, which passed unanimously.

PORTFOLIO

Private Equity Market Update – Hamilton Lane: Mario Giannini of Hamilton Lane presented a private market snapshot update to the Board. Global private markets fundraising is on pace to be strong and global private equity-backed buyout deal volume is steady over the past three quarters. The healthcare and computers/electronics industries are the leaders over the past 5+ years in regard to U.S. purchase price multiples. The bond market yield spread trend is signaling an economic slowdown but is still positive. Private equity liquidity ratios are trending higher in recent years compared to a decade ago which is consistent with record distribution activity in the market.

Second Quarter 2018 PE Portfolio Update – Hamilton Lane: Paul Yett of Hamilton Lane presented the private equity Q2 2018 portfolio update to the Board. The private equity portfolio experienced positive performance and returns for the second quarter of 2018. The net value gains were \$65.9 million for the private equity portfolio for Q2 of 2018. The portfolio generated net value gains of \$209.9 million for the year end of June 30, 2018. Distributions outpaced contributions each quarter leading to a net cash inflow of \$90.2 million.

Monthly Investment Report: Chief Investment Officer, Bob Maynard, gave the investment update; the fund has gained +2.5% this month, which reduces the fiscal year to date loss to -1.5% at \$17.020 billion. The sick leave fund is down -3.0% for the fiscal year to date at \$506 million.

This month US equities are up +4.1% for a fiscal year to date return of -4.4%, international developed markets are up +3.9% for a -8.3% fiscal year return, global equities are up +3.9% for a -5.8% fiscal year so far, and bonds are up +0.2% for a +1.8% fiscal year return. Emerging markets have gained +3.7% this month, for a -5.0% fiscal year to date return, REITS are up +4.0% for a -2.2% fiscal year to date return, while TIPS have gained +0.7% to show a fiscal year to date loss of -0.6%. Private real estate has risen +4.5% this fiscal year while private equity is up +10.2%. Growth has lost its longstanding lead over value so far this fiscal year.

For the fiscal year, private equity has the best return at +10.2% while Longview has the best public relative performance against their benchmark with a -0.1% return being +5.7% above their benchmark. Bernstein Global has the worst absolute, as well relative, performance at -10.6%, which is -4.9% behind their benchmark. The fund as a whole is ahead of the 55% US equity, 15% EAFE, and 30% US Bond reference benchmark by +1.4%, due primarily to outperformance of private equity and real estate compared to the Russell 3000.

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

EXECUTIVE SESSION

At 9:40 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 Fisher made a motion to go into executive session. Trustee Price 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 Price seconded the motion, which passed unanimously.

REGULAR SESSION

The Board was called back into regular session at 10:45 a.m. and members of the public were invited into the boardroom. Chairman Cilek stated that during the executive session the Board did not take any action or make any decisions.

LEGAL

The Board took no action on the lead plaintiff class action agenda item. The Board also took no action on the settlement of pending litigation agenda item.

EXECUTIVE DIRECTOR

Funded Status & Amortization Period Relationship – Milliman: Robert Schmidt of Milliman presented information to the Board regarding the relationship between the funded status and the amortization period. The Unfunded Actuarial Accrued Liability (UAAL) is funded through a percent of pay contributions. Assets have grown faster than payroll resulting in the amortization period being affected more by asset changes than it used to be in the past. The amortization period depends on the size of UAAL and the UAAL payment. The UAAL payment is less than 1% of asset value as of July 1, 2018. Mr. Schmidt discussed the importance of monitoring and managing the amortization period to make sure the UAAL payment meets objectives as well as continuing to analyze risk when considering discretionary COLAs and benefit changes.

Status Update: Executive Director Drum provided an update on upcoming legislative hearings and proposed legislation that PERSI has been made aware of. These include a return to work bill, legislative pension spiking, purchase of PERSI service by any public employer, rule of 80 for dispatchers, working and/or volunteering while on PERSI disability and return to work for magistrate judges.

Andrea Patterson from the courts was in attendance and spoke briefly regarding what "senior status" means for appellate, district and magistrate judges.

DEPUTY DIRECTOR

Sick Leave Follow Up: Deputy Director Hampton presented an update on the background and structure of sick leave including examples of handouts provided by the Office of Group Insurance and PERSI in relation to sick leave.

FISCAL UPDATE


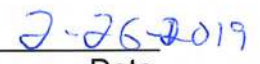
Fiscal Update / Expense Reports: Financial Executive Officer, Alex Simpson, updated the Board on PERSI's monthly out of state travel and year-to-date expense reports.

The Board reviewed the preliminary February Board meeting agenda.

Adjournment: No other decisions were made, and there being no further business to come before the Board, the meeting adjourned at 11:35 a.m.



Donald D. Drum _____ Date
Executive Director

Jeff Cilek _____ Date
Chairman