



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 17, 2019. The following members were present:

Jeff Cilek  
Joy Fisher  
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:

Brandon Fitzpatrick	DB Fitzpatrick	John Borne	Prudential
Justin Packard	DB Fitzpatrick	Greg Lindsey	Eaton Vance
Ann Mahrtdt	Empower Retirement	Tony Eldeen	DFM
Chelsie Wasden	MPIA	Hannah Felt	DHR
Bill Palumbo	MPIA	Ed Humphreys	Student
Bruce Reeder	MPIA	Brent Nye	Retired Educators
Matt Lindstrom	MPIA	Larry Sweat	PERSI
Chris Brechbuhler	Clearwater	Diane Kaiser	PERSI
Dan Bates	Clearwater	Kelly Rowlands	PERSI
Robert Schmidt	Milliman	Chris Wester	PERSI
Bret Linton	Milliman	Adel Stacy	PERSI
Ryan Cook	Milliman		

Trustee Celia Gould was absent and excused. At 8:35 a.m., Chairman Cilek called the meeting to order. He welcomed everyone to the meeting. Chairman Cilek stated that at the beginning of yesterday's meeting, the Board made a motion to approve the amended agenda adding an informal Board dinner. The motion also tentatively moved the DB Investment Policy Statement update up to Monday should time allow. If time does not allow, the DB IPS update will stay on the agenda for Tuesday. The motion passed unanimously. The DB Investment Policy Statement update was discussed at the end of the Monday meeting and is therefore removed from the Tuesday agenda.

Approval of the Minutes: Trustee Fisher made a motion to approve the minutes of the August 19 and August 20 meetings. Trustee Price seconded the motion, which passed unanimously.

## PORTFOLIO

Private Equity Update – Hamilton Lane: Paul Yett with Hamilton Lane presented the quarterly private equity portfolio update including portfolio highlights, activity, and a performance summary. The private equity portfolio generated positive performance across all time periods. The point-to-point Internal Rate of Return (IRR) for the nine months ending March 31, 2019 was 6.73%. The one year point-to-point IRR was 13.32%. The net value change increased \$73.7 million for the PE portfolio during the nine months ending March 31, 2019. The portfolio outperformed the public benchmark by 49 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; the fund has risen +1.3% so far this month, for a fiscal year return of +1.2% at \$18.701 billion. The sick leave fund is up +1.6% at \$576 million. This month US equities (R3000) are up +2.9% for a fiscal year-to-date return of +2.3%. International developed markets (MSCI EAFE) are up +4.3% for a FYTD gain of +0.3%. Global developed market equities (MSCI World) have advanced +3.2% for a +1.7% fiscal year gain. Investment grade bonds (BB Aggregate) are off -1.8% for a fiscal year gain of +1.0%. Emerging markets (MSCI Emerging) are up +4.4% this month for a FYTD -1.6% return, REITS are up +0.3% for a fiscal gain of +4.3%, while TIPS are off -2.1% to reduce the gain to +0.6% for the fiscal year. Private real estate is up +1.6% and private equity is up +2.1% for the fiscal year. Value stocks and mid/small cap stocks have recently rebounded substantially against growth and large cap stocks. Adelante has the best absolute return at +5.4% and Genesis has the best relative return to benchmark at +1.7%, which is +3.5% above their emerging markets benchmark. Bernstein Emerging has the lowest return thus far at -2.9%, while Peregrine has the worst relative return at -1.0%, which is -2.8% behind their large cap growth benchmark. The fund as a whole is behind the 55% US equity, 15% EAFE, and 30% US Bond reference benchmark by 0.5%, due primarily to the underperformance of global and emerging market equity.

## EXECUTIVE DIRECTOR

Preliminary Fund Actuarial Valuations – Milliman: Robert Schmidt with Milliman presented the 2019 preliminary actual valuations to the Board. This included the base plan, the Firefighters Retirement Fund (FRF) and the Judges Retirement Fund (JRF). The PERSI fund preliminary valuation shows that PERSI has 72,502 contributing active members (from 71,112 in 2018), 48,120 members receiving benefits (from 46,907 in 2018), 13,536 vested terminated members, and 26,331 non-vested terminated members, for a total of 160,489 members. The preliminary actuarial accrued liability as of July 1, 2019 is approximately \$18.6 billion and the approximate actuarial value of assets is \$17.01 billion, making an approximate unfunded actuarial accrued liability of \$1.57 billion. Resulting in a funding ratio of 92.5% and amortization period of 10.6 years. Milliman pointed out that the cost of a 1% Cost of Living Adjustment (COLA) for the current year has gone up to approximately \$100 million. Any discretionary COLA granted would be at an additional cost.

The Firefighter's Retirement Fund preliminary valuation as of July 1, 2019 shows a funded ratio of 150.2% with assets being at \$411.5 million. At this funded ratio, the Board would be able to consider possible changes to the 5% excess contribution rate and may discuss this at a future Board meeting.

The Judge's Retirement Fund preliminary valuation as of July 1, 2019 shows a funded ratio of 82.17% with an amortization period of 11 years.

Milliman will present the final valuation results at the November Board meeting. This will also include preliminary valuation results for the sick leave fund. A third-party actuarial audit was completed this year. These are routinely completed every 5-6 years. The purpose of the audit is to review Milliman's

practices and assist in fulfilling fiduciary duty by verifying that the right assumptions are being used to keep the fund whole.

Contribution Rates: Executive Director, Don Drum, presented contribution rate information regarding the base plan, COLA, sick leave plan and the Firefighter's Retirement Fund (FRF). PERSI experienced a good investment return for FY19 and there are not any proposed rate increases being considered. The current amortization period is approximately 11 years which allows the Board to consider a discretionary COLA in addition to the 1% mandatory COLA. The COLA decision needs to be made by no later than the end of the December Board meeting. The state portion of the sick leave plan is estimated to be funded at over 200%. At this funding level, the Board has the option to look at making changes to the sick leave plan. There is no deadline for making a decision on changes and the Board may add it as a discussion item to a future agenda. In January of 2015 the Board reduced the Firefighters Retirement Fund excess contribution to 5% and stated that if the funding ratio improved to 135% or better that additional reductions may be considered. Since the preliminary valuation estimates the funding ratio to be around 150%, the Board may wish to consider a reduction of the 5%. There is no deadline for a decision on the FRF and this may be added as a discussion item for a future Board meeting.

Director Drum is reaching the end of his 2019 statewide employer meeting tour with the final week starting on Monday in the Eastern part of the state. These meetings have been going very well.

#### DEPUTY DIRECTOR

Rules: Deputy Director Michael Hampton stated that in accordance with the Red Tape Reduction Act, staff has worked through PERSI rules to eliminate duplications, consolidate chapters and eliminate outdated language. PERSI staff is requesting that the Board approve PERSI IDAPA proposed rules as presented.

The Board reviewed and had a lengthy discussion on the proposed rules.

Trustee Price made a motion to approve the proposed rules as presented, with the exception of any and all changes made to rules 425 and 426. Also to authorize staff to make non-substantive changes, technical in nature only, to the rules prior to the submission deadline of October 16th, 2019. Trustee DeAngeli seconded the motion, which passed unanimously.

Contested Case before the Board – Keith Warner: Deputy Director 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 Fisher made a motion that the Board accepts the Recommended Order from the Hearing Officer and that the disability be denied. Trustee DeAngeli seconded the motion, which passed unanimously.

#### FISCAL UPDATE

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.

#### BOARD

Executive Session: At 10:55 a.m. Chairman Cilek stated the Board intended to move to Executive Session in accordance with Idaho Code 74-206(1)(b) to consider personnel matters.



Trustee Price made a motion to go into executive session. Trustee Fisher seconded the motion and the Board voted unanimously via roll call vote.

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

Chairman Cilek stated during Executive Session the Board discussed the evaluation and compensation of Executive Director Don Drum and Chief Investment Officer Bob Maynard. Chairman Cilek praised both Director Drum and CIO Maynard for their work and service.

Trustee Price made a motion for a 3% salary increase for both Director Drum & CIO Maynard to be implemented on the next pay period starting September 22<sup>nd</sup>. Trustee Fisher seconded the motion, which passed unanimously.

The Board reviewed the preliminary agenda for November. The Board also reviewed the preliminary 2020 Board meeting calendar. The Board will continue to review this calendar and the 2020 meeting 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 12:35 p.m.

  
Donald D. Drum  
Executive Director  
11-13-2019  
Date

  
Jeff Cilek  
Chairman  
11/12/19  
Date