



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 in-person and via Zoom at 9:30 a.m., December 1, 2020. 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, Chief Financial Officer Alex Simpson, Deputy Attorney General Cheryl George, and Management Assistant Lena Rupp were also in attendance.

Along with members of the general public, other persons attending all or portions of the meeting were:

Ann O'Bradovich	Callan	Steve Olsen	Attorney General
Stephen Weiss	IR & M	Jack Sommers	IR & M
Eric Belfi	Labaton Sucharow	Frank McConville	Labaton Sucharow

At 9:33 a.m., Chairman Cilek called the meeting to order. He welcomed everyone to the meeting.

Approval of the Minutes: Director Drum stated that the draft of the October 20th minutes should have additional wording to clarify that when 50/50 sick leave allocation was approved at the meeting this also moved the return assumption to 6.1% and adjusted the normal cost for both funds.

Trustee DeAngeli made a motion to add clarification to the October 20th minutes regarding the 50/50 allocation for both the state and school plans including the appropriate adjustments to the discount rate and normal costs for the plans (6.1% discount; 0.71% and 0.40% normal cost). Trustee Price seconded the motion, which passed unanimously.

There being no additional changes, Trustee Price made a motion to approve the minutes of the October 20 meeting with changes and the October 27 meeting. Trustee DeAngeli seconded the motion, which passed unanimously.

PORTFOLIO

Private Equity Update: Ann O'Bradovich with Callan Associates presented an overall market review and summary for national as well as global markets. In the Defined Benefit Plan, the Total Fund ended Q3 of calendar year 2020 with \$19.63 B which was a net increase of \$0.92 B. The fund also earned a return of 5.5%, lagging the Policy Target return of 5.8%. The five-year Total Fund return was 9.0%, surpassing the Policy Target return of 8.7%. Over the last 20 years, the

Total Fund has provided an average annual return of 6.3%, outpacing the Long-Term Target return of 6.0%. It ranked in the top quartile of its Public Fund Peers for the past quarter as well as the last 3, 5, and 7 years, and 25 years. It also ranked above median for the past 12 months as well as the past 10 and 20 years. The fund underperformed the Policy Target by 34 basis points during the past quarter and by 89 basis points during the past 12 months. However, the fund outperformed the Policy Target by 37 basis points for the past 5 years and by 23 basis points for the past 10 years. The Defined Contribution plan total assets as of June 30, 2020 totaled \$1,175.9 M. Of the assets in the DC plan, 78% is invested in the Total Return Fund. Since September 2011, the Sick Leave Plan has been passively managed relative to the long-term target of 55% US Equity, 15% Non-US Equity, and 30% Fixed Income. Assets are invested in index funds managed by State Street Global Advisors. At the October Board meeting the policy target was changed to 50% Public Equity and 50% Fixed Income. The new policy was implemented on October 23, 2020.

Monthly Portfolio Update: Chief Investment Officer, Bob Maynard, provided the investment update. November is seeing all-time highs, with returns of +9.2% at \$21.089 billion for a fiscal year to date return of +13.7% (the previous all-time monthly high return was in April of this year). The Sick Leave Fund is also up +13.4% at \$660 million. This month US equities are up +12.8% for a FYTD return of +20.5%. International developed markets have increased +17.0% for a fiscal year gain of +17.8%. Global developed market equities are up +13.6% to +19.0% for the fiscal year. Investment grade bonds have risen +0.9% for a fiscal year return of +1.1%. Emerging markets have gained +1.6% for a fund-leading fiscal year return of +24.9%. REITs have gained +13.9% for a fiscal year +11.9%. TIPS are up +0.9% to change the fiscal year return to +3.3%. Private real estate has a loss of -1.7% and private equity has gains of +18.1% for the fiscal year to date. For the fiscal year, Bernstein Emerging has the best absolute return at +24.9% and Brandes has the highest relative return to benchmark at +22.9% which is +3.9% above their MSCI World benchmark. Donald Smith has the lowest equity return at +1.8% and also the worst relative return at -25.5% behind their domestic equity benchmark. The fund as a whole is behind the 55-15-30 reference benchmark by -0.5% due to the underperformance of private assets and real estate (particularly private real estate) compared to the public US markets. Investment Officer, Richelle Sugiyama, provided general comments on market challenges, investments and the economy.

Investment Manager Market Commentary: Jack Sommers and Stephen Weis with Income Research + Management provided general bond market commentary. They have worked with PERSI since March of 2017.

EXECUTIVE DIRECTOR

New Employers: Director Drum presented the staff recommendation that the Board approve the admittance of the City of Star who has 15 employees. An actuarial assessment was not required.

Trustee DeAngeli made a motion to approve the addition of these new employers. Trustee Gould seconded the motion, which passed unanimously.

Funding Guidelines: The Board was provided with the most current draft of the funding guidelines. No additional changes or updates were requested during the meeting. Trustees will send changes to staff to incorporate into an updated draft. Chairman Cilek requested that this be added to the list of governance agenda items for the next meeting.

FISCAL

FY 2020 Budget: CFO Simpson presented the budget that was submitted in September for any additional changes. The Board approved two budget items in August, in October one budget item was removed. The item for discussion today is the investment officer position. The Board's understanding is that the position is no longer needed. Trustee Price made a motion to remove the

budget item for the third investment position. Trustee DeAngeli seconded the motion, which passed unanimously.

Chairman Cilek will contact the Governor's Office regarding the updated budget.

Sick Leave Update: Financial Executive Officer, Alex Simpson, gave a brief review of the new 50/50 sick leave plan allocation. The school sick leave plan and the state sick leave plan have also been prepared to be separated into individual accounts. Chairman Cilek requested that the final steps for separating the accounts be completed at the earliest convenience.

CAFR: CFO Simpson presented the FY2020 Comprehensive Annual Financial Report (CAFR). The software that was approved during the last budget cycle drastically improved the efficiency of the process for preparing the CAFR. Mr. Simpson thanked his team for all of their hard work and efforts in preparing the document. Chairman Cilek echoed the sentiments for the fiscal team and extended his thanks to Mr. Simpson for his leadership.

Quarterly Financial Reports: Financial Executive Officer, Alex Simpson, updated the Board on the quarterly financial statements and expense reports. There is currently no out of state travel being conducted.

Update/Expense Reports/Travel: FEO Simpson, gave the fiscal update and presented the expense reports. There is currently no out of state travel being conducted. He stated that the contribution amounts for employers are down from prior year reports because there are no sick leave contributions being collected. Director Drum stated that the state hiring freeze has been lifted so the recruiting will start again for the current open positions.

Trustee DeAngeli requested that additional analysis be done on the school portion of the Sick Leave plan. Director Drum will draft a plan for the analysis and send to the Board for approval before moving forward with Milliman.

BOARD

The Board reviewed the draft agenda for the January. It will be adjusted to accommodate the funding guidelines and potentially the sick leave study from Milliman. No additional changes were requested.

The Board reviewed the 2021 Board meeting dates. Changes were requested for the March dates as well as the start time for January. Director Drum stated that Mosaic may not need the entire year for governance sessions. He will check with Ms. McDuffee to confirm her tentative schedule.

Executive Session: At 11:44 a.m. Chairman Cilek stated the Board intended to move to executive session in accordance with Idaho Code §74-206(1)(f).

Trustee Price made a motion to go into executive session in accordance with Idaho Code §74-206(1)(f) to convene in executive session to communicate with legal counsel to discuss legal ramifications of and legal options for pending litigations or controversies. Trustee Gould seconded the motion and the Board voted unanimously via roll call vote.

Upon conclusion of the executive session, Trustee Price made a motion to return to regular session. Trustee Gould seconded the motion, which passed unanimously.

Regular Session: The Board returned to regular session at 1:20 p.m. Chairman Cilek stated during executive session no decisions were made.

Contested Case: Deputy Attorney General, Steve Olsen, presented the Board their options for case 06-19 pertaining to Kuna Rural Fire District's appeal of the Director's denial of KRFD Board of Commissioners' notice to stop payment to the Firefighters' Retirement Fund. These options are 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 to adopt the revised proposed final order from DAG Steve Olsen that the Board is in agreement of the recommended decision and the petition for reconsideration be denied. Trustee Gould seconded the motion, which passed unanimously.

Class Action: Chairman Cilek stated that the Board has discussed the Wells Fargo class action and consideration of being lead plaintiff. The Board requested that the Office of the Attorney General provide a written opinion regarding lead plaintiff status. The Board has only participated as lead plaintiff in one other class action case and would like to receive more information and direction before moving forward on a decision regarding being lead plaintiff. The Board has until December 29th to make a decision on the perspective of being lead plaintiff in this case and will work with Labaton Sucharow on any questions they may have. A special Board meeting will be held if it is determined that a formal decision is needed.

Adjournment: There being no further business to come before the Board, the meeting adjourned at 1:35 p.m.



Donald D. Drum
Executive Director

1-27-2021

Date



Jeff Cilek
Chairman

1-26-21

Date