



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 20, 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, 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	Jim Coleman	REAI
Justin Packard	DB Fitzpatrick	Andrea Patterson	ID Supreme Court
Nate Oakley	MPIA	Scott Zanzig	Attorney General
Bruce Reeder	MPIA	Ann O'Bradovich	Callan Associates
Matt Lindstrom	MPIA	Kelly Rowlands	PERSI
Bill Palumbo	MPIA	Larry Sweat	PERSI
Chelsie Wasden	MPIA	Lisa Conn	PERSI
Brad Berls	Eide Bailly	Adel Stacy	PERSI
Chris Brechbuhler	Clearwater	Jon Wald	PERSI
Robert Schmidt	Milliman	Mike Anderson	PERSI
Sidney Robinson	Empower Retirement	Diane Kaiser	PERSI
Ann Mahrtdt	Empower Retirement	Kelly Cross	PERSI
Oscar Lopez	Empower Retirement	Maria Quitugua	PERSI

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

Chairman Cilek stated that the PERSI fund broke the \$20 billion mark for the first time in the history of the fund. He offered his congratulations to everyone at PERSI as it is a great achievement for all.

Approval of the Minutes: Trustee Fisher made a motion to approve the minutes of the January 21 and January 22 meetings. Trustee DeAngeli 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 FY2019. The Total Fund ended the 4th quarter of 2019 with \$19.61 B, a net increase of \$1.02 B. PERSI Total Fund earned a return of 5.8%, beating the Policy Target return of 5.5%. The five-year Total Fund return was 8.2%, surpassing the Policy Target return of 7.3%. Over the last 20 years, the Total Fund has provided an average annual return of 6.3%, outpacing the Long-Term Target return of 5.9%. PERSI Total Fund ranked in the top decile of its Public Fund Peers for the last 3 years. PERSI has ranked in the top quartile for the last quarter, year, 3 years, 5 years, and 25 years, and above the median for the last 7, 10, and 20 years. The Total Fund outperformed the Policy Target by 34 basis points during the past quarter, by 156 basis points for the past 12 months and by 84 basis points for the last 5 years.

For the defined contribution fund, total assets as of December 31, 2019 totaled \$1.128 B. The Total Return Fund had the largest inflow (+\$6.7M), followed by Mellon Large Cap and Calvert Balanced (both +\$0.5M). T. Rowe Price Small Cap and Brandes International were the only two funds with outflows. The Total Return Fund lagged the Long-Term Index by 54 bps and Calvert fell short of its benchmark by 67 bps for the quarter. The Sick Leave Plan is passively managed relative to the Long-Term Target of 55% US Equity (Russell 3000), 15% Non-US Equity (MSCI ACWI ex US), and 30% Fixed Income (Bloomberg Barclays Govt/Credit). Assets are invested in index funds managed by State Street Global Advisors. At the end of the 4th quarter, the Russell 3000 Fund was overweight by 2.2%, while the ACWI ex US Fund was underweight by 1.8% and the Bond Fund by 0.4%. The Total Fund lagged the Target by 7 bps for the quarter. Among Public Funds, the performance of this plan ranked in the top decile for all periods under consideration, from 5th for the last year to 10th for last quarter and last 5 years.

Monthly Investment Report: Chief Investment Officer, Bob Maynard, gave the investment update; US equities (R3000) are up +5.0% for a fiscal year to date return of +15.7%. International developed markets (MSCI EAFE) have risen +1.8% for a FYTD gain of +7.0%. Global developed market equities (MSCI World) have advanced +3.9% for a +13.0% fiscal year gain and investment grade bonds (BB Aggregate) are flat to leave the fiscal year gain at +4.4%. Emerging markets (MSCI Emerging) have recovered +4.2% for a FYTD gain to +6.6%. REITs (DJ Select REIT) reversed recent losses to add +4.9% for a fiscal year gain of +11.2%, while TIPS are down -0.3% for a gain of +4.0% for the fiscal year. Private real estate is up +4.4% and private equity is up +4.7% for the fiscal year. For the fiscal year to date, Peregrine has the best absolute return at +21.5% and Adelante has the best relative return to benchmark at +14.7% (+3.5% above their emerging market benchmark). Bernstein Emerging has the lowest equity return thus far at +5.6%, while Brandes has the worst relative return at +7.1% (-5.9% behind their global equity benchmark). The fund as a whole is behind the 55% US equity, 15% EAFE, and 30% US Bond reference benchmark by -2.0%, due primarily to the relative outperformance of the Russell 3000 compared to other assets.

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

## EXECUTIVE DIRECTOR

Legislative Update: Executive Director, Don Drum, updated the Board on the current legislative session. Discussions with legislators regarding possibly making adjustments or changes to the system are happening more often. These discussions seem to be primarily cost of living allowance based. HCR30 intent was to stop the retro COLAs as moved by the Board in December but still allow the discretionary and mandatory COLA. Per Idaho Statute, the legislature has until the conclusion of the 45th day to amend the COLA recommendation. Since that did not happen, as the



deadline was the 19th of February, the Board recommended COLA will go into effect March 1st. HB448 is still being held by the House Commerce & Resources Committee awaiting a hearing. If passed, this bill would change how COLAs are handled moving forward. The bill language requires 100% funded status, employer contributions under 10% and employee contributions under 6%. This is problematic as Idaho Statute states that contributions cannot be below normal cost which is 14.93% as of the last valuation. Director Drum has been asked to present COLA information to this committee on Tuesday. Director Drum anticipates the COLA and contribution rates being a main point of discussion for the next while. Part of his statewide tour this summer will focus on meeting with legislators and public officials to educate them more on PERSI history, statute and practices. The legislature is the plan sponsor and the only ones who can make changes to the plan (with the exception of contribution rates).

The Office of Performance Evaluations gave a presentation to the Joint Legislative Oversight Committee on February 5th regarding chained CPI-U. Idaho Code dictates how PERSI must use the CPI-U. If there is a change to use chained CPI-U instead, this may result in litigation as this will impact retiree benefits. The other three PERSI bills (HB370, HB371 & HB372) were passed by the House without any opposition. They are now being held in the Senate Commerce & Human Resources Committee awaiting a hearing. Director Drum met with Senator Bair & Senator Patrick regarding the “notwithstanding” language in the appropriations bill. At this point JFAC is inclined to leave the language in the bill as they would prefer to maintain control through the appropriations process. Director Drum plans to have future discussions with the committee chair regarding this request.

New Employer: Director Drum presented the staff recommendation that the Board approve the admittance of the Wilderness Ranch Fire Protection District. They have one employee. When a new employer requests to join PERSI, the withdrawal process and penalties are explained. The employer also signs an acknowledgement form regarding this information.

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

#### DEPUTY DIRECTOR

Omnibus PERSI Rules: Deputy Director, Michael Hampton, presented information on the rules reauthorization process and subsequent request being made today by PERSI staff. The Governor has anticipated the possibility that the rules reauthorization process that occurred last year will occur again if the Legislature does not pass the concurrent resolution extending the current pending rules. To address this, the Governor has asked all boards or commissions to convene and properly authorize a Notice of Adoption of Temporary Rule.

Trustee Gould moved that pursuant to Section 67-5226, Idaho Code, the Governor has found that temporary adoption of this rule is appropriate to protect the public health, safety, and welfare of the citizens of Idaho and confer a benefit on its citizens. These rules implement the duly enacted laws of the state of Idaho, provide citizens with the detailed rules and standards for complying with those laws, and assist in the orderly execution and enforcement of those laws. The expiration of these rules without due consideration and processes would undermine the public health, safety and welfare of the citizens of Idaho and deprive them of the benefit intended by these rules. Therefore, we are adopting this temporary rule to be effective upon sine die of the 2020 session of the Idaho Legislature. The approval is conditional and will only become effective if the rules are not otherwise approved or rejected by the Legislature and/or not extended pursuant to the Idaho Administrative Procedure Act, including sections 67-5291 and 67-5292, Idaho Code. Trustee Price seconded the motion, which passed unanimously.



Trustee DeAngeli further moved that the Board delegate to the Executive Director the authority to make and approve all notices and filings under the rulemaking process. Trustee Fisher seconded the motion, which passed unanimously.

RFP Choice 401(k) Plan: Deputy Hampton stated the record keeper RFP process for the Choice 401(k) Plan is drawing to a conclusion. Staff has completed a substantial amount of the final tasks and no additional information has been obtained to change the rankings of the offerors, as presented to the Board in January. Initial contract review has been completed and offerors have responded and accepted the contract. Reference checks have also been completed. If anything substantial comes up to change the ranking, PERSI staff will notify Chairman Cilek immediately. PERSI staff is recommending that the Board approve Empower Retirement as offeror most likely to be awarded the Choice Plan record keeper contract.

Trustee Gould made a motion to accept the staff recommendation of Empower Retirement as offeror most likely to be awarded based upon technical merit and price and also to delegate to the Executive Director the authority to negotiate, make and approve the final contract in conjunction with this award, with coordination with and approval of the Board Chair. Trustee Fisher seconded the motion which passed unanimously.

Employer Withdrawal: Deputy Hampton stated PERSI received notice that the Board of Directors of the Idaho Public Employees Association (IPEA) approved a resolution to dissolve. The notice included that final operations were anticipated to cease on February 28, 2020. Under Idaho Code 59-1326, this dissolution would be deemed a withdrawal by PERSI, and as such a withdrawal liability must be calculated. Staff contacted Milliman and a withdrawal liability \$167 was calculated and has since been paid by IPEA. The Targhee Regional Public Transportation Authority (TRPTA) has filed for Chapter 9 bankruptcy. It appears their assets exceed their liabilities so there is an opportunity for PERSI to get paid the full amount of the withdrawal liability due. In Idaho Code, PERSI is included in those second in line to get paid funds due. This is currently in the court system and is being worked through but this is a lengthy process and a final resolution will take time. If there is an outcome where PERSI is not able to collect the full liability due, only those employees of TRPTA will be effected. All other employers and employees are protected by code language.

## FISCAL UPDATE

Quarterly Financial Statements/Expense Reports/Travel: Financial Executive Officer, Alex Simpson, updated the Board on year-to-date expense reports and financial statements. The Board also reviewed the out-of-state travel report.

## 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)(f) to communicate with legal counsel to discuss legal ramifications of and legal options for pending litigations or controversies.

Trustee Price made a motion to go into executive session. Trustee Gould 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.

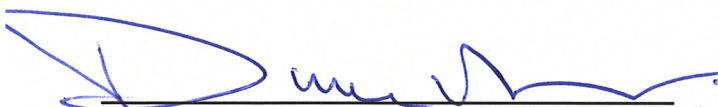
## REGULAR SESSION

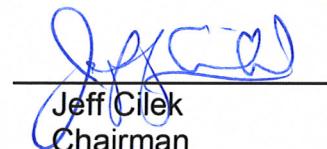
The Board returned to regular session at 11:30 am. Chairman Cilek stated during Executive Session no decisions were made.



The Board reviewed the draft agenda for March and preliminary draft agenda for April. Chairman Cilek requested another executive session to be added to the March agenda. He also requested that a staff highlight agenda item be included as a standing agenda item going forward. The Board would like to be involved in the recognition of PERSI staff who go above and beyond their regular duties.

Adjournment: No other decisions were made, and there being no further business to come before the Board, the meeting adjourned at 11:40 am.

  
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Donald D. Drum  
Executive Director  
Date 3-11-2020

  
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Jeff Cilek  
Chairman  
Date 3-11-20