



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 22, 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, 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	Brent Nye	Retired Educators
Casey Macomb	DB Fitzpatrick	Suzanne Guinard	ID Supreme Court
Nate Oakley	MPIA	Kelly Rowlands	PERSI
Bruce Reeder	MPIA	Larry Sweat	PERSI
Matt Lindstrom	MPIA	Lisa Conn	PERSI
Bill Palumbo	MPIA	Chris Wester	PERSI
Chelsie Wasden	MPIA	Adel Stacy	PERSI
Rhet Hulbert	Clearwater	Jon Wald	PERSI
Chris Brechbuhler	Clearwater	Mike Anderson	PERSI
Robert Schmidt	Milliman	Diane Kaiser	PERSI
Jack Boren	Epic Ventures	Kelly Cross	PERSI
Ann Mahrdt	Empower Retirement		
Oscar Lopez	Empower Retirement		

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

Approval of the Minutes: Trustee Fisher made a motion to approve the minutes of the December 2 and December 3 meetings. Trustee Gould seconded the motion, which passed unanimously.

PORTFOLIO

Monthly Investment Report: Chief Investment Officer, Bob Maynard, gave the investment update; January has seen a continuation of the capital markets' advance and new PERSI highs in both returns and assets. So far this month (and new calendar year) PERSI has returned +1.6% for the month and a +8.4% gain for the fiscal year to date at \$19.930 billion. The sick leave fund is up



+9.9% for the fiscal year to date at \$626 million. So far in January, US equities (R3000) are up +3.1% for a fiscal year to date return of +13.8%. International developed markets (MSCI EAFE) have risen +0.4% for a FYTD gain of +7.6%. Global developed market equities (MSCI World) have advanced +10% for a +8.3% fiscal year gain and investment grade bonds (BB Aggregate) have added +0.5% to increase the fiscal year gain to +3.0%. Emerging markets (MSCI Emerging) are up +2.9% so far this month for a FYTD gain of +10.5%. REITs (DJ Select REIT) have reversed recent losses to add +2.0% for a fiscal year gain of +7.6%. TIPS are up +0.5% for a gain of +2.6% for the fiscal year. Private real estate is up +4.3% and private equity is also up +4.3% for the fiscal year. For the fiscal year to date, Peregrine has the best absolute return at +15.4% and Genesis has the best relative return to benchmark at +14.3% (+3.9% above their emerging market benchmark). Mellon REIT has the lowest equity return thus far at +7.4%, while Brandes has the worst relative return at +9.3% (-2.8% 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 -1.2%, 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. Director Drum presented to the Change in Employee Compensation (CEC) Committee on January 3<sup>rd</sup>. The topics that committee members seemed to be the most interested in was the Cost of Living Allowance (COLA) that was granted by the PERSI Board in December as well as excess monies in the Sick Leave Fund. Deputy Hampton presented the PERSI rules to both the Senate and House Committees. They passed both Committees and will now progress to the floor for voting. The main concern during the rules presentations is the current situation with a PERSI employer who has recently filed for Chapter 9 bankruptcy and has delinquent contributions due to PERSI. One of the rules presented to the Committees clarifies the process for this type of situation and how it will be handled should it happen again in the future. This is the first time that PERSI has had to deal with an employer withdrawal from the system that involves a bankruptcy. PERSI staff will update the Board as more information becomes available. There may need to be legislation proposed in the future to address situations such as this. The JFAC presentation on January 16<sup>th</sup> was successful. Chairman Cilek & Director Drum had an impromptu meeting with a small group of legislators and Legislative Services (LSO) staff. This meeting briefly focused on the current status of the Sick Leave fund and if any of that money can be moved out for other purposes. The main focus of the meeting, however, was on the COLA. The main concern was why a COLA outside of the mandatory 1% was passed in the same year that contribution rates were increased rather than lowering rates back down. There is a possibility of legislation coming forward to prevent the COLA as passed by the Board from being passed by the legislature. The legislature has the ability to pass, modify or reject the COLA. Director Drum is drafting a letter to those who were in attendance at the meeting to address the questions brought forward. Chairman Cilek stated that it is in the best interest of everyone that any decisions made in regard to the Sick Leave fund need to be carefully considered because a mistake this year could result in a negative impact and consequences in the future. Chairman Cilek thanked Director Drum for all of his work so far this legislative session.

New Employers: Director Drum presented the staff recommendation that the Board approve the admittance of the Lemhi County Library District (10 employees), the City of Peck (9 employees) and the North Lake Sewer and Water District (11 employees) all with an entry date of February 1, 2020.

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



## DEPUTY DIRECTOR

820 Building Update: Jon Wald, Purchasing Agent for PERSI, presented an update on the demolition of the former PERSI office, also known as the “820 building”, which was adjacent to the existing PERSI building. Mr. Wald opened his presentation by showing a short two minute video of the start of the demolition through the parking lot construction. The PERSI Board initially approved the demolition of the building at the July 2018 Board meeting. Demolition officially began in August of 2019 after the asbestos abatement was completed. The parking lot construction began in October of 2019 and will be 100% completed sometime this spring after the landscaping is installed. The new parking lot is not quite in the exact same spot as the old PERSI building due to a 25-foot setback required by Ada County. The project is on target with the allocated budget and should be fully completed slightly under budget.

Rules & Insurance Update: Deputy Director, Michael Hampton, presented an update in regard to PERSI rules and the Office of Group Insurance (OGI). The reauthorization of PERSI rules has been presented and approved by both of our germane committees. In accordance with the Governor’s Red Tape Reduction Act, PERSI was able to consolidate our rules into two (2) chapters, eliminate 13 pages and make the rules more readable and understandable. Further work will be required in conjunction with Governors new executive order “Zero-Based Regulation” which is a five-year plan to fully review all of the rules again. PERSI staff will bring rules before the Board as an agenda item sometime after the conclusion of this year’s legislative session. PERSI has been informed that a provider has been approved and an agreement reached to add Long Term Care (LTC) to the retiree offerings through OGI. This will authorize sick leave funds to be utilized for the payment of LTC premiums for State retirees. OGI has not finalized the offering for distribution to State retirees yet, but PERSI has established the account in our system based upon the agreement and will be ready to process premium payments as soon as it is available through OGI.

Contested Case before the Board – David Gunter: 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 DeAngeli stated that these cases are always hard for everyone involved to work through including the Board. The statute seems simple enough with two main requirements that must be met by the petitioner but there is a massive amount of judgement required by the Board.

Trustee DeAngeli made a motion that the case be remanded back to the Hearing Officer to issue a recommended order taking into consideration the vocational assessment dated July 3, 2019 offered by the petitioner without additional briefing or hearing. Trustee Gould seconded the motion, which passed unanimously.

## FISCAL UPDATE

Quarterly Financial Statements/Travel: Financial Executive Officer, Alex Simpson, updated the Board on PERSI’s year-to-date expense reports and out of state travel. Mr. Simpson stated that this year’s expenses are consistent with that of last year. PERSI currently has three (3) open positions and is anticipating the upcoming budget allocated purchases for the IT department. Fiscal staff is continuing to meet with auditors to streamline fiscal processes.

## BOARD

The Board reviewed the preliminary agenda for February with no current request for changes. The draft agenda will continue through the agenda building process.



Donald D. Drum  
Executive Director

Jeff Cilek  
Chairman

Date \_\_\_\_\_