



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 via Zoom at 9:30 a.m., July 21, 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 via Zoom. Members of the public were welcomed to the meeting telephonically.

Other persons attending all or portions of the meeting via Zoom were:

Ann O'Bradovich	Callan	Kelly Cross	PERSI
Robert Schmidt	Milliman	Rhett Hurlbert	Clearwater
Bret Linton	Milliman	Andrea Patterson	Idaho Courts

At 9:30 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 May 18, May 19, June 16 and June 23 meetings. Trustee Gould seconded the motion, which passed unanimously.

PORTFOLIO

Monthly Portfolio Update: Chief Investment Officer, Bob Maynard, provided an investment update. June's return of +1.7% capped a +10.9% quarter and a +3.1% fiscal year at \$18.717 billion. This represented a remarkable rise from the lows of March 23rd, where the fund was down -20.2% for the calendar year and -14.8% for the fiscal year at \$15.606 billion. The sick leave fund ended the fiscal year +5.0% at \$589 billion. July (and the new fiscal year) so far show a return of +3.0% at \$19.293 billion. The estimated funding ratio is 89.7%. The sick leave fund is also up +3.3% at \$608 million. This month US equities (R3000) were up +2.3% for a fiscal year return of +6.5%, international developed markets (MSCI EAFE) were up +3.4% to reduce the FYTD loss to --4.7%, global developed market equities (MSCI World) rose +2.7% for a +3.4% fiscal year return, and investment grade bonds (BB Aggregate) advanced +0.6% to raise the fiscal year gain to +8.7%. Emerging markets (MSCI Emerging) gained +7.4% to lower the FYTD loss to -3.0%, REITs (DJ Select REIT) rose +1.8% for a fiscal year return of -17.7%, while TIPS were up +1.1% for a gain of +8.3% for the fiscal year. Private real estate is up +8.1% and private equity is down -6.1% for the fiscal year. For the fiscal year to date Peregrine has the best absolute and relative return at +37.5% which is +19.7% above their US equity benchmark. The Mellon REIT index fund has the



worst absolute return at -17.7% while Brandes has the worst relative return at -10.8%, which is -14.2% behind their World benchmark. The fund as a whole was behind the 55-15-30 benchmark by -2.9% due to the underperformance of global equity, private equity, and REITs compared to the R3000. Investment Officer, Richelle Sugiyama, provided general comments on market challenges, investments and the economy.

### EXECUTIVE DIRECTOR

Director Drum stated that the fund amortization is under the 25 year threshold at approximately 20 years. Initial COLA discussions will be included in the August or September Board meeting. The estimated CPI-U is under 1%. Historically when the CPI-U has been under 1%, the Board has used retroactive COLAs to make up the difference. All retro COLAs have been granted, however, so if the final CPI-U is in fact less than 1% the COLA for next year would also be less than 1%.

New Employers - Mandatory: Director Drum announced that Mosaics Public School, Doral Academy of Idaho, Pinecrest Academy of Idaho, Island Park Charter School and Hayden Canyon Charter School have joined PERSI. These are mandatory employers and vote by the Board was not required.

Legislative Ideas: Director Drum presented the legislative ideas that PERSI is considering for the upcoming session. Regarding the definition of an employee primarily to simplify the definition and resulting eligibility, particularly 8-month seasonal employees. The other group that is not considered an employee is those working within the definition of part-time. Originally seasonal employee status was added to code to allow a person to work temporarily for an employer according to jobs affected by the growing season. Growing season has since been removed from the code and calendar year was added. There is also some ambiguity regarding what the break of service needs to be for seasonal employees. The goal is to address the deficiencies in the code and clearly define a seasonal worker, clearly define a break in service and clearly define a bona fide termination. PERSI had multiple definitions of break in service and are considering standardizing these definitions to the same amount of time for all statuses. Other pension systems throughout the nation vary greatly in their definitions but 60-days seems to be a medium among systems. This would also help with the return to work status because it would help define a clear and distinct break in service. Additionally, PERSI staff is looking to add a definition of bona fide separation of service to the statute to also assist with this. Lastly, PERSI is seeking to gain statutory authority to perform national FBI background checks on new hires. This is a more thorough check than currently performed by the Idaho State Police and only certain agencies have statutory authority. PERSI staff will also look again at PERSI rules and change or eliminate rules in conjunction with the ongoing Red Tape Reduction Act. PERSI staff will continue to work through these legislative ideas and begin writing draft legislation to bring forward to the Board.

Sick Leave Experience Study: Robert Schmidt with Milliman presented preliminary results of the 2020 sick leave experience study. Sick leave is broken into two separate groups which are state and schools. Mr. Schmidt reviewed the demographics of those included in the sick leave fund including accruals, payouts, forfeitures, terminations and retirement rates. Milliman examined the current discount rate of 7% against discount rates of 6.5%, 6% and 5% to see how the liability and funded ratio was impacted. Changing the inflation percentage did very little to impact the liability due to inflection being a component of the discount rate as well as salary. Next steps for the Board would be discussion and decision regarding demographic and economic assumptions for the upcoming valuation reports. Milliman would also like to continue working with PERSI staff and the Board to establish a funded ratio target as well as hold additional discussions regarding the sick leave rate holiday which is set to expire June 30, 2021. Director Drum stated that the state has increased their options for the use of the sick leave fund which may adjust the forfeiture numbers. Schools have also been increasing available use of sick leave funds for employees. The final sick



leave experience study will be included as a decision item on the August agenda. Director Drum will contact the Office of Group Insurance to find out what additional expanded benefits are being considered for the sick leave fund.

#### DEPUTY DIRECTOR

Rules Review: Deputy Hampton reviewed the rules that are no longer valid due to the passage of House Bill 371 repealing and replacing 59-1303 police officer member status during this year's legislative session. The existing rules refer to old legislation prior to the repeal and replacement. Additionally, with the passage of the SECURE Act by congress the RMD age was changed from 70.5 to age 72. The PERSI proposed change updates the rule to be in accordance with the SECURE Act. PERSI staff will continue to review the existing rules and change or remove where appropriate.

Trustee Fisher moved to adopt rules changes and have them go into effect without any additional Board vote. Trustee Price seconded the motion, which passed unanimously.

Background Check RFP: Deputy Hampton stated that he has already reviewed this information with the Board prior to today's meeting. PERSI staff will be moving forward with the proposed legislation to gain authority for FBI background checks for new hires. There was no further discussion.

Public Safety Permanent Disability Benefit Request: Deputy Director, Michael Hampton, presented an application for the one-time public safety permanent disability benefit in the amount of \$100,000 as provided in Idaho Code §59-1352A.

Mr. Dustin Hale applied for the PSOPDB, as required by Idaho Statute §59-1352A. MMRO determined that the public safety officer has been ruled permanently disabled, the disability did occur in the line of duty, the disability was not the result of intentional misconduct and/or self-inflicted, and that the officer was not voluntarily intoxicated at the time of the event.

Staff agrees with MMRO's review and recommends the Board approve Mr. Dustin Hale's application for the \$100,000 Public Safety Officer Permanent Disability Benefit.

Trustee DeAngeli requested that the PERSI DAG send out case memo information on PSOPDB cases prior to the Board meeting the same as the information received for regular contested cases.

Trustee DeAngeli made a motion to approve the request for the public safety permanent disability benefit for Mr. Hale. Trustee Fisher seconded the motion, which passed unanimously.

#### FISCAL

Weekly Board Report: Portfolio Accounting Manager, Mike Anderson, reviewed the details included in the weekly investment report that he sends to the Board from fiscal. The report includes overview information on all of the funds including the sick leave fund.

Quarterly Financial Statements/Expense Reports/Travel: Financial Executive Officer, Alex Simpson, updated the Board on year-to-date expense reports and financial statements.

Fiscal Year 2022 Preliminary Budget: FEO Simpson reviewed the 2022 preliminary budget request. There are no individual line items included in the FY22 budget outside of regular I.T. replacement items. Director Drum stated that potential additions would be a salary increase for the investment manager position that is currently in the interview phase. This request would depend on the outcome of the interviews. The other is a request for an update to the internal member services system. Discussion on this system will be included in the upcoming strategic planning sessions.

The final budget will be presented at the August Board meeting. The submission deadline is September. PERSI experienced minimal financial impact and did not submit any items for reimbursement through the CARES Act.

#### BOARD

Executive Session: At 12:00 p.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 DeAngeli made a motion to go into executive session. Trustee Fisher seconded the motion and the Board voted unanimously via roll call vote.

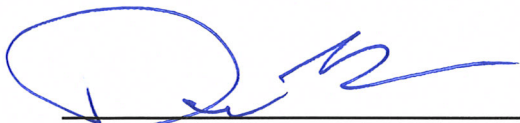
Upon conclusion of the executive session, Trustee Gould made a motion to return to regular session. Trustee Fisher seconded the motion, which passed unanimously.

Regular Session: The Board returned to regular session at 12:40 p.m. Chairman Cilek stated during executive session no decisions were made.

After a brief discussion by the Board, Trustee Gould made a motion to elect Trustee Fisher as vice chairperson for the PERSI Retirement Board. Trustee DeAngeli seconded the motion, which passed unanimously. Trustee Fisher did not vote.

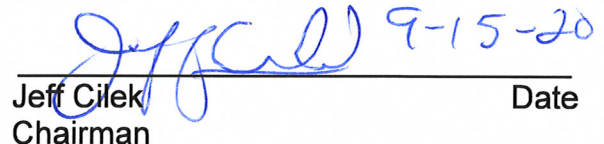
The Board reviewed the draft agenda for the August Board meeting. Director Drum stated that the funding guidelines will be included in the governance agenda for August. This will allow for enough time for discussion before the fall. An executive session was also added to both Monday & Tuesday's meetings for additional discussion for the Executive Director and Chief Investment Officer evaluations. Although the Board would prefer to meet in person, the August meetings will be held via Zoom unless there is a positive shift in the covid environment.

Adjournment: No other decisions were made, and there being no further business to come before the Board, the meeting adjourned at 12:47 p.m.



Donald D. Drum  
Executive Director

Date



Jeff Cilek  
Chairman

Date