



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 2:00 p.m., May 18, 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 Webex or in-person.

Other persons attending all or portions of the meeting either in-person or via Webex were:

Amy McDuffee	Mosaic Governance	Susan Buxton	Division of Human Resources
Keith Reynolds	Department of Admin	Ann O'Bradovich	Callan
Faith Cox	Department of Admin	Andy Snook	Attorney General Office

At 2:05 p.m., Chairman Cilek called the meeting to order. He welcomed everyone to the meeting.

Amy McDuffee of Mosaic Governance reviewed the agenda for the meeting.

Keith Reynolds (Director of the Department of Administration) and Faith Cox (State Risk Manager at the Department of Administration) gave an overview of Board liability insurance coverage provided through risk management as well as information on independent coverage for the Board. As fiduciaries of the fund, the Board requested clarification of the nature and extent of insurance provided by risk management. Coverage is largely governed by the Tort Claims Act which states coverage shall be provided for defense of employees and indemnify against any claims for actions that are within course and scope of the job. Assignment of counsel is determined by risk management after review of any claim and consultation with the agency that is involved. Assignment of counsel is typically an attorney through the Attorney General office unless there is need for someone with more subject matter expertise, AG office staffing is limited or the case is in a different part of the state. Counsel outside of the Attorney General office would be hired in the event of one of those three situations. As long as the reason for the claim is within the course and scope of Board duties risk management would handle the claim. The determination of whether or not actions named in a claim are within allowed coverage is made either by a judge or by a third party. Idaho Statute 59-1305 also gives the Board authority to provide or refuse the defense of Trustee in the event of legal action and to pay any fees out of trust assets. In regard to an independent policy, Ms. Cox stated that the Board should keep in mind that if the Board decides to move forward with a commercial product, typically in the event of a claim the private insurance

company does not allow for counsel selection by the Board or inclusion in a settlement decision. Risk management, however, works with agencies to determine the best counsel for the claim or if a settlement would be most appropriate. Department of Administration will do an analysis of the documents that the Board currently has, as well as the current coverage and any potential gaps. They gather information regarding a commercial product that would provide the coverage the Board is looking for. Director Drum will follow up with the Department of Administration on policy options as well as the Division of Financial Management to verify whether or not purchase of a private policy would have to be appropriated. He will update the Board at the July meeting. Andy Snook with the Office of the Attorney General will revisit the 2005 AG agreement and provide an updated analysis to the Board. Once the Board makes a final decision on liability coverage, Ms. McDuffee will incorporate the information into the governance policy manual that is currently being drafted.

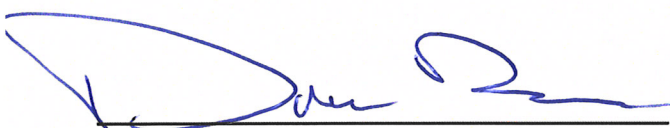
Mr. Snook gave an update on general counsel for the Board. As stated in Idaho Statutes 67-1401 and 67-1406, PERSI is not an exempted agency and therefore legal services are provided by the Office of the Attorney General. This is sometimes through the appointment of a full time Deputy Attorney General (which PERSI already has) or a special DAG may be assigned if a given situation calls for it. PERSI has two main concerns in regard to legal representation. These are cases where the parties involved are all being represented by the Office of the Attorney General and secondly who PERSI would contact if they feel their representation needs are not being met. Mr. Snook stated that PERSI is always welcome to voice any representation concerns with our in-house DAG, the AG office or with Lawrence Wasden directly. PERSI staff has been in discussion with the AG office (namely Mr. Snook) in regard to a second full time Deputy Attorney General being assigned to PERSI. With the current budget holdbacks, the Division of Financial Management advised that dedicated fund issues are not subject to the same restrictions as general fund agencies but asked that we be prudent with our budget going forward. Director Drum will continue to work with the AG office and DFM but a second DAG may not be able to be assigned during this budget year. In the short term, the AG office has been able to provide all legal services currently needed by PERSI and the Board. AG office also willing to include a second DAG request for PERSI in their next year's budget request. The AG office will work on more consistency with which attorneys are assigned to PERSI cases moving forward. Director Drum will work with PERSI DAG George as well as Mr. Snook to provide an update on a possible budget decision unit at the July Board meeting.

Executive Director Drum updated the Board on all the positions included in the budget. Since the hiring freeze announcement, PERSI determined that not all current vacant positions are deemed essential. One newly open position is the administrative assistant for the fiscal department. Tess Myers has given her retirement notice and will be leaving at the end of the month. She is a key person within that department and thus this position has been deemed essential by the Division of Human Resources. If any additional positions become vacant during the hiring freeze, PERSI will work with DHR to determine whether they are essential or not and if they should be posted for hiring. The two retirement specialist positions currently covered by Empower Retirement staff will not be posted at this time. This may change in the future but for now Empower Retirement staff will continue to provide Choice Plan 401(k) education to membership. The internal actuary position, if filled, comes with approximately \$150,000 to \$200,000 of savings in actuarial services if filled and thus was determined to be essential. DHR Director Susan Buxton stated that she has extensive experience with hiring actuaries and is ready to post this position as soon as the announcement and job description are ready. If the salary does not attract qualified applicants, the position and available budget will be reviewed and possibly taken back to the Joint Finance and Appropriations Committee. Another option is to move money from other vacant positions to the actuary position. PERSI staff will consult with the Board before any action is taken on moving funds around. As long as work is being done to fill the position, DHR will work with the Governor's office to prevent it from being removed from the budget.

Investment Officer Richelle Sugiyama provided additional updates on the open investment officer position. Portfolio is in the process of reviewing the applications that have been received, has information regarding salary expectations and will continue to work with DHR as they move through the candidate selection/interview process. Trustee Gould stated that she is not comfortable with money being moved from any other open positions to cover a salary gap for the investment officer or the internal actuary positions if there proves to be one. There are some challenges with interviews due to worldwide quarantine restrictions. Trustee Fisher stated she understands Ms. Sugiyama's concern regarding face-to-face interviews and that the Board would also most likely prefer to meet face-to-face with applicants once PERSI staff get to that point in the interview process. Chairman Cilek confirmed that the Board is available for meetings with applicants. In addition to the available salary and in-person interviews, there is concern regarding the ability to perform national background checks on final applicants. Director Buxton stated that arrangements can be made to get nationwide background checks for the applicants where appropriate. She also stated that nationwide background checks are typically dependent on the position being hired for and other state agencies have agencies that they use for nationwide searches when necessary. DHR has been using a statewide contract but is also able to hire outside agencies for this service. Director Buxton stated as a general rule that there are situations where certain searches cannot be performed unless approved in statute. If statute doesn't give authority, under certain federal law there is no authority to do searches. However if there is a final candidate selected for the portfolio position, DHR will be able to work through the process of doing a nationwide background check on that candidate. Trustee Gould expressed concern and the importance of background checks and asked that this topic be included in the Governance process. Portfolio will proceed with phone screening of selected applicants, including the disclosure of the salary maximum. Trustee Gould volunteered to participate in the screening process as needed.

Ms. McDuffee discussed the tentative agenda for the July governance meeting which includes review of the final funding guidelines draft, review and possible adoption of the first group of policies for the governance manual and a review of the investment policy statement for the defined contribution plan. Discussion and possible Board action regarding appointment of a Vice Chairman for the PERSI Board will also be added to the July agenda. Director Drum and Deputy Hampton will also look into starting an RFP process for an agency to conduct national background checks for new employees hired by PERSI. They will provide an update on this at the July meeting.

Adjournment: No other decisions were made, and there being no further business to come before the Board, the meeting adjourned at 4:55 p.m.



Donald D. Drum
Executive Director

Date



Jeff Cilek
Chairman

7/22/2020
Date