



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 12:00 p.m., September 14, 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.

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

Amy McDuffee	Mosaic Governance	Robert Schmidt	Milliman
Ann O'Bradovich	Callan	Ryan Cook	Milliman

At 12:05 p.m., Chairman Cilek called the meeting to order. He welcomed everyone to the meeting.

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

Deputy Director, Michael Hampton, presented a brief overview of each plan that is overseen by the Board. These include the Defined Benefit, Firefighters Retirement Fund, Idaho Falls Police, Judges Retirement Fund, State Sick Leave and School Sick Leave. The Defined Benefit plan is also referred to as the Base plan. The FRF plan has only one remaining active member. The Idaho Falls Police plan was merged into PERSI back in 1970 and has no active members. Director Drum stated that the main purpose of the discussion was to provide information of the differences between the plans for use by the Board as it proceeds with discussions on asset allocation or any other changes.

Robert Schmidt of Milliman provided a review of sick leave scenarios including de-risking versus eliminating contributions as well as continuing the rate holiday versus returning to normal cost. The scenarios were based on the discussion with the Board at the last meeting as well as additional discussions with Callan and PERSI staff. Both the state and sick leave plans are open and active members are accruing benefits. The assets in the plan have to cover both the increase in liability and the earning of the new benefits every year. If the asset return can't cover both, the funded ratio will deteriorate over time. De-risking reduces volatility but this will also result in lower returns. Current statute does not allow the use of excess assets for anything outside of sick leave benefits, however, the legislature could consider changes that might enable use of excess assets for benefit enhancements or other objectives. Ryan Cook of Milliman offered comments regarding how the

liability, inflation assumption and normal cost rate information was used for the projection calculations. Director Drum stated that he will ask Paul Madden (attorney for PERSI) to provide a written opinion in regard to use of sick leave funds by the state for other purposes than sick leave benefits. Use of these funds would require action by the legislature and the action would have to specifically state that the funds will be used for a specified governmental purpose. Based on the discussion, Milliman will work with Callan to create additional scenarios for the Board to review at the October meeting. The additional scenario information will also be used for future asset allocation discussions.

Director Drum stated that the official CPI-U came out at 1.3% so there will be a decision and discussion regarding the 0.3% discretionary COLA. Along with this is the funding guideline document that the Board has been working through and last discussed at the March governance meeting. The adoption of an updated funding guideline does not have to be made at the same time or before the COLA decision. These two items will be added to the agenda for the October meeting. A final COLA decision is due by the December Board meeting. Director Drum stated that during his employer meetings this year he has been discussing resetting COLA expectations along with stabilizing contribution rates. Employers have been receptive and understanding of this goal.

Ms. McDuffee and her staff have been working with PERSI staff on completing the long range planning internal and external surveys. This process has been going very well and the participation response has been positive. The data collected will be shared with PERSI staff and presented to the Board at the November governance meeting.

The governance policy manual has been updated to include the policies adopted by the Board at the last meeting as well as updated and new drafts of policies for the Board to review. CIO Maynard stated some concerns with portions of the wording of the Chief Investment Officer Responsibilities policy regarding hiring and managing staff. Further discussion was held during the executive session. Updated drafts of this policy and the Chief Investment Officer Evaluation policy will be reviewed during the October governance meeting.

The Board reviewed the updated draft of the Board Education policy and requested no changes. PERSI staff will provide educational opportunities as they become available during the year. They will also provide an annual document of ongoing educational and conference opportunities. Trustee Gould made a motion to approve the Board Education policy as provided in the packet. Trustee Fisher seconded the motion, which passed unanimously. The Board also reviewed the updated draft of the Trustee Travel and Expense Reimbursement policy. Ms. McDuffee will make changes as requested by the Board and will bring a revised draft for review at the October governance meeting. Lastly, the Board reviewed the Long Range Planning policy and requested no changes. Trustee DeAngeli made a motion to approve the Long Range Planning policy. Trustee Fisher seconded the motion, which passed unanimously.

Director Drum provided an update on the Board liability insurance. Director Drum met with Faith Cox with Risk Management at the Department of Administration as well as Admin Director, Keith Reynolds. They are drafting a Memorandum of Understanding (MOU) to the Board regarding fiduciary insurance coverage. Once it is received, Director Drum will forward to the Board for review prior to the next governance meeting. Director Drum also spoke with Andy Snook at the Office of the Attorney General regarding the 2006 MOU. Mr. Snook stated that he did not believe a new MOU from the Attorney General's office would be required. He also stated that if any issues do come up regarding coverage, that those would be addressed at that time. Statute states that the Board has the ability to use system funds to procure additional insurance, however, the Board would have to work through the AG office to do so. Director Drum will take the updated MOU as provided by the Department of Administration to the AG's office for review to confirm coverage as

stated by Risk Management. The Board will decide steps for moving forward once the new MOU is provided and reviewed by the Office of the Attorney General.

The internal actuary position has been posted with a salary range of \$127,000-\$132,000 as allowed by the appropriated budget. Chairman Cilek and Trustee DeAngeli met with the Governor's office in regard to general counsel for the Board. The Board is seeking counsel with specific, as well as general, expertise in fiduciary matters. The Board will continue to work through this with the Governor's office as well as the Attorney General's office. Legislative ideas have been submitted including Trustee service and 8-month seasonal employment. Director Drum stated that the internal audit process has resulted in some discovery of 8-month seasonal employment misuse. The language as written would provide more clarity as to who qualifies and require clear breaks in service.

Executive Session: At 2:53 p.m. Chairman Cilek stated the Board intended to move to executive session in accordance with Idaho Code 74-206(1)(a) to consider hiring a public officer, employee, staff member or individual agent.

Trustee Gould made a motion to go into executive session. Trustee DeAngeli 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 Gould seconded the motion, which passed unanimously.

Regular Session: The Board returned to regular session at 5:02 p.m. Chairman Cilek stated during executive session no decisions were made.

Trustee DeAngeli and Trustee Gould, along with input from the full Board, will draft a memo regarding the hiring process going forward which will be sent along with the budget. Trustee DeAngeli made a motion to approve the budget request with the single line item for an increase of \$83,400 in wages for the recruitment of PCN 0077 with an understanding that authorization is not given for the new position to be hired at a salary greater than the existing investment officer position. Trustee Fisher seconded the motion, which passed unanimously.


Trustee Gould stated that although she is voting to approve the motion she believes the Board is in an untenable position regarding the portfolio budget which does not allow the Board adequate decision making ability to honor their fiduciary responsibility. She understands that the Board must operate as allowed within the political arena, however, the restrictions being placed on the budget will most likely not sustain appropriate operations into the future.

Recess: The Board recessed at 5:10 p.m. and moved locations to 1137 W River Street, Boise Idaho.

Reconvene: The Board reconvened at 5:30 for an informal dinner and interview of one of the applicants for the investment officer position.

Adjournment: No other decisions were made, and there being no further business to come before the Board, the meeting adjourned at 8:30 p.m.


Donald D. Drum
Executive Director
10-20-20
Date


Jeff Cilek
Chairman
10-20-20
Date