



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 8:30 a.m., September 15, 2020. The following members were present:

Jeff Cilek  
Joy Fisher  
Celia Gould  
Darin DeAngeli

Trustee Price was absent and excused. 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:

Robert Schmidt      Milliman      Ann O'Bradovich      Callan

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 August 17 and August 18 meetings. Trustee DeAngeli seconded the motion, which passed unanimously.

PORTFOLIO

Monthly Portfolio Update: Chief Investment Officer, Bob Maynard, provided the investment update. This month began with a drop in fund returns of -1.7% lowering the new fiscal year-to-date return to +5.6% at \$19.717 billion (after hitting new all-time highs on September 2<sup>nd</sup> at \$20.278 billion). The sick leave fund is up +4.8% at \$621 million. This month US equities (R3000) are down -4.7% for a FYTD return of +8.0%. International developed markets (MSCI EAFE) have fallen -0.6% for a fiscal year +7.0%. Global developed market equities (MSCI World) are down -3.5% for a +7.9% fiscal year-to-date return. Investment grade bonds (BB Aggregate) are up +0.2% for a fiscal year return of +0.8%. Emerging markets (MSCI Emerging) are down -0.8% to reduce the fiscal year return to +10.4%. REITs (DJ Select REIT) are off -1.8% for a fiscal year +2.2%, while TIPS are losing -0.5% to change the fiscal year return to +2.9%. Private real estate has a loss of -1.2% and private equity has gains of +9.6% for the fiscal year to date. For the new fiscal year, Donald Smith has the best absolute and relative return to the benchmark at +12.4% (+7.8% above their US equity mid/small cap benchmark). Adelante, with their REIT portfolio, has the worst equity absolute return at +0.9% while Peregrine has the worst relative return at +5.0% (-5.0% behind their large cap US equity benchmark). The fund as a whole is behind the 55-15-30 benchmark by -0.1% due to the underperformance of real estate compared to the US equity market. Investment Officer, Richelle Sugiyama, provided general comments on market challenges, investments and the economy.



## EXECUTIVE DIRECTOR

New Employers: Director Drum presented the staff recommendation that the Board approve the admittance of the West Pend Oreille Fire District who has five employees and the Bonneville County Fire District #1 who has four employees. An actuarial assessment was not required for either employer.

Chairman Cilek asked what the threshold is that would trigger the need for an actuarial assessment. Financial Executive Officer, Alex Simpson, stated that he believes an assessment is done when there are 25 or more employees entering the system.

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

Preliminary Actuarial Valuations: Robert Schmidt from Milliman presented the 2020 preliminary valuation information (fiscal year ending June 30<sup>th</sup>) for the base plan, the Firefighters Retirement Fund (FRF) and the Judges Retirement Fund (JRF). The PERSI fund preliminary valuation shows that PERSI has 73,657 contributing active members (from 72,502 in 2019), 49,573 members receiving benefits (from 48,120 in 2019), 13,788 vested terminated members, and 28,157 non-vested terminated members, for a total of 165,175 members. After estimated loss and gains, the preliminary actuarial accrued liability of the base plan as of July 1, 2020 is approximately \$19.8 billion and the approximate actuarial value of assets is \$17.3 billion, making an approximate unfunded actuarial accrued liability of \$2.4 billion. Resulting in a funded ratio of 87.7% and amortization period of 20.5 years. This is without any discretionary COLA. Since the CPI-U was published at 1.3%, there is a 0.3% potential discretionary COLA at an estimated cost of \$30 million (0.4 year amortization increase). Final valuation reports will be presented at the December 1 Board meeting. The July 1, 2020 FRF preliminary funded ratio is 158.6% and the JRF funded ratio is 80.71%. PERSI staff will begin working with Milliman on analysis of the FRF funding and will present this information at a future Board meeting.

Sick Leave: The sick leave discussion was completed during the Monday meeting and no further sick leave discussion was held.

## FISCAL

Update/Expense Reports/Travel: Financial Executive Officer, Alex Simpson, gave the fiscal update and presented the expense reports. There is currently no out of state travel being conducted.

## BOARD

The Board reviewed the 2021 meeting dates and will bring any requested changes to the next Board meeting. Trustee Fisher has a conflict for the October 19<sup>th</sup> governance session so this meeting will be moved to a new date. PERSI staff will work with the Board on scheduling a new October date for governance and applicant interviews. The October 20<sup>th</sup> regular meeting will stay as scheduled.

Executive Session: At 10:20 a.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 DeAngeli seconded the motion, which passed unanimously.

Regular Session: The Board returned to regular session at 12:38 p.m. Chairman Cilek stated during executive session no decisions were made.

Chairman Cilek stated that the Board agreed not to move forward on the hiring strategy memo discussed yesterday. It will not be included with the approved budget information from yesterday. He also instructed Director Drum and CIO Maynard to work together with the Division of Financial Management and the Division of Human Resources to determine the process to proceed with an offer for the third investment officer.

Adjournment: No other decisions were made, and there being no further business to come before the Board, the meeting adjourned at 12:40 p.m.

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

  
Jeff Cilek  
Chairman  
10-20-20  
Date