



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 in-person and via Zoom at 12:00 p.m., December 6, 2021. 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, 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                       | Bill Raver    | PERSI |
| Ann O'Bradovich | Callan Associates                       | Tom Lee       | PERSI |
| Greg Allen      | Callan Associates                       | Bob Storer    | PERSI |
| Robert Schmidt  | Milliman                                | John Skjervem | PERSI |
| Robert Klausner | Klausner, Kaufman,<br>Jensen & Levinson |               |       |

At 12:10 p.m., Chairman Cilek called the meeting to order. He welcomed everyone to the meeting, reviewed the objectives and agenda of the meeting. Chairman Cilek stated that over the last year the Board has made incredible progress with their governance initiative including a Long Range Plan, bringing on a fiduciary consultant, continued focus on the Governance Policy Manual, created more consistency in the Chief Investment Officer and Executive Director performance evaluations and working through the beginning stages of replacing CIO Maynard who is retiring in September 2022. Chairman Cilek and the entire Board extended their thanks to everyone who has participated.

ITS Transition: Chairman Cilek thanked Larry Sweat (IT Manager), IT staff, Deputy Hampton and all other PERSI staff who has been working on the IT modernization initiative. The initiative will allow PERSI to shift some fiduciary responsibility away from PERSI and increase available IT resources. One of the main focuses of the newly adopted Long Range plan is technology infrastructure and this initiative assists with that. Executive Director Drum stated that the IT department has documented everything that should be included in the service level agreement (SLA) and have provided this information to DAG George for review and legal formatting. Trustee DeAngeli and Mr. Klausner have reviewed the draft SLA which is now ready to be reviewed by the Board. After Board review the document will be forwarded along to ITS and the Governor's office. ITS has done an on-site walkthrough of the IT department and no critical concerns or issues were

gleaned from that visit. Mr. Klausner stated that a significant part of the language included is from the SLA between ITS and the Idaho Fish and Game as this language references the federal requirements. Statutory references are also included in regard to the Board's fiduciary responsibility. Mr. Klausner is satisfied with the draft document.

Funding Guidelines: Executive Director stated the information being presented during this meeting is for discussion purposes only and is to "factory test" the draft funding guidelines for the base plan against the decisions the Board makes throughout the year. Specifically, the goal of the discussion is to consider all of the information regarding the COLA as well as establishment of the rate for the new class. The Board may choose to make COLA or rate decisions during the regular meeting on Tuesday. The legislation for creation of the new school district class was voted on and approved at the November Board meeting. The legislation will be introduced at the upcoming session.

Robert Schmidt with Milliman gave a brief overview of what was discussed at the November meeting as well as the 10-year history of the August to August CPI-U and the impact of different discretionary COLA options. The 5-year CPI-U average is 2.6% and the 10-year CPI-U average is 1.9%. The current PERSI assumption is 2.3%. Mr. Schmidt reviewed what impact different COLA options would have on the funded ratio, amortization period and the likelihood of a contribution rate increase within the next five years. Mr. Schmidt provided an update on the analysis for the new school district class and held extensive discussion with the Board regarding different rate option scenarios for the new class. Mr. Schmidt also reviewed the current sick leave contribution rates for both state and schools as well contribution rate scenarios for new employers entering the sick leave system.

Ms. McDuffee discussed updates made to the draft funding guidelines since the last review. Additional language changes will be applied to the guidelines based on the discussion and feedback given from the Board. The updated draft will be provided to the Board for review at the January meeting.

Governance Policies: PERSI staff reviewed some of the internal operating policies which will be referenced in the governance policy manual. Lisa Conn, Quality Assurance Manager, presented an overview of the PERSI Records Management Policy. This policy details PERSI's internal guidelines and directives for managing records under the Idaho Public Records Act, the record management policies and guidelines set forth by the Idaho State Historical Society (ISHS), and all other state and federal statutes and regulations that govern agency records management practices. Mr. Klausner stated that, per Federal statute, should there be a data breach ITS would be responsible for notifying anyone who PERSI has information on in the internal system which includes both members and non-members. This is generally covered in the Service Level Agreement, however, this should be discussed in more detail with ITS. Ms. McDuffee stated that typically it is not common for Boards to have a stand-alone Records Management Policy, however, records management is covered within the statement of delegation for the Executive Director and Chief Investment Officer responsibilities within the Governance Policy Manual.

Casey Hartwig, Member Services Manager, discussed the PERSI Confidentiality Policy. Almost all information PERSI produces or stores is considered a confidential record which includes member information, human resources/personnel information, legal documents covered by attorney-client privilege and certain investment documents/contracts. Idaho Code 59-1316 and 74-106(2) cover confidentiality. The Confidentiality Policy applies to both PERSI staff as well as contract staff and all persons granted access to records must pass a background check. Deputy Hampton stated that currently the background checks for state agencies are completed through the Idaho State Police which includes the state of Idaho and surrounding areas. PERSI has put forth legislation for this upcoming session that would allow for FBI background checks which covers national data. The

draft of the Service Level Agreement with ITS includes language stating that PERSI must grant approval for anyone requesting access to confidential information. They must also review the Confidentiality Policy and complete a background check.

Chairman Cilek thanked Ms. Conn and Mr. Hartwig for their concise presentations and pride they took in both presenting as well as their dedication in their daily work for PERSI.

Deputy Director Hampton reviewed the PERSI Disaster Recovery and Continuity of Operations Plan. The PERSI Disaster Recovery plan covers powering up the alternate PERSI Data Center, the site restore process and the VEEAM backup and replication process. The Continuity of Operations Plan (COOP) covers the documented phased approach in the case of an emergency including roles, responsibilities and delegation. The COOP also includes the identification of essential business functions, contact lists and threat scenario information and processes.

Director Drum stated the SLA with ITS includes the ability to procure services in the case of an emergency so that there is not a delay due to appropriation or other processes.

The draft Ethics Policy is currently being reviewed by Mr. Klausner and PERSI staff. The updated draft incorporating all of the feedback received will be included in the January Board packet for review.

Statutory Matters: Director Drum stated during the process of procuring a contract for internal actuarial services, the Department of Purchasing made PERSI aware that they were considering bidding out for central actuarial services for state agencies. This has delayed the process for PERSI. The services that an actuary for the state may not be the services that PERSI would need for a pension actuary. Once PERSI has permission to continue moving forward with contracting with an internal actuary, PERSI staff will continue with the hiring process.

Ms. McDuffee reviewed the tentative agenda for the January governance meeting which will include an update on ITS, Funding Guidelines, draft Ethics Policy as well as discussion on new policies for consideration to be included in the Governance Policy Manual.

Chairman Cilek stated that Trustee DeAngeli has made the Board aware he has a potential legal conflict with respect to his role as an attorney and his role as a PERSI Trustee in regard to a client at his law firm who has a pending loan transaction involving PERSI and D.B. Fitzpatrick. Chairman Cilek provided a letter to Trustee DeAngeli acknowledging the conflict of interest. Trustee Fisher moved to waive the conflict of interest. Trustee Price seconded the motion. Trustee DeAngeli recused himself from voting. The motion passed by 4-0 vote.

Executive Session: At 3:30 p.m. Chairman Cilek stated the Board intended to move to executive session in accordance with Idaho Code §74-206(1)(a).

Trustee Fisher made a motion to go into 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 seconded the motion and the Board voted unanimously via roll call vote.

Upon conclusion of the executive session, Trustee Price 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 4:50 p.m. Chairman Cilek stated that during executive session no decisions were made.

