



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 8:30 a.m., February 18, 2021. The following members were present:

Jeff Cilek  
Joy Fisher  
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. Trustee Gould was absent and excused.

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

Ann O'Bradovich	Callan	Fred McCrea	Mellon Capital Mgt
Ben Taylor	Callan	Vincent Reinhart	Mellon Capital Mgt
Jimmy Veneruso	Callan	Stephanie Hill	Mellon Capital Mgt
Robert Schmidt	Milliman	Anders Erickson	Eide Bailly
		Ben Chatham	Eide Bailly

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 January 25 and January 26 meetings. Trustee Price seconded the motion, which passed unanimously.

PORTFOLIO

Callan Quarterly Report: Ann O'Bradovich with Callan gave the fourth quarter 2020 performance update. Ms. O'Bradovich gave compliments to the Board and PERSI staff for staying the course and sticking to their long term investment strategy which is not always easy to do in challenging investment times. The Total Fund ended the 4<sup>th</sup> quarter 2020 with \$21.60 Billion in assets, a net increase of \$1.97 Billion. The Defined Benefit fund earned a return of 10.5%, surpassing the Policy Target return of 9.8%.

Five-year return was 10.7%, topping the Policy Target return of 10.1%. Over the last 20 years, the DB fund has provided an average annual return of 7.0%, falling just short of the Policy Target return of 7.1%, but outpacing the Long-Term Target return of 6.8%. The DB fund outperformed the Policy Target by 61 basis points during the past quarter with the major contributors being the value managers, underperformed the Policy Target by 71 basis points during the past 12 months, and outperformed the Policy Target by 52 basis points for the past 5 years. Ms. O'Bradovich stated based on the meeting yesterday, next steps will be to review all of the current options and also what a Target Date Fund series might add to the portfolio. A review of the member participation and education programs recommended in addition to a review of the default fund option every 3-5 years or so to continue to look at suitability. Chairman Cilek extended thanks on behalf of the Board for all of the work put into the suitability study and the Board would like to look into extending the portfolio to include a Target Date Fund series. Callan will work with PERSI staff on bringing more information regarding Target Date Funds to the Board sometime in the future. The Choice 401(k) Plan total assets as of December 31, 2020 totaled \$1,312 Million (78% of assets invested in the Total Return Fund, 15% of asset invested in Equity Funds, 6% of assets invested in Fixed Income and Cash equivalents). The Total Return Fund underperformed the long-term index by 28 bps for the quarter. At the end of the 4<sup>th</sup> quarter (October 23<sup>rd</sup>), the Sick Leave funds were invested in line with the new target of 50% equity (39.4% US equity + 10.6% Non-US equity) and 50% fixed income. The fund surpassed the target by 129 bps for the quarter.

Monthly Portfolio Update: Investment Officer, Richelle Sugiyama, provided general comments on market challenges, investments and the economy. Chief Investment Officer, Bob Maynard, provided the investment update including comments on current market reactions and activity. PERSI has had its two best monthly returns in recorded history within the last 12-months in spite of market challenges. PERSI month-to-date gain of +4.3% and a fiscal year-to-date return of +20.7% at \$22.347 Billion (with an estimated funding level of the main plan at 101.4%). The Sick Leave funds are up +18.7% at \$687 Million. The implementation principles of simple, focused, transparent and patient have resulted in positive results for PERSI. There has been no indication in peer reviews that PERSI needs to fundamentally change any part of the current investment approach.

Investment Manager Market Commentary: Vincent Rinehart, Chief Economist and Macro Strategist with Mellon Capital Management (MCM), provided a general overview of the global economy including current market challenges and opportunities. Fred McCrea, MCM Client Relationship Manager, offered general comments in appreciation of the PERSI relationship with MCM.

## EXECUTIVE DIRECTOR

Legislative Update: Executive Director Drum gave an update on the current legislative session. S1096 Catastrophic Line of Duty has been printed and Director Drum will be participating in the Senate committee hearing today. This bill is an increased benefit for peace officers and firefighters catastrophically injured in the line of duty. PERSI helped

with review of the draft legislation but are not the bill sponsors. S1009 Fire Marshal Rule of 80 was brought forward by Director Cameron with the Department of Insurance is working its way through the House and has passed the Senate without any opposition. The proposed Change in Employee Compensation plan is currently being reviewed by the JFAC committee and will most likely follow the Governor's recommendation. The PERSI JFAC budget setting is scheduled for March 10th. S1095 Board Compensation committee hearing was completed in the Senate and Senator Patrick will be carrying it to the floor for voting. S1082 State Insurance Fund and H139 Sick Leave Donation are bills pertaining to sick leave but have no impact on the PERSI fund. H177 Use of Sick Leave pertains to the use of sick leave but again has no direct impact on the fund. Director Drum met with two legislators who are considering changes to PERSI and initially indicated they wanted to change the plan from a DB plan to a DC plan. They have not yet proposed legislation to make any changes to PERSI, however, a new bill (H180) titled "Retirement" did come up that would allow for a new retirement plan for those who work for private sector small businesses. This would be totally separate from PERSI and housed by the Treasurer's Office. H203 Bus Driver Return to Work would allow anyone who is qualified as a bus driver to return to work. Return to work for teachers is already going to impact the teacher contribution rate and this bill would add to that problem. Director Drum plans to speak at the hearing for the bill to share this information with the committee.

#### DEPUTY DIRECTOR

Disaster Recovery and Failover Assessment Update: Anders Erickson with Eide Bailly reviewed the findings of the Board requested independent assessment of the current failover and disaster recovery options available to PERSI. The scope of the assessment included identifying the risks and benefits associated with PERSI relying solely on the services and infrastructure of the State of Idaho's Information Technology Services (ITS) group for disaster recovery and failover support, identifying the risks and benefits of PERSI developing and maintaining their own disaster recovery and failover solution, lastly, an analysis of the current PERSI IT environment to identify gaps in the current disaster recovery and failover capability should PERSI decide to operate independent of ITS. Bringing all services in-house would require adding additional PERSI staff which would need to be appropriated. Recruitment and retention of qualified IT staff is also challenging at the current pay rates within the state system. Eide Bailly recommends PERSI continue to rely on the services and infrastructure of the state ITS group for disaster recovery and failover support plus continue to nurture the relationship with ITS which will assist in strengthening the existing business relations. They also recommend that PERSI conduct annual testing of business continuity/disaster recovery/failover procedures including simulation, full interruption and parallel testing. IT Manager, Larry Sweat, stated the IT department has made a lot of progress regarding risk assessments and testing. The IT department has also been working on additional plans/backups internally as well as with ITS. Director Drum stated the ITS Director is willing to do a presentation for the Board and to answer any questions the Board may have. Director Drum will work with ITS to get this set up for a future Board meeting.

FISCAL

Update/Expense Reports/Travel: Financial Executive Officer, Alex Simpson, gave the fiscal update and presented the expense reports. There are no significant concerns for the administration or portfolio budgets and the budgets are running favorably. There is no out of state travel currently being conducted.

Quarterly Financial Statements: FEO Simpson updated the Board on the quarterly financial statements which includes the year-to-date 12/30/2020 with comparative totals for the same period prior year-to-date.

BOARD

The Board reviewed the draft agenda for the March. No additional changes were requested.

No executive session was held.

Adjournment: There being no further business to come before the Board, the meeting adjourned at 11:05 a.m.



Donald D. Drum  
Executive Director

Date



3-30-21

Jeff Cilek  
Chairman

Date