



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., January 26, 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, 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:

Ann O'Bradovich Callan Roy Leckie Walter Scott

At 8:32 a.m., Chairman Cilek called the meeting to order. He welcomed everyone to the meeting.

Approval of the Minutes: Trustee Price stated that he has some minor spelling and grammatical changes to the November 30 minutes. There being no additional changes, Trustee Price made a motion to approve the minutes of the November 30 meeting with changes and the December 1 meeting. Trustee Gould seconded the motion, which passed unanimously.

PORTFOLIO

Monthly Portfolio Update: CIO, Bob Maynard, provided the investment update. January has a PERSI month-to-date return of +1.5% and a fiscal year-to-date return of +18.3% at \$21.954 billion (temporarily hitting 100% funded status and eclipsing \$22 billion on January 20th). From the lows of March 23rd, where the fund was down -20.2% at \$15.6 billion, this represents a +38% gain of \$6.2 billion over 10 months. The sick leave fund is up +17.3% at \$681 million. Mr. Maynard also briefly reviewed the capital market outlook presentation he gave to the Economic Outlook and Revenue Assessment Committee on January 8th. Investment Officer, Richelle Sugiyama, provided general comments on market challenges, investments and the economy.

Investment Manager Market Commentary: Roy Leckie, Executive Director of Investment and Client Service with Walter Scott, provided a general market overview, including current market challenges and opportunities.

EXECUTIVE DIRECTOR

New Employers: Director Drum presented the staff recommendation that the Board approve the admittance of Three Creek Highway District (3 employees), Ammon Cemetery District (1 employee) and Payette County Gopher Extermination District (1 employee). An actuarial assessment was not required for any of these employers.

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

Legislative Update: Director Drum provided an update on legislative bills, presentations and hearings so far this session.

The Police Chiefs Association and Sheriffs Association are considering legislation to address catastrophic line of duty injuries. One of the main factors behind the legislation is retention and recruitment police officers. This legislation would allow an officer injured in the line of duty early in their career the ability to sustain themselves through the remainder of their life which both organizations feel the current statute has limitations and doesn't allow for. PERSI staff has reviewed the draft legislation and forwarded concerns regarding the language to both groups. The legislation as written would most likely change the disability definition for this type of injury which is not their goal. They only wish to impact Peace Officers and Peace Officers injured in the line of duty. They should be sending a new draft for review soon incorporating the feedback received from PERSI. Representative Holtzclaw is also working with them and has requested an analysis on the impact of this which Milliman will be able to move forward with once an updated draft of the legislation has been presented. Both groups are aware that this change will impact their contribution rates and most likely end up in an increase for public safety officers.

Senate bill S1009 is legislation that is being ran by Director Cameron at the Department of Insurance to amend 59-1302(16)(b) to allow Fire Marshals and Deputy Fire Marshals to be eligible for rule of 80. There are approximately six individuals around the state who are fire marshals that work for the Department of Insurance that would be impacted if this bill should pass. One of the main factors behind this legislation is recruitment of fire marshals. Some fire districts have fire inspectors who are currently receiving rule of 80 due to the job description including that they fight and extinguish fires.

Director Drum gave a presentation to the Change in Compensation Committee on January 6th. The committee was very pleased with the funded status of both the PERSI fund and the Sick Leave fund. The one primary in-depth question came from Senator Guthrie regarding the change in the amortization period during FY20. Director Drum provided the committee with a detailed response and has not received any further questions.

PERSI's budget hearing with the Joint Finance-Appropriations Committee was held on January 20th. The presentation went very well with compliments to PERSI and the Board from members of the committee. One primary question was regarding hiring of the internal actuary. This position was posted through the Division of Human Resources and since closed. There were no applications received from a qualified candidate so the opening has now been posted nationally.

Sick Leave Assessment Update: Director Drum has been working on determining what might be an appropriate study for Milliman to conduct in regard to new school employers. The request for this assessment stemmed from a conversation during the November 30th meeting regarding the sick leave rate holiday and new schools that come in to the PERSI system. The main question is if these new employers should have to pay into the sick leave plan before they are able to vest for

the benefit of the rate holiday. The Milliman study would be to assess different approaches to determine what the appropriate path forward. One approach could be to establish a specific time period that the employer must contribute the normal cost rate (currently 0.61%). One other possible approach could be to have an actuarial determined amount that the employer must pay to cover all or some the benefit costs before becoming eligible for the rate holiday. Director Drum stated that most school districts have been in the sick leave plan since the 1980s. The newer employers added to the school fund are mainly charter schools and a few other entities such as the digital learning group. Director Drum will get more information sent out to the Board on the employers currently in the school sick leave fund including the date that they joined plus the number of employees that they have. Director Drum will move forward with Milliman on starting an analysis which can be modified as it progresses. He will update the Board as more information becomes available.

Chairman Cilek expressed his thanks to both CIO Maynard and Director Drum for the successful presentations given thus far in the legislative session.

DEPUTY DIRECTOR

Personnel Budget Update: Deputy Director Hampton provided an update on FY 2021 and FY 2022 Change in Employee Compensation (CEC). In March 2020, the State issued a hiring freeze and compensation freeze for all State agencies. Then in October 2020, the Governor issued a memo which stated the hiring freeze and compensation freeze had been lifted, however, CEC should not be implemented. Deputy Hampton and Director Drum received further clarification from the Division of Human Resources (DHR) which was compensation changes should be reserved for hard-to-fill, hard-to-retain positions/merit increases and distribution of general agency-wide CEC would be addressed in the FY 22 budget recommendation. In December 2020, additional guidance was issued that the 2% increase for the 20 targeted state positions identified in the FY 2021 DHR CEC Report was to be implemented. Again, the merit-based component of the FY 2021 CEC was not to be issued at that time and would be addressed in FY 22 budget recommendation. In January 2021, the CEC committee made the recommendation to JFAC to adopt the Governor's FY 2022 recommendation of a 2% pay line move and a 2% CEC to be distributed by merit. This is in addition to the FY 2021 2% merit increase. PERSI's plan is to prepare a CEC implementation plan that maximizes the full appropriation of FY 22 payroll dollars to all positions within PERSI. Next step is to work with DHR to get conditional pre-approval of the implementation plan prior to final budget approval by legislature (presuming the Governor's recommendation will be accepted). Lastly, early implementation of the CEC/Pay Plan in compliance with DHR & Division of Financial Management guidance which is typically issued in early April.

FISCAL

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

BOARD

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

Executive Session: At 10:28 a.m. Chairman Cilek stated the Board intended to move to executive session in accordance with Idaho Code §74-206(1)(f).

Trustee Fisher made a motion to go into executive session in accordance with Idaho Code §74-206(1)(f) to convene in executive session to communicate with legal counsel to discuss legal

