



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., July 13, 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, Deputy Attorney General Cheryl George, and Management Assistant Lena Rupp were also in attendance. Investment Officer Richelle Sugiyama was absent and excused.

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

Amy McDuffee	Mosaic Governance	Ann O'Bradovich	Callan Associates
Robert Klausner	Klausner, Kaufman, Jensen & Levinson	Andy Snook	Attorney General

At 12:20 p.m., Chairman Cilek called the meeting to order. He welcomed everyone to the meeting and reviewed the objectives of the meeting.

Amy McDuffee of Mosaic Governance briefly reviewed the meeting agenda.

Fiduciary Consultant: The Board has been discussing with the Office of the Attorney General and the Governor's office regarding hiring fiduciary counsel to assist the Board with the many complex issues that are regularly discussed. PERSI staff is in the process of reviewing the contract for hiring Robert Klausner of Klausner, Kaufman, Jensen & Levinson. Deputy Hampton stated the Board does not need to review the full details of the contract as this work is completed by PERSI staff, consultants and DAG George. The Board only needs to authorize Director Drum to enter into the contract once final.

Trustee DeAngeli made a motion to authorize Executive Director Drum to enter into contract with Mr. Klausner. Trustee Fisher seconded the motion, which passed unanimously.

DAG George stated that the contract is for three (3) years with a 30-day termination notice. Mr. Klausner stated that the term is written to ensure that the fee will not increase for three years and that the fiduciary serves at the pleasure of the Board. Either party may terminate the contract with a 30-day notice. Director Drum stated that three (3) years is a standard term for purchasing.

Callan Contracts: There are two contracts that PERSI staff, DAG George and Callan staff have been reviewing and will bring to the next meeting for Board approval. The first is for the base plan renewal which will include the new asset allocation for the sick leave fund. The second contract is for the Choice 401(k) plan. Deputy Hampton stated the typical procedure is to have the Board review the contract allowing for time for questions and to make any necessary adjustments to the scope of services. Deputy Hampton also stated the reason for the quick review and turnaround for the Callan contracts is due to the anti-discrimination language rule that went into effect as of July 1st and must be completed within 90-days of the start of the new fiscal year. This new language will be added to all contracts moving forward as they come up for renewal. Deputy Hampton stated that the fiduciary consultant is also an appropriate party to have review contracts as they come up for renewal.

Long Range Plan: The long range plan document creation process was started in July of 2020 which included gathering input from the Board, PERSI staff, PERSI membership and key stakeholders. Ms. McDuffee reviewed the changes added to the document per the last Board meeting. This is different than the strategic plan requested by DFM and the Governor's office each year. PERSI staff will bring periodic updates to the Board on the status of each long range plan goal. This document is set for review and renewal every three (3) years.

Trustee Gould made a motion to adopt the long range plan. Trustee Price seconded the motion, which passed unanimously.

Governance Roadmap: Ms. McDuffee stated that the governance process (initiated by the Board three years ago) started with a high level assessment of PERSI's practices compared to industry best practices. Through this assessment the Board identified priorities they want to focus on over the next few years. The roadmap document provides reference to these priorities which helps to provide structure to the existing environment of good governance practices as PERSI continues to grow and evolve. Ms. McDuffee stated that now that the Board has fiduciary counsel they may want to request their review of components of the governance roadmap and policy manual. The Board reviewed of the status of each initiative and held discussion of the roadmap document. Director Drum met with Director Weak of Information Technology Services and they will most likely meet again in the next few weeks about how to best align services provided by ITS with the services provided by PERSI IT. Director Drum will have an update regarding disaster recovery and business continuity at either the August or September Board meeting.

Ms. McDuffee stated the next steps over the next six months are to focus on compensation, succession planning, ethics, risk management for the organization and the internal audit.

Ethics: During the May governance discussion the Board requested a scenario document similar to the Idaho Ethics in Government Manual which is currently being developed by PERSI staff. Ms. McDuffee reviewed the themes currently in the draft document. Once the Board provides additional information regarding themes and questions they would like covered, PERSI will forward the updated scenario document draft to the Office of the Attorney General, Ms. McDuffee and Mr. Klausner for review. Mr. Klausner stated that ethics law tells you what is prohibited and an ethics policy should be designed to tell you what is permitted. Also, an ethics policy should be overarching and not overly restrictive. Ms. McDuffee also reviewed general framework for what is typically included in an ethics policy including statutory provisions, principles of fiduciary conduct, training, attestation, disclosure monitoring and prompt identification of noncompliance. The ethics policy also sets the cultural tone for the Board, linkage to the agency mission and core values, enhanced transparency and accountability, reference for succession planning and, lastly, brings PERSI in line with industry standard. At the August governance meeting the Board will work

through selecting which topics they would like to see in a policy as well as reviewing a range of practices on the identified topics.

Governance Policy Manual: Ms. McDuffee reviewed the updates made to the draft securities litigation policy based on the May governance meeting discussion. Mr. Klausner has reviewed the updated draft policy and is comfortable with the document as amended.

Trustee Price made a motion to adopt the securities litigation policy as amended. Trustee DeAngeli seconded the motion, which passed unanimously.

Ms. McDuffee reviewed the draft of the succession planning policy and requested updates including adding the governance roadmap and long range plan goals list. Director Drum stated that long term succession planning also needs to take into account state policy and rules. He also stated that as new staff are hired or existing staff move into different positions throughout the agency, succession planning and emergency preparedness are factors that are considered during those transitions. The Board will review the updated draft at the August meeting.

Statutory Matters: Director Drum reviewed the status of the hiring of general counsel and internal actuary. The motion made earlier in the meeting to hire Mr. Klausner concludes the discussion regarding hiring Board fiduciary counsel. PERSI staff continues to work on hiring an internal actuary, however, the current salary base being offered did not result in the application of any qualified candidates. The State Insurance Fund recently hired an internal chief actuary using a greater base salary than what was appropriated to PERSI for hiring. PERSI staff is working with Division of Human Resources to reevaluate the needs of the position to possibly increase the base that PERSI is allowed to offer. Another avenue PERSI staff is considering is hiring an actuary as a contractor. There would likely be a greater cost to hire a contractor, however, PERSI would be able to contract with someone sooner than waiting for the next budget cycle and appropriation (possibly longer) to hire a staff member. There may be a budget savings overall compared to what PERSI pays out now, especially with all of the upcoming actuarial studies PERSI will be requesting in regard to possibly adjusting contribution rates. The Board instructed PERSI staff to continue working with DHR on increasing the allowed salary amount and to also start the RFI process for an independent contractor in case efforts through DHR are unsuccessful.

Ms. McDuffee briefly reviewed the August governance agenda which includes reviewing the policies currently in draft form as well as the introduction of new policies. The Board will also debrief on the evaluations of Executive Director Drum and CIO Maynard in executive session. Additional topics will be added as needed between now and the August meeting.

Executive Session: At 3:25 p.m. Chairman Cilek stated the Board intended to move to executive session in accordance with Idaho Code §74-206(1)(b).

Trustee Gould made a motion to go into executive session in accordance with Idaho Code §74-206(1)(b) to consider personnel matters. Trustee Fisher 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 5:15 p.m. Chairman Cilek stated that during executive session the Board discussed personnel matters. Trustee Gould made a motion to increase the salary of CIO Maynard by 6%. Trustee Fisher seconded the motion, which passed unanimously.

Recess: The Board recessed at 5:20 p.m.

Reconvene: The Board reconvened at 5:45 at 1137 W. River Street, Boise Idaho for an informal dinner. No decisions were made.

Adjournment: There being no further business to come before the Board, the meeting adjourned at 8:30 p.m.

Donald Drum
Donald Drum
Executive Director
Date

Jeff Cilek 8-17-21
Jeff Cilek
Chairman
Date