



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 1:30 p.m., March 29, 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:

Ann O'Bradovich	Callan Associates
Amy McDuffee	Mosaic Governance
Robert Schmidt	Milliman

At 1:35 p.m., Chairman Cilek called the meeting to order. He welcomed everyone to the meeting. Chairman Cilek offered thanks on behalf of the Board to everyone who has been involved with the governance efforts and policy development for their commitment. The goal has been to evolve the governance process and system to meet the new future and the substantial growth of PERSI.

Amy McDuffee of Mosaic Governance briefly reviewed the agenda.

PERSI Funding: The Board has been working on updating the funding guidelines which were last adopted in 1998. PERSI has changed a lot since then and bringing the guidelines more current will assist in communication with the legislature and stakeholders as well as with the work done by future Board Trustees and PERSI leadership. Through this review the topic of possibly adding the term "sustainably funded" has come up. The Board requested at the February meeting for additional information on what this term means and how it might be incorporated into the funding guidelines. Robert Schmidt of Milliman reviewed his presentation including what information is the framework for considering the PERSI fund to be sustainably funded. The baseline goal for any plan is that it will be able to pay all benefits when due. With Idaho Statute as written, the risk of the base plan being unable to pay benefits is low. If the funded ratio falls and the amortization is over the 25 year threshold then contribution rates will increase. Due to this and the low risk of insolvency, Milliman already views the PERSI plan as sustainable. However, any drops in funded ratios or rising contribution rates may not be considered to be politically sustainable which is the main reasoning behind the development of the term sustainably funded. The goal of this term development is to minimize PERSI's and the PERSI Board's exposure to potential controversy that

can arise from market downturn resulting in a lower funded status shortly after any Board approved benefit enhancements such as discretionary COLAs or gainsharing. Director Drum reviewed the timeline and requirements of rate increase proposals, postponements and implementation.

After lengthy discussion and consideration of the potential thresholds presented, the Board requested that reference to a five year time horizon, acceptable risk tolerance and identified negative events be incorporated into the draft funding guidelines for further discussion. The Board also requested that Milliman do back testing on prior decisions made by the Board see how those decisions fall in line with these thresholds. An updated draft of the funding guidelines will be presented at the next governance meeting incorporating these and other change requests made by the Board.

Sick Leave Fund IPS: The Board reviewed the current draft of the Sick Leave Investment Policy Statement and requested no additional changes. Trustee Price made a motion to adopt the policy as presented. Trustee DeAngeli seconded the motion, which passed unanimously.

Ann O'Bradovich with Callan Associates stated that this policy is on a 4-5 year review cycle unless there are any significant changes that would require an earlier review.

Governance Policy Manual: Ms. McDuffee reviewed the alternative options for what the Board could select as the title for the policy regarding indemnity and defense. Trustee Gould made a motion to adopt "Liability and Indemnification of Trustees and Officers" as the title. Trustee Gould made an amendment to her motion to instead select "Indemnity and Defense Policy" as the title and to approve the information within the policy as presented. Trustee Fisher seconded the motion which passed unanimously.

Deputy Hampton presented an overview the State of Idaho travel policy including the travel philosophy, associated risks/penalties, procedures, documentation, considerations and hypothetical examples. Ms. McDuffee addressed risk management associated with travel and current standard practices within the industry including the potential impact of negative occurrences. The Board reviewed optional drafts of the Board travel policy and will continue the discussion at the next governance meeting.

A draft of the Board Ethics Policy will be included in an upcoming governance session and will also cover some aspects related to the travel policy. Due to time constraints, the Securities Litigation policy held to be included in the April governance agenda.

Statutory Matters: Executive Director Drum stated that PERSI is still in the process of hiring for the internal actuary position. So far no qualified candidates have applied. Based on the response received, there may be a need to go back to the legislature in the next budget setting to request a salary increase for the position.

Director Drum discussed the teacher contribution rate issue that has been an ongoing topic of discussion with the Board and members of the legislature. As part of the return to work analysis done by Milliman in 2019, it was confirmed that the school teacher normal cost rate has distanced from the normal cost of general members. From the 2019 study, there is approximately a \$24 million shift in covering that cost which would need to be moved to schools and away from general members. The legislature continuing to approve return to work for more groups is also contributing to the cost differences. Director Drum requested Board approval to have Milliman do a new study specifically on the teacher rate which will identify exactly what needs to be done to correct the issue including rate adjustments and the possibility of running legislation to create a new class for teachers. Based on the 2019 study, Director Drum estimates that the general member rate will


decrease by 2% and the teacher rate would need to increase by approximately 2.5%. With recent benefit enhancements, Director Drum estimates that the public safety rate would need to increase by 0.5%. The requested Milliman study would confirm these numbers. The Board approved the request and Director Drum will work with Milliman to begin the process of completing the study.

Ms. McDuffee briefly reviewed the April governance agenda which includes a follow up on the funding guidelines, travel policy, securities litigation policy and potentially the first introduction of new policies if time allows. The long range planning sessions are also coming to a conclusion in April and Ms. McDuffee will provide an update to the Board. Director Drum's evaluation will also be included as an executive session in April. Ms. McDuffee will provide a governance scorecard to the Board showing what progress has been made and what still needs to be completed.


There will be no real estate group workshop. Portfolio will instead provide a brief update at the Tuesday meeting and hold individual briefings with Trustees on real estate and the commercial mortgage program.

No executive session was held.

Adjournment: There being no further business to come before the Board, the meeting adjourned at 5:03 p.m.



Donald D. Drum
Executive Director



Date



Jeff Cilek
Chairman

4-20-21

Date