



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., May 18, 2021. The following members were present:

Jeff Cilek
Joy Fisher
Celia Gould
Park Price
Darin DeAngeli

Deputy Director Michael Hampton, Investment Officer Richelle Sugiyama, Financial Executive Officer Alex Simpson, Deputy Attorney General Cheryl George, and Management Assistant Lena Rupp were also in attendance. Executive Director Don Drum and Chief Investment Officer Bob Maynard were absent and excused

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

Ann O'Bradovich	Callan Associates	Richard Greenberg	Donald Smith
Robert Schmidt	Milliman	Jon Hartsel	Donald Smith
		Jane Park	Donald Smith

At 8:30 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 April 19 and April 20 meetings. Trustee Gould seconded the motion, which passed unanimously.

PORTFOLIO

Callan Quarterly Report Ann O'Bradovich with Callan presented an overall market review and summary for national and global markets. Ms. O'Bradovich provided an update on the PERSI fund performance of the defined benefit (DB), defined contribution (DC) and sick leave funds for quarter one of 2021. The DB fund ended the first quarter of 2021 with \$22.14 billion (a net increase of \$0.53 billion) and earned a return of 3.0% (surpassing the policy target return of 2.9%). The five year return was 10.8%, topping the policy target return of 10.3%. Over the last 20 years, the DB fund has provided an average annual return of 7.5%, falling just short of the policy target return of 7.6%, but outpacing the long-term target return of 7.3%. The fund outperformed the policy target by 16 basis points during the past quarter, 62 basis points during the last 12 months, 51 basis points the past five years and 36 basis points for the past 10 years. The PERSI Choice 401(k) defined contribution plan had \$1.362 billion in assets as of March 31, 2021. The Total Return Fund underperformed the long-term index by 5 basis points. The Sick Leave fund consists of two plans that are measured separately are presented as a total aggregated together. The policy target as of November 1, 2020 is 50% equity (39.4% US equity + 10.6% non-US equity) and 50% fixed income. At the end of the first quarter, relative to the policy target, the Russell 3000 fund was

overweight by 3.5% and the ACWI ex US fund by 1.0%, while the Bond fund was underweight by 4.5%.

Monthly Portfolio Update Investment Officer, Richelle Sugiyama, provided the investment update as well as general comments on market challenges, investments and the economy. The fiscal year to date return of +24.5% brings the fund to \$22.941 billion (with an estimated funding level of the main plan at over 103%). The sick leave fund is up +18.9% at \$684 million. For the fiscal year, Donald Smith has the best absolute return at +70.1% and Brandes has the highest relative return to benchmark at +52.6% which is +16.9% above their MSCI World benchmark. Peregrine has the lowest equity return at +10.6% which is also the worst relative return at -21.1% behind their large cap growth domestic equity benchmark. The fund as a whole is behind the 55-15-30 reference benchmark by -0.3% due to the underperformance of private real estate compared to the public US markets.

Ms. Sugiyama stated that the portfolio group intends to move forward with bringing a request to the Board for approval at the July meeting. Right now most of the reporting presented to the Board by portfolio is internally generated by CIO Maynard and Ms. Sugiyama using excel spreadsheets. Due to program updates, waiting on outside sources to provide data and other variables, this can lead to discrepancies in the reports provided. The data aggregator tool will streamline the process and remove the current dependence on CIO Maynard and Ms. Sugiyama to manually create the reports. The estimated fee for Callan to assist in identifying and evaluating an appropriate IBOR data aggregator tool is \$65,000.

Investment Manager Market Commentary Richard Greenberg, CEO and Co-CIO with Donald Smith & Company, gave a general market overview including current challenges as well as opportunities. Mr. Greenberg also discussed the Donald Smith & Company investment strategy and data regarding the recent outperformance of growth stocks versus value.

DEPUTY DIRECTOR

Staff Recognition Raymond Mikus, who is an external trainer within the Programs Department, was recognized for exemplary customer service stemming from a letter sent to Executive Director Drum from Chief Allen of the Garden City Police Department. Mr. Mikus recently held a retirement workshop for the Garden City PD employees and their spouses. The Board and Deputy Hampton extended their thanks and appreciation to Mr. Mikus for embodying the spirit of PERSI's core values of commitment, character and competence.

Trustee Gould also stated that Mr. Mikus had also recently conducted trainings for the Department of Agriculture. She was able to participate in the training and said that Mr. Mikus did an excellent job conducting the training. Deputy Hampton commented that PERSI receives a lot of positive feedback regarding the training department. They work as team and the response to them is tremendous. He also stated that Mr. Mikus went above and beyond to make sure that the Garden City Police Department received all of the information and training that they needed.

Experience Study Update Deputy Hampton gave the tentative timeline for the experience study which is set to be approved at the August Board meeting. Robert Schmidt with Milliman gave an update on the status of the upcoming experience study. The focus in the demographic portion of the study will be on mortality which will also incorporate the recently updated mortality table sponsored by the Society of Actuaries. Along with the other assumptions being reviewed, the salary increase assumption and retirement assumption (with a specific focus on teacher retirement patterns) will be analyzed. The teacher retirement patterns have been changing over time in part due to the return to work program. No 2021 demographic data will be included in the study. They will also take into consideration any material impact COVID may have had on the data collected.

Milliman has already started to work on analyzing the economic assumptions portion of the experience study. They will have preliminary information for the Board to review at the next meeting. The Board provided feedback on what inflation and real return scenarios they would like to see included in the study.

Statewide Telecommuting Policy Deputy Hampton reviewed the statewide telecommuting policy that was issued by the Division of Human Resources in correlation with Idaho moving to Stage 4 of the Idaho Rebounds Plan. After some discussion, the Board opted not to adopt a separate PERSI policy regarding telecommuting. All PERSI staff will be working back on-site as of June 1st.

Deputy Hampton discussed the historical practices of out of state travel reporting to the Board and what the new process will be going forward due to cyberstalking concerns raised by staff. Post travel reports will continue to be included in the monthly Board packets.

FISCAL

Update/Expense Reports/Travel Financial Executive Officer, Alex Simpson, gave the fiscal update and presented the expense reports. Total administrative expenses through April 2021 were 69.0%, below the 83.3% expected rate. Total portfolio expenses for the year as of April 2021 were \$46,988,133 or 79.7% below the 83.3% expected rate. There was no out of state travel.

Quarterly Financial Statements FEO Simpson updated the Board on the FY 2021 third quarter financial statements.

Choice Plan Fee Update FEO Simpson gave a presentation regarding the history of Choice 401(k) Plan recordkeeping and administration fees since July of 2017, what is happening today and possible considerations for the future. The fees are used to pay for the services that Empower provides plus the day to day operational expenses of the plan. The overall historical trend shows participant balances increasing causing the accounts to move into the higher level fee tiers and therefore paying higher fees. With increase revenue and fairly consistent expenses, the Choice Plan fee account balance has continued to grow. With the continued net gain into the account, there is a potential opportunity for the Board to consider adjusting the fees that participants pay. The Board requested a review of the Choice Plan fees be added to the September meeting agenda including analysis of expanding the lower fee tiers for accounts with lower balances.

Deputy Hampton stated that the goal of the recent Choice Plan survey was to analyze how membership views the plan so that PERSI is able to more accurately deliver the services needed in order for members to achieve their retirement goals.

BOARD

The Board reviewed the draft agenda for the July meeting. No changes were requested.


The Board instructed PERSI staff to move forward with renewal of the Mosaic Governance contract.

Adjournment: There being no further business to come before the Board, the meeting adjourned at 11:25 a.m.



Michael Hampton
Deputy Director

7/14/2021
Date

 7-14-21

Jeff Citek
Chairman