



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., November 8, 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:

Amy McDuffee	Mosaic Governance	Robert Schmidt	Milliman
Ann O'Bradovich	Callan Associates	Robert Klausner	Klausner, Kaufman, Jensen & Levinson
Greg Allen	Callan Associates		

At 12:10 p.m., Chairman Cilek called the meeting to order. He welcomed everyone to the meeting, reviewed the objectives and agenda of the meeting.

ITS Transition: Executive Director Drum gave an update regarding the ITS transition. Larry Sweat, IT Manager, is compiling the operational requirements for the Service Level Agreement (SLA). Deputy Attorney General, Cheryl George, is drafting the SLA using the information provided which will then be forwarded to Bob Klausner for review. Julie Weaver, who is the DAG at ITS, will be also be working with DAG George and Mr. Klausner on the details of the SLA. Mr. Klausner spoke with Brady Hall, Governor General Counsel, regarding how to best proceed with the creation of the SLA document and who is taking the lead as legal representative.

Mr. Klausner stated his role in this process as the Board's fiduciary consultant is to ensure, from the Board's perspective, any delegation of the Board's authority is subject to the appropriate standard of care for fiduciary to which Mr. Hall agreed. DAG George is the general counsel for the Board and PERSI IT staff are the subject matter experts for this project. The lead person for ITS will be DAG Weaver. Trustee DeAngeli stated he will also be participating in the SLA creation process along with Andy Snook from the Attorney General's Office.

Director Drum stated the goal is to have a final SLA, including identifying any issues, before the Governor makes his budget recommendation. Once the Governor recommended PERSI budget goes before JFAC and is acted upon, it is harder to undo anything that has been completed later

on in the process. Mr. Klausner stated the final agreed upon SLA will include details of an enforcement procedure and how any issues that may arise will be handled. Enforcement of the contract is part of the Board's fiduciary duty. PERSI staff will continue to work through drafting the SLA.

Funding Guidelines: Chairman Cilek stated the funding guidelines have been in the drafting stages with the last Board review being in July. The intent was to see how the guidelines fall in line with current Board processes throughout the remainder of the year. Director Drum stated the process for lowering the assumed rate of return earlier in the year fell in line with the guidelines as written. The guidelines as written will again be tested through the process of tentatively developing a third class for school district employees as well as the upcoming COLA decision which is due before the end of the year and the start of the legislative session. The COLA and contribution rate decisions that are made each year are based on the actuarial study results from the prior fiscal year's numbers. This includes the asset returns information from fiscal end of year (June 30) and not what the present day numbers are.

Director Drum stated that the Funding Guidelines as currently written gives the Board an appropriate amount of information to make sound fiduciary decisions and stay within the Board's priorities of sustaining the fund, stable contribution rates and maintaining the purchasing power of retirees.

Director Drum discussed some of the information from the Milliman study on teachers and the differences between general members and public safety members. The study shows a difference between the normal cost of these groups and subsidies being paid by general members. The normal cost rate difference between general members and teachers is due to lower teacher turnover rates, longer lifespans, greater salary growth patterns and earlier retirement in addition to the return to work and other benefit enhancements.

Director Drum also reviewed the alternative contribution rate structures that will be presented in greater detail by Milliman at the Tuesday regular meeting as well as the impact on the funded status for each alternative. The Board may also request Milliman provide additional rate adjustment options. A class change will require legislation and a statutory change. The Board has the authority to change rates, as provided by statute. To add a new teacher class will require a statutory change. Once that is in place the Board will be able to establish rates for the new class. There is the ability to make a change this year with an exception from the Governor's office or via a legislative sponsor since PERSI proposed legislation has already been submitted.

Robert Schmidt of Milliman briefly reviewed the COLA slides and the impact on amortization for different discretionary COLA percentage options as well as potential contribution rate increases. Going forward, discretionary COLAs aren't going to be as easy to grant as they have been in the past due to rising costs. This will be discussed further during the Tuesday meeting. The Board reviewed the full draft of the Guidelines. Ms. McDuffee will make the requested changes for review at a future Governance meeting.

Governance Policies: Ms. McDuffee reviewed the Succession Planning Policy addresses both short and long range succession planning as well as the responsibilities of the Board.

Trustee Gould made a motion to adopt the draft as presented of the Succession Planning Policy. Trustee DeAngeli seconded the motion, which passed unanimously.

Statutory Matters: Director Drum stated the internal actuary recruitment process is still moving forward. PERSI staff is working through the process of utilizing a contractor for these services rather than hiring a permanent PERSI staff person.

Investment Staff Model: Greg Allen with Callan presented information regarding other public investors similar to the PERSI investment plan and structure and how they line up in comparison to PERSI. The systems reviewed were the Alaska Retirement Management Board (ARMB), Nevada Public Employees Retirement System (NVPERS), North Dakota State Investment Board (NDSIB) and Utah Retirement System (URS). The areas covered were asset allocation, investment portfolio complexity, staffing and governance models and performance.

Mr. Allen stated that PERSI has benefitted from a very low Board and investment staff turnover and has also kept the investment program relatively simple and liquid. PERSI has also leveraged a small internal investment staff by employing outside advisors to help with investment manager monitoring and selection.

Mr. Klausner stated that the Board must recognize that the Board is competing on a national level for hiring a Chief Investment Officer and other investment staff. Salary is a major factor in who the Board is able to hire and maintain in internal positions. As fiduciaries, the Board is responsible to invest assets of system for the highest and best return at a reasonable rate of risk. Keeping and maintaining a staff willing to do that is part of fulfilling that fiduciary duty.

Ms. O'Bradovich stated that the biggest risk when there is a change in leadership is to replace staff with individuals who increase the risk of the portfolio to a place that the Board is not comfortable with and then experiencing the downside of the risk. The Board understands what is in the portfolio because there is a transparency and trust level between the Board and investment staff.

Governance Initiatives Ms. McDuffee reviewed the current status of the initiative roadmap and development of the Board governance policy manual. The Board discussed what initiatives are the current highest priority and what they would like to cover in upcoming governance sessions. With the tentative ITS implementation and SLA with ITS, the Board would like to review risk management, records management, confidentiality and disaster recovery/business continuity next including an overview of what is covered in the existing PERSI policies and education on each element at the next governance meeting.

Mr. Klausner and Ms. McDuffee are continuing to work through the Standards of Ethics and Professional Conduct policy draft which will be presented at the December meeting.

Ms. McDuffee reviewed the items that will be included on the December governance agenda including an ITS modernization update, policy manual drafts, and funding guidelines updates.

Executive Session: At 3:30 p.m. Chairman Cilek stated the Board intended to move to executive session in accordance with Idaho Code §74-206(1)(a).

Trustee Gould made a motion to go into executive session in accordance with Idaho Code §74-206(1)(a) to consider hiring a public officer, employee, staff member or individual agent. Trustee DeAngeli seconded the motion and the Board voted unanimously via roll call vote.

Upon conclusion of the executive session, Trustee Price 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 4:45 p.m. Chairman Cilek stated that during executive session no decisions were made.

Chairman Cilek stated the Board would like to move forward with the next step of the Chief Investment Officer search process.


Trustee Price moved for the Board to authorize the creation of an ad hoc committee of two Trustees as determined by the Chairman to identify an executive recruitment firm; develop and finalize the Chief Investment Officer position description, and candidate recruitment package, including information to be distributed to the candidates; and develop a search timeline and advertising strategy. Trustee DeAngeli seconded the motion, which passes unanimously.

Chairman Cilek announced the two Trustees to make up the CIO search ad hoc committee are Trustee Fisher and Trustee Price.

Recess: The Board recessed at 5:00 p.m.

Reconvene: The Board reconvened at 5:30 p.m. at 1137 W. River Street, Boise Idaho for an informal dinner and general discussion. 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
Executive Director

12-7-2021

Date



Jeff Cilek
Chairman

12-2-21

Date