



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., October 1, 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:

Brad Berls	Eide Bailly	Dan Bates	Clearwater
Robert Schmidt	Milliman	Chris Brechbuhler	Clearwater
		Rhet Hurlbert	Clearwater

At 8:35 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 August 16 and August 17 meetings with the requested change in the August 17 motion wording to read “due to legal conflict”. Trustee DeAngeli seconded the motion, which passed unanimously.

PORTFOLIO

Monthly Portfolio Update Investment Officer, Richelle Sugiyama, provided the investment update including general commentary on market challenges, investments and the economy. As of September 29th, the fund is currently at \$23.5 billion with a fiscal year-to-date return of 1.1%. The month-to-date return is -2.4%. The 25-year return is positive at 8.3% and exceeding the 8.1% benchmark. Chief Investment Officer, Bob Maynard, provided general comments.

Investment Manager Market Commentary Ms. Sugiyama introduced Dan Bates, Chris Brechbuhler and Rhet Hurlbert with Clearwater Advisors. Mr. Brechbuhler provided commentary on U.S. monetary policy, money markets and fixed income.

CIO Maynard extended his compliments, thanks and appreciation for the working relationship between PERSI and Clearwater Associates.

EXECUTIVE DIRECTOR

Employer Tour Executive Director Drum will complete his annual employer tour next week with meetings in Nampa and Meridian. Employers are happy with the fund return last year and appreciate the change to the assumed rate. In the meetings, Director Drum discussed the increasing normal cost rate for school district employees and the potential of a third rate for this group of members. There is some resistance to this possible adjustment, however, there is general understanding and appreciation of a rate adjustment versus a change in benefits. The change in the assumed rate to 6.3% may allow for discretionary COLAs in the future, however, that is a Board decision based on the information they have at the time and protecting the stability of the fund.

Preliminary Valuation Reports Robert Schmidt of Milliman presented the preliminary valuation results for the Judges Retirement Fund (JRF), Firefighters Retirement Fund (FRF), Sick Leave Plans and Base Plan. The preliminary valuation numbers presented include the 1% mandatory COLA (FRF receives a salary based COLA). The FRF Plan now includes only retired members. The FRF Plan closed to new members in 1980 and the last active member retired in 2020. The FRF will officially end once the last retired member and any beneficiaries expire. The Sick Leave benefit payout is shorter term because it is based on the unused sick leave in a members account. Once the balance is paid out the benefit ends. The average payout period is four years. Once the current contribution holiday ends on July 1, 2022 contribution rates will rise to the normal cost rate unless the Board takes action to again extend the holiday. The Base Plan saw a slight increase in liabilities due to the new Catastrophic Line of Duty Benefit that was approved during the legislative session, however, active public safety members saw an increase in their contribution rate to cover the cost of the benefit enhancement.

Contribution rates for the Base Plan are organized into two classes: fire/police and everyone else. The normal cost rates for general member versus teachers is different. The normal cost rate for general members is 15.11% and teachers is 17.53% even though these two groups both fall into the same benefit structure. General members are also funding 3.99% of the UAAL whereas teachers are funding only 1.57%. Milliman is studying these two groups to find out more information on the percentage differences which they will present at the next Board meeting including contribution rate options and third class scenarios. Each decision will have a different impact on the fund. Any COLA decision above the mandatory 1% will also impact funding level. Discretionary COLA is allowed through statute but is not required. The Board has full discretion based on what is the most prudent for the long term sustainability of the fund. Granting the full discretionary COLA of 4.3% this year would be at a cost of an estimated \$474 million for a total of \$506 million with the 1% mandatory included. The granting the full discretionary COLA would also decrease the funding level by approximately 3%.

DEPUTY DIRECTOR

Callan Contracts Deputy Hampton presented information for the Board review regarding the Callan contracts which are for Investment Consulting Services for the Choice 401(k) Plan as well as a First Amendment to the Amended and Restarted Agreement for Investment Consulting Services. The contracts comply with the new section of code regarding boycotts of Israel statutory requirements. Chairman Cilek requested an update to the language in Attachment A, Section A, bullet three.

Trustee DeAngeli moved to authorize the Executive Director and Chief Investment Officer to enter into the stated contracts, on the Boards behalf, with Callan LLC including the language changes as requested by the Chair. Trustee Gould seconded the motion, which passed unanimously.

New Employers Lemhi Soil & Water Conservation meets the definition of an employer/governmental entity and are active as an employer as of August 29, 2021. They currently have two full time employees. Star Cemetery Maintenance District meets the definition of an employer/governmental entity and are active as an employer as of September 15, 2021. They currently have two full time and one elected/appointed employees.

Public Safety Officer Permanent Disability Benefit – Klingler Deputy Director Hampton presented the Board their options for this benefit application which falls under §59-1352A. MMRO determined that the public safety officer has been ruled permanently disabled, the disability did occur in the line of duty, the disability was not the result of intentional misconduct and/or self-inflicted, and that the officer was not voluntarily intoxicated at the time of the event.

Trustee Price made a motion to approve this application for the \$100,000 Public Safety Officer Permanent Disability Benefit. Trustee Gould seconded the motion, which passed unanimously.

FISCAL


Update/Expense Reports/Travel Financial Executive Officer, Alex Simpson, gave the fiscal update and presented the expense reports.

Choice Plan Fees Mike Anderson, Portfolio Accounting Manager, reviewed the current Choice 401(k) Plan fees and reviewed the information that was discussed last May regarding Choice Plan which included historical trends in participant activity and increases in market value. Revenue (fees paid by participants) has increased slightly each year while expenses have remained fairly consistent thus resulting in a gap between revenue and expenses. Mr. Anderson reviewed the current tiered fee structure, account summary for fiscal year 2021 and the forecast for the Choice Plan fee account as well as fee adjustment scenarios. Fiscal will be bringing back this discussion for future review and a possible decision on fees sometime late winter or early spring if the gap trend between revenue and expenses continues to grow.


BOARD

The Board reviewed the draft agenda for the next Board meeting. Chairman Cilek stated that the upcoming Board meeting dates will need to be adjusted as a few Trustees have conflicts. The new dates will be published to the PERSI website once determined. The Board will also start reviewing the regular meetings dates for the 2022 calendar year.

Adjournment There being no further business to come before the Board, the meeting adjourned at 11:45 a.m.



Don Drum Date
Executive Director

 11-12-21

Jeff Cilek Date
Chairman