



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 1:00 p.m., October 22, 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:

|                 |   |                                     |                  |
|-----------------|---|-------------------------------------|------------------|
| Nate Fisher     | Governor's Office                       | Scott Zanzig                        | Attorney General |
| Brady Hall      | Governor's Office                       | Andy Snook                          | Attorney General |
| Robert Klausner | Klausner, Kaufman,<br>Jensen & Levinson | Larry Sweat<br>Amber Christofferson | PERSI<br>DFM     |

At 1:05 p.m., Chairman Cilek called the meeting to order. He welcomed everyone to the meeting. Chairman Cilek stated the items being discussed may result in an opportunity to expand IT resources, further protect membership and spread out some of the fiduciary liability. Chairman Cilek offered his thanks to Director Drum, Deputy Hampton, Larry Sweat and all others that have been working diligently on this project as well as to Governor Little and his staff for their hard work and vision for the state. Shortly after the FY2023 budget approval by the Board, staff learned the state Information Technology Services (ITS) division intended to include PERSI in phase three of the state modernization plan. This requires an adjustment to the budget as well as changes to the internal IT services currently provided by PERSI staff. A Service Level Agreement (SLA) is in the drafting stages with the assistance of the Board's fiduciary consultant, Robert Klausner.

PERSI IT Reorganization: Deputy Hampton and Larry Sweat reviewed the details of the recommendation for the IT department reorganization which included all of the current PERSI IT duties, what duties ITS will acquire and what duties will remain at PERSI. The commodity level services provided by ITS include network, server & storage infrastructure, telephones, service desk and cyber security. PERSI staff provided an initial draft of a service catalogue to ITS staff resulting in the identification of services ITS can provide. Internal PERSI IT staff would need to continue to manage the business and application processes identified. PERSI staff recommends a reorganization of their IT department, to accommodate an internal staff of five and an ITS staff increase of five. PERSI retains the ability and budget to hire contracted employees when needed, as determined by PERSI. As part of the reorganization of the PERSI IT department, staff will

submit for Board review and approval of the designated internal positions and budgetary dollars. The reorganization of the PERSI IT Department is contingent upon a fully executed Service Level Agreement(s) (SLA) that has been fully vetted by an expert fiduciary counsel and attorneys assigned representing both PERSI and ITS.

Mr. Sweat stated that the Eide Bailly failover assessment back in February resulted in two main findings. First, is that PERSI should work more closely with ITS and, second, the Continuity of Operations Plan needs to be run and tested on a more regular basis. There were no other major findings. Mr. Sweat also stated that one of his major concerns is regarding off-site cyber security monitoring as this creates more risk given the system will no longer be managed in-house. The SLA will need to include details such as who will be able to access PERSI data assets, including logs with audit capability to verify everything is being controlled and monitored the correct way. The modernization plan does result in more resources and tools being available to PERSI. Plus it would free up more time for those retained as in-house IT staff to focus on their areas of specialty and areas special to PERSI operations.

Deputy Hampton stated the Division of Financial Management (DFM) budget revision recommendation varies slightly from what PERSI staff feels will be needed in order to have a successful transition. DFM does include the five (5) IT positions, however, their proposed personnel costs (PC) budget is \$442,800. PERSI staff are requesting \$496,000 for personnel costs. The ITS billing of approximately \$175,500 is the same on both revisions. Deputy Hampton stated the difference in the personnel costs total is due to a need for a higher pay scale for the positions PERSI needs to retain in-house. Ms. Christofferson stated DFM used individual positions provided to them by ITS to arrive at their recommended total.

Mr. Klausner has reviewed a draft SLA which was provided by the Governor's office and has provided his recommended edits back to the Governor's counsel. Mr. Klausner stated that Idaho law is very specific regarding inter-agency contracts. Idaho code §67-2332 is cited in the provided draft which describes what should be included in an inter-agency contract, however, the Idaho Supreme Court has addressed the scope of the statute which states an agency that surrenders statutory powers without appropriate protection would render the agreement invalid. The Board has a fiduciary duty under Idaho code §59-1301 and are held to an elevated standard of behavior. Mr. Klausner stated the SLA has to include language fully addressing fiduciary duty and the ability for the Board to be able to hire outside services on an as needed basis while the transition is being completed. The widely adopted Uniform Prudent Investor Act states whenever a trustee of a trust delegates responsibility or authority, whoever accepts the delegation accepts the same level of responsibility and subjects themselves to the courts of the state.

Chairman Cilek recessed the meeting for a 10 minute break while Deputy Hampton and FEO Simpson contacted the Division of Financial Management (DFM) regarding the discrepancy between the DFM proposed budget revision and what PERSI staff are proposing. While on break, Deputy Hampton spoke to Ms. Christofferson at DFM who confirmed with DFM Administrator, Alex Adams, that they would agree to the PERSI revision proposal of a \$397,000 line item adjustment for a total remaining personnel cost budget of \$496,000.

Nate Fisher with the Governor's Office stated if the SLA with ITS results in inadequate services to PERSI or if ITS duties are not being executed as agreed upon, the Governor's Office is committed to reinstating the IT structure currently in place within PERSI. Andy Snook with the Attorney General's Office noted for the Board to consider that any terms included within any motions made today not be too restrictive in phrasing as that may result in challenges with any future negotiations the Board may need to work through.

Trustee Price moved to adopt the budget amendment as proposed subject to a Service Level Agreement which will be consistent with Board's statutory fiduciary obligations. Trustee Gould seconded the motion, which passed with a 4-0 vote. Trustee Fisher was absent and excused during the vote.

Executive Session: At 2:50 p.m. Chairman Cilek stated the Board intended to move to executive session in accordance with Idaho Code §74-206(1)(f).

Trustee Gould made a motion to go into executive session in accordance with Idaho Code §74-206(1)(f) to communicate with legal counsel for the public agency to discuss the legal ramifications of and legal options for pending litigation, or controversies not yet being litigated but imminently likely to be litigated. Trustee DeAngeli seconded the motion which passed with a 4-0 via roll call vote. Trustee Fisher was absent and excused during the vote.

Upon conclusion of the executive session, Trustee Gould made a motion to return to regular session. Trustee DeAngeli seconded the motion, which passed unanimously.

Regular Session: The Board returned to regular session at 3:10 p.m. Chairman Cilek stated that during executive session the Board discussed legal matters. No decisions were made.

Trustee Gould moved to direct PERSI staff to negotiate settlement in a pending legal matter subject to approval of the Board. Trustee DeAngeli seconded the motion, which passed unanimously.

Adjournment: There being no further business to come before the Board, the meeting adjourned at 3:12 p.m.

  
Donald Drum \_\_\_\_\_ Date  
Executive Director

 11-12-21  
Jeff Cilek \_\_\_\_\_ Date  
Chairman