



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., February 23, 2022. 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	Paul Yett	Hamilton Lane
Ann O'Bradovich	Callan Associates	Paul Lamb	Hamilton Lane
Robert Klausner	Klausner, Kaufman, Jensen & Levinson	Mario Giannini	Hamilton Lane

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 presented an update on the ITS transition as well as the Service Level Agreement (SLA). Since the last Board meeting Mr. Klausner and DAG George worked on the SLA which was then provided to Trustee DeAngeli and DAG, Julie Weaver, for feedback. PERSI has not received any feedback from Ms. Weaver since the document was sent back approximately two weeks ago. Last week Director Drum received a call from Jeff Weak, ITS Administrator, stating that phase three of the IT modernization plan has been postponed through the end of 2022 and it may be a couple of years before they begin phase three again. PERSI may or may not be included in phase three when it comes back. Mr. Weak stated ITS is willing to continue to work on the SLA so that it is ready if and when the time comes for the PERSI transition to ITS. Director Drum stated that Mr. Weak said the decision to postpone phase three was political and somewhat associated with service for phases one and two. Mr. Weak also stated that ITS has 17 open positions and is working with DHR on a plan to recruit and retain employees for those positions.

JFAC held the budget setting for PERSI and the ITS decision unit was not discussed nor included in the motion. Director Drum has been unable to get any additional updates from Nate Fisher at the Governor's office. PERSI does have two open IT positions that we placed on hold due to the ITS transition. Director Drum will work to again begin recruiting for those positions.

DAG George stated that the SLA is basically complete at this point barring any additional changes from ITS. The Board directed PERSI staff to hold off on spending any additional time or resources on the SLA until the time that PERSI is again included in any plan to transition to ITS. Director Drum will work with ITS to get more clarification on the plan for phase three as well as if PERSI will be included.

Enterprise Risk Management: Ms. McDuffee guided the discussion on Enterprise Risk Management (ERM) including what ERM is and how PERSI is currently approaching risk management. The discussion included what aspects are included in ERM framework and which of these would be of interest to the Board and PERSI staff to explore further. PERSI staff already have processes for risk management so the main goal is to review those processes and continue to build upon what already exists.

Director Drum is going to follow up with Eide Bailly regarding Enterprise Risk Management for both investments and administrative. PERSI will have them present information regarding their approach to ERM at a future Board meeting.

Governance Policy Manual: The Board reviewed the drafts of the Employer Affiliation Policy, the Budget Approval Process Policy and the Standards of Ethics and Professional Conduct Policy.

Director Drum stated that statute defines the process and requirements to become a part of PERSI and that an employer affiliation policy may not be necessary. The Board opted last year to no longer vote for employer entrance and that this determination would be left up to PERSI staff after review of the employer application. PERSI staff will look at incorporating additional information into the Administrative Rules rather than creating a stand-alone policy for the governance manual.

The first reading of the Budget Approval Process Policy was last month and no changes have been requested since that meeting. Minor changes were discussed during the meeting which Ms. McDuffee will incorporate. The Board will look at approving this policy at the March meeting.

Additional discussion was held regarding the Ethics and Professional Conduct Policy which has been reviewed and updated multiple times since the first introduction of the policy. There are varying opinions on whether or not a stand-alone Ethics and Professional Conduct Policy is needed outside of what the State already provides. Chairman Cilek stated in light of the Board's opinion that PERSI is statutorily independent, and at the encouragement of Mr. Klausner, he believes that a policy is appropriate to cover the fiduciary responsibilities of the Board as well as staying in line with the governance structure. Ms. McDuffee reviewed all of the changes that have been made to the draft policy up to this point. Mr. Klausner stated that the whole purpose of having the ethics policy is as a demonstration of the Board's recognition of their fiduciary duty. Trustees will forward any additional change requests to Ms. McDuffee and the updated draft will be reviewed at the next meeting.

Statutory Matters: Director Drum provided a review of the history and an update on the open internal actuary position. The Board first made the decision to hire an internal actuary in 2019. A job description, position and starting wage was established through the Division of Human Resources due to there not being a pay grade or classification within the DHR system. The initial pay grade of \$135,000 was approved and PERSI proceeded with the hiring process in FY20. Only four candidates applied that time, none of which met qualifications for the position. Rather than going through the process of trying to increase the wage, the decision was made to instead look at hiring for internal actuary services using a 3rd party contract through an RFP. That process was placed on hold, however, because the Department of Administration was looking at consolidating

all actuary services for the State. It was later decided that PERSI would not be included in the consolidation due to the actuary needs of PERSI being so specialized and different than what would be provided. Senator Grow also contacted PERSI during this time and stated that he would be adding a line item to include a salary increase for an internal actuary and this would be included in the budget being presented to JFAC due to the \$135,000 salary being grossly under the typical pay range for an actuary.

The State Insurance Fund (SIF) has a Chief Actuary on their staff and the salary for that position is around the \$250,000 range. Senator Grow sent the new salary request to the Division of Human Resources for consideration. Alex Adams from the Division of Financial Management and Lori Wolff from the Division of Human Resources (DHR) met with Senator Grow to discuss the salary. Mr. Adams, Ms. Wolff and Senator Grow discussed the Department of Insurance having the only actuary on staff in the State (their title being a Deputy Director since there is not an Actuary position listed within the DHR job titles). Ms. Wolff contacted Director Drum and stated that DHR would not agree to the same salary as the SIF actuary but would agree to increase the salary to be closer in line with the Department of Insurance actuary of \$160,000. DHR agreed to allow Senator Grow to increase the PERSI budget request from \$135,000 to \$160,000 for the internal actuary salary. That motion was made in JFAC which was approved without any dissenting votes. PERSI staff will continue with the RFP process for contracting actuary services in case they are unsuccessful at hiring an internal actuary at the new budget of \$160,000 when that becomes available July 1.

Director Drum stated that PERSI typically spends \$355,000-\$400,000 annually on actuarial services. This number increases if more special projects or studies are requested (this does not include the valuation or experience study reports currently provided by Milliman). Most of the requests for additional studies come from legislators and since the Legislature is the plan sponsor PERSI tries to accommodate those at no charge. However, if other entities request a study the cost for those are typically charged to the entity requesting the information.

The Board requested that requests for actuarial studies be tracked according to who is making the request (sponsor vs non-sponsor) to assist with future decisions on when or when not to charge for additional studies. Director Drum will have this information reported to the Board on a quarterly basis.

March Agenda: Ms. McDuffee reviewed the draft agenda for the March governance meeting. Topics to be discussed include an update on ITS, follow up on Enterprise Risk Management, review and possible adoption of the Budget Approval Process draft policy, review of the Ethics and Professional Conduct policy, begin discussions on the Internal Audit process, and introduction of the Routine Monitoring and Reporting draft policy.

Private Equity Review: Paul Yett, Mario Giannini and Paul Lamb with Hamilton Lane provided their annual review of the Private Equity portfolio. Hamilton Lane has been a consultant for PERSI since 1997. Mr. Yett reviewed the portfolio highlights as of September 30, 2021. The Private Equity portfolio experienced positive performance for the last 12 months which ended September 30, 2021, generating a positive net value change of \$639.2M. The portfolio achieved positive performance in six consecutive quarters, with Q3 posting a 6.6% internal rate of return for the quarter. The portfolio generated positive performance across all time periods and has outperformed the public benchmark by 61 basis points since inception. Mr. Giannini provided general private equity national and global market commentary.

Executive Session: At 3:50 p.m. Chairman Cilek stated the Board intended to move to executive session in accordance with Idaho Code §74-206(1)(a) and section 74-206(1)(f).

Trustee Gould made a motion to go into executive session in accordance with Idaho Code §74-206(1)(a) to convene in executive session to consider hiring a public officer, employee, staff member or individual agent, wherein the respective qualities of individuals are to be evaluated in order to fill a particular vacancy or need; and §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 Fisher 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 5:00 p.m. Chairman Cilek stated that during executive session the Board discussed pending litigation as well as discussion of the open Chief Investment Officer position. No decisions were made.

Recess: The Board recessed at 5:05 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 3-24-22
Donald Drum Date
Executive Director

Jeff Cilek 3-24-22
Jeff Cilek Date
Chairman