



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., February 24, 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, 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:

Paul Yett	Hamilton Lane	Kelly Cross	PERSI
Paul Lamb	Hamilton Lane	Diane Kaiser	PERSI
Robert Schmidt	Milliman	Maria Quitugua	PERSI
Ann O'Bradovich	Callan	Ray Mikus	PERSI
Chris Brechbuhler	Clearwater		
Dan Bates	Clearwater		

At 8:50 a.m., Chairman Cilek called the meeting to order. He welcomed everyone to the meeting and gave special recognition of the staff advisors in attendance.

Approval of the Minutes Trustee Fisher made a motion to approve the minutes of the January 18, January 19 and February 12 meetings. Trustee Price seconded the motion, which passed unanimously.

#### PORTFOLIO

Callan Quarterly Update Ann O'Bradovich of Callan presented the 2021 quarter four and year-end performance evaluation report. The report included a general market overview and summary as well as fund performance for the Defined Benefit (DB) plan, Defined Contribution (DC) plan and the Sick Leave plan. The DB plan ended the 4th quarter 2021 with \$24.50 billion, a net increase of \$0.98 billion. For the 4th quarter 2021, the DB plan earned a return of 4.55%, lagging the Policy Target return of 4.98%. The one-year DB return was 15.55%, surpassing the Policy Target return of 15.49%. Over the last five years, the DB plan gained 12.18% vis-à-vis the Policy Target's return of 11.79%. Over the last 20 years, the DB plan has provided an average annual return of 8.13%, trailing the Policy Target return of 8.23%, but topping the Long-Term Target return of 7.89%. The

DB plan underperformed the Policy Target by 43 basis points during the past quarter, outperformed the Policy Target by 6 basis points during the past 12 months, outperformed the Policy Target by 39 basis points for the past 5 years, and outperformed the Policy Target by 41 basis points for the past 10 years.

The total assets in the DC plan as of December 31, 2021 totaled \$1.54 billion. At the end of the 4<sup>th</sup> quarter 2021, relative to the Policy Target, the Russell 3000 Fund was overweight by 1.9%, while the Bond Fund was underweight by 1.3% and the ACWI ex US Fund by 0.7%. The Sick Leave plan topped the Target by 2 basis points for the quarter. The Sick Leave passive funds topped their benchmarks by 1 basis point. The Sick Leave plan earned a return of 10.99%, which exceeded the target return of 10.83% by 16 bps.

In April Callan has an in-depth manager review scheduled of all global managers and staff. There is also a Choice Plan workshop coming up in June.

Monthly Portfolio Update Investment Officer, Richelle Sugiyama, provided the investment update including general commentary on market challenges, investments and the economy. PERSI is down -0.7% for the month for a fiscal year-to-date return of +0.8% at \$23.426 billion. The sick leave funds are down -2.6% for the fiscal year-to-date at \$677 million. This month US equities (R3000) have lost -3.4% for a fiscal year -0.7%. International developed markets (MSCI EAFE) are down -0.2% for a fiscal year-to-date loss of -2.8%. Global developed market equities (MSCI World) are down -2.6% for a +0.0% fiscal year. Investment grade bonds (BB Aggregate) have dropped -1.6% for the month for a -3.6% fiscal year-to-date. Emerging markets (MSCI Emerging) are up +1.0% to reduce the fiscal year loss to -9.9%. REITs (DJ Select REIT) have retreated -3.7% to +6.9% for the fiscal year. TIPS are off -1.5% to +0.5% for the fiscal year. Private real estate has a gain of +24.7% and private equity has gains of +26.5% for the fiscal year. Donald Smith has the best absolute and relative return to benchmark at +11.6% which is +19.4% above their U.S. benchmark for the fiscal year. Peregrine has the worst absolute and relative return at -18.0% which is -17.9% behind their U.S. equity benchmark. The fund as a whole is +2.6% ahead of the 55-15-30 reference benchmark boosted by private equity and real estate returns assisted by TIPs relative returns to general investment grade bonds.

Chief Investment Officer Bob Maynard discussed the daily returns history from June 2007 to December 2021 as well as general commentary on market challenges, investments and the economy.

Investment Manager Market Commentary Investment Officer, Richelle Sugiyama, introduced Paul Yett and Paul Lamb with Hamilton Lane who provided a brief review and remarks of the Private Equity presentation from yesterday as well as a general overview of the private equity market.

## EXECUTIVE DIRECTOR

Legislative Update Executive Director Drum gave an update on the legislation currently being tracked by PERSI staff. The bills discussed include H443, H499, H551, H552, H553, H554, H555, H589, H594, and S1290.

PERSI staff will meet with Jennifer Pike at the Office of Group Insurance as well as the Department of Administration to better understand the impact of H443. Director Drum will address H443 as part of his upcoming school employee tour where the focus will be to discuss school district employee rates and the tentative new school district employee class. H594 could possibly impact PERSI as executive and leadership positions are filled. S1290 establishes a loan program for rural educators. The loan would be considered compensation and would be subject to contribution rates which

would have an impact on the member's AMS. PERSI will work with Milliman to get more information about what the impact could potentially be to PERSI.

H551, H552 and H553 are clean up bills for PERSI and passed the House with no dissenting votes. H554 more clearly defines the difference between early retirement and service retirement. It has not yet been heard in the House. H555 establishes the new class for school district employees and also includes return to work for all state employees who retired prior January 1, 2022. The bill passed through the committee with no objections and is waiting to be heard on the floor. Director Drum has spoken with all of the educator groups and they are also in support of the new class.

Director Drum reviewed the discussion that the Board had in December regarding contribution rate options for the new class. The option that most appealed to the Board at that time was to leave educators at the current general member rate (19.1) and lower the rate for all other general members (17.9). With the changes in the market and the PERSI funding status, the Board will begin to review the options again with Milliman starting at the March meeting. A rate decision will need to be made by before the start of the fiscal year if PERSI would like it incorporated at the start of the new fiscal year. The Board, however, may make a rate decision at any time once the bill is signed. There is no deadline for a decision.

H499 gives rule of 80 to dispatchers. Director Drum attended the hearing in the Judiciary and Rules committee yesterday and passed the committee with a "do pass" recommendation with only two dissenting votes. Historically PERSI has not testified for or against bills but Director Drum may sign up to testify to provide information on the original intent of rule of 80 and who should qualify. H589 gives rule of 80 to juvenile detention and county detention officers. It has been passed the House and is waiting to be heard in the Senate committee.

Budget Revision JFAC increased the budget for the internal actuary by \$36,500 which includes benefits. This raises the salary from \$135,000 to \$160,000. The Board approved the budget for ITS at the December meeting and this was not included in the motion made in JFAC. This would have reduced the PERSI budget by \$397,000 and transferred 5 FTP positions to ITS.

Trustee Price made a motion to approve the budget for FY2023 which includes 73 FTP and \$12,494,000 from dedicated funds. Trustee Fisher seconded the motion, which passed unanimously.

Legal DAG George stated that H629 is a bill that would change how hearing officers are appointed. It would create a Hearing Officer Bureau. PERSI would have to go through the Bureau for contested case hearing officer assignments. Right now PERSI selects hearing officers with more knowledge and experience with PERSI statute and rule. The goal is to address the perception of fairness with the current administrative hearing process.

#### DEPUTY DIRECTOR

Personnel Budget Update Deputy Hampton provided an update on goal 3 objective A of the Long Range Plan. PERSI completed and implemented the first step of the compensation plan which included equity adjustments to critical positions and one-time bonuses to staff not impacted by equity adjustments. 100% of PERSI staff was impacted with the completion of this step. Step two of this objective is to complete evaluations of all positions and position descriptions. The goal date to complete step two is March 31<sup>st</sup>.

Long Range Plan Kelly Cross, Program Manager, provided an update on goal 2 objective A and B. Goal two is to continually identify, develop and provide education and services that adapt to

stakeholder needs in accordance with applicable laws and regulations. Objective A is to assess and consider enhancements to education, services, and training topics and formats. Objective B is to identify and develop ways to engage members at the start of their public service career recognizing interagency constraints.

As part of the 2020 stakeholder survey, PERSI staff and management directed the Program Department to re-design the orientation experience for new PERSI staff. They evaluated existing practices, made recommendations, and redesigned the experience with the focus being on awareness of PERSI benefit plans, the Long Range Plan and PERSI's mission, vision, and core values. In anticipation of the Long Range Plan adoption, the Program Department engaged the Choice 401(k) Plan record keeper, Empower, to design and deliver a "New Hire Experience" for new members. This new hire experience launched in August.

Separate from Empower's new hire experience, the Program Department team will develop a PERSI-centric "new hire experience" to assist in engaging and educating new members about the value of all PERSI benefit plans. They will also address active member awareness of PERSI benefit plans by redesigning member training to match up with active member age cohorts, and enhancing delivery options for existing and new training. This will include a redesign of the education pages on the PERSI website to include clear delivery paths for members and employers with varying delivery preferences.

The Board requested that the Programs Department give the "new hire experience" training to the Board at a future meeting.

Staff Recognition Joshua Waters, with Bannock County, emailed PERSI to provide feedback on a training conducted for the county employees by Maria Quitugua in January. Ms. Quitugua was recognized as being very professional, courteous and knowledgeable. Mr. Waters felt her presentation was very engaging and that Ms. Quitugua made all of those in attendance feel how excited she was to share all of the benefits of PERSI. She answered all of their questions in a way that made sense and made sure that everyone understood how to best prepare for retirement. Mr. Waters was very appreciative of the time Ms. Quitugua took with the employees.

## FISCAL

Choice Plan Fees Mike Anderson, Portfolio Accounting Manager, provided an update on the Choice 401(k) Plan administrative expense account. This included information on the basis points for each current fee structure tier and information on an expanded free tier structure. A Choice Plan workshop is scheduled for June which will include more in-depth information regarding fees and the fee structure.

Update/Expense Reports/Travel Financial Executive Officer, Alex Simpson, gave the fiscal update and presented the expense reports. There has been no completed travel since the last update.

Quarterly Financial Statements FEO Simpson updated the Board on the quarterly financial statements for the second quarter of Fiscal Year 2022.

## BOARD

The Board reviewed the draft agenda for the March Board meeting. Director Drum stated that the NASRA annual conference will be held the first week of August and extend an invitation for all Trustees to attend.

No executive session was held.

Adjournment: There being no further business to come before the Board, the meeting adjourned at 11:35 a.m.

Don Drum 3-24-22  
Date  
Don Drum  
Executive Director

Jeff Citek 3-24-22  
Date  
Jeff Citek  
Chairman