



PUBLIC EMPLOYEE RETIREMENT SYSTEMS OF IDAHO
607 North 8th Street, Boise, Idaho 83702

MINUTES OF MEETINGS OF RETIREMENT BOARD

The Board of the Public Employee Retirement System of Idaho met in-person at 12:00 p.m., June 27, 2022. The following members were present:

Jeff Cilek
Joy Fisher
Park Price
Celia Gould
Darin DeAngeli

Executive Director Don Drum, Deputy Director Michael Hampton, Deputy Attorney General Cheryl George, Chief Investment Officer Bob Maynard, Investment Officer Richelle Sugiyama, and Management Assistant Eliza Storms were also in attendance.

Along with members of the general public, some PERSI staff, other persons attending all or portions of the meeting in person or via zoom were:

Ann O' Bradovich	Callan	Diane Kaiser	PERSI
Ben Taylor	Callan	Stephanie O'Dear	Empower
Alex Simpson	PERSI	Dave Ramirez	Empower
Jenny Flint	PERSI	Mike Anderson	PERSI
Branden Kennah	PERSI	Amy McDuffee	Mosaic Governance

At 12:05 p.m., Chairman Cilek called the meeting to order. He welcomed everyone to the meeting, reviewed the objectives and agenda of the meeting. Mr. Chairman turned it over to Diane Kaiser, Choice 401(k) Plan Manager.

Ms. Kaiser thanked the Board for the opportunity to be here today, briefly reviewed the Choice Plan workshop agenda and the presenters. Ms. Kaiser turned the meeting over to Ann O'Bradovich with Callan.

CHOICE PLAN WORKSHOP

Choice Plan Investment Fund Review

Ann O'Bradovich, Fund Sponsor Consultant, reviewed the PERSI Choice 401(k) Plan Investment Structure Evaluation. Ms. O'Bradovich explained the objective, in which they are going to be focusing on the investments portion of the current PERSI Choice 401(k) Plan. She indicated there are not specific concerns with the current lineup and provided some options. Ms. O'Bradovich reminded the Board the Plan is non-ERISA plan and it actually is a two plan: 414(k) Gain Sharing and 401(k) Voluntary employee contribution.

Ben Taylor, Defined Contribution Consultant, provided a summary as well as background on the PERSI Choice 401(k) Plan, the purpose of the plan, and its competition. Mr. Taylor explained Callan's Philosophy in optimizing the DC Investment Structure.

Mr. Taylor reviewed in detail with the Board the PERSI Choice 401(k) Plan Current Investment Structure, their Considerations, and the Proposed Alternative Investment Structure.

Trustee Fisher made a motion to remove US Broad Equity Index Fund, Brandes International Equity Fund, and Mellon Emerging Market Index Fund. Trustee Fisher would also like to add a New Actively managed Non U.S. Developed Market strategy, a New Actively managed Emerging Markets strategy, and proceed with fee reductions for BNYM managed Index Funds. Trustee Fisher's motion also included the Share Class Changes to remove Dodge & Cox Income DODIX, replace with DOXIX, and remove Calvert Balanced CBAIX and replace with CBARX. Trustee Price seconded the motion.

After lengthy discussion regarding the Investment Structures, the Board voted on Trustee Fisher's motion, which passed 4 – 1. Chairman Cilek voted no. The Board delegated the mapping strategy to PERSI staff.

Empower

Empower Retirement Update Stephanie O'Dear, Vice President and Dave Ramirez, Relationship Manager with Empower presented the Empower Retirement Update. Ms. O'Dear began with a brief update on Empowers progress, metrics, and milestones. She stated Empower worked hard to maintain stability and leadership with a \$1.4 trillion in assets, servicing 17M individuals, and #1 in year-over-year asset growth rate.

Mr. Ramirez provided a look at the plan metrics. Mr. Ramirez states the participant's assets have increase 68% in the last 3 years, from \$895.2M in 2018 to \$1.5B in the end of 2021. Also stated participant balance increase of 7% with an average balance is about \$35,429.

Ms. O'Dear discussed employee engagement process. Ms. O'Dear provided the results from the Participant Sentiment Survey. She explained response rate is usually at an average 3%, however, this survey had a response rate was at an 8.2%. She also detailed the new hire experience and results. Ms. O'Dear provided details from the Benefit Summit report, showing that by April 2022, they had 928 registered, 624 attended (67%), and 38 one-on-one meetings.

Mr. Ramirez provided results from PERSI employers and webinars, showing 354 registered, 230 attended for a 63.5% attendance ratio.

Ms. O'Dear gave a brief description of what it will look like moving forward with PERSI using new technology, better snapshots, how My Financial Path has been updated for participants.

Chairman Cilek thanked both Ms. O'Dear and Mr. Ramirez for their time.

DEPUTY DIRECTOR AND ATTORNEY GENERAL

Plan Document Review Deputy Hampton presented the Board the Choice Plan Documents Amendments summary.

Clerical Edits

There are technical corrections that need corrected throughout the plan documents such as capitalizations. Section 5.7 amend to update the required minimum distribution age to 72.

Beneficiary Designation Changes

Primarily sections 1.1 and 2.3 amend the beneficiary designation to allow for separate and independent beneficiary designation between the Base Plan and Choice Plan, which also includes distribution of assets in the event that no beneficiary designated. PERSI staff did not ask for a full acceptance from the Board at this time. PERSI staff is continuing to work on how each will be defined; separation of designation for both the Base Plan and the Choice plan and how it will be defined if there is no designation.

In-Service Withdrawal Changes

Section 5.1 amends in-service distributions from age 70 to age 59 ½, to allow active member to take distribution if they chose to. This amendment is in line with industry standards.

Required Minimum Distribution Changes

Section 5.7 amended to update the required minimum distribution age to 72.

PERSI staff will bring back and ask for the final approval to the Board at the August Board meeting.

FISCAL

Monthly Administrative Fee Review Mike Anderson, Portfolio Accounting Manager, presented the Choice Plan Fees and current position of the Choice Plan fee structure. The account balance as of May 31, 2022 is \$1,774,230. One year of expenses is forecasted to be \$1,960,902 for FY2022. The account is forecasted to reach this amount in October of 2022. With current fee structure, the fees collected minus expenses is adding \$445K to the account balance each year (about \$37K per month). After reviewing historical expenses, PERSI staff comfort level is approximately \$200K after expenses (\$17K per month). Mr. Anderson presented fee scenarios. PERSI staff recommended expanding free tier to \$3000 and 3% reduction in fees.

The Board would like to see the information for all reductions from the lower levels and no reductions in levels \$400K plus.

PERSI staff will look at reducing lower tiers. Will complete different scenarios at different amounts and will bring back to the Board in August when all information is collected.

Diane Kaiser presented the Board the 2021 MarCom Platinum Award, given to PERSI Choice 401(k) Plan with Empower Retirement and finished the Choice Plan Workshop by thanking the Board for their time.

Chairman Cilek thanked all for their time and efforts.

EXECUTIVE DIRECTOR

Enterprise Risk Management

Director Drum presented Eide Bailly proposal for risk management. Director Drum explained how Eide Bailly took all the Boards, Director Drum's, and Deputy Director Hampton's inputs to complete the new proposal. The proposal will include meeting with 7 to 10 of PERSI managers, discuss the metrics PERSI staff has already created, and utilize their experience and industry

knowledge will present an update with a plan to move forward for both portfolio and operations. The estimated cost will be between \$20k and \$25K with a period of about two months to complete.

Director Drum will reach out to Eide Bailly to negotiate and complete a contract.

Statutory Matters

Director Drum provided an update on Rule of 80/Fairness Adjustment meetings with employers, as he has completed seven of the eight scheduled meetings with employers who have both Rule of 80 employees and schoolteachers. Also stated he has had good response and will be completing the final meeting this week. Director Drum will also be completing webinars made available to the employers. Director Drum is scheduled to meet with governor's office and different associations to discuss HB499, HB589, and Rule of 80 boundaries this week.

Director Drum discussed the internal actuary contract. Director Drum stated PERSI has finalized the agreement and Cavanaugh Macdonald will take over on an internal actuary contract for base hours of \$200K for 2080 hours. PERSI staff has met with Cavanaugh Macdonald to discuss an outline as to where to begin their focus. Director Drum explained PERSI staff will be meeting with both Cavanaugh Macdonald and Milliman to have a discussion on shared information and how PERSI staff has already provided four to five projects to start with. Director Drum and PERSI staff will have update of meetings for the Board in the August meeting.

NEW BUISNESS

Agenda Reviews

The Board reviewed the draft governance agenda for August. Due to an Investment Conference in August, the Board will hold the August meeting all in one day on August 15th. No investments discussion will be held in August.

Investment Officer Richelle Sugiyama provided a quick agenda for the Investment Conference.

Executive Director and CIO Evaluations

Chairman Cilek explained no CIO evaluation would be necessary as CIO is retiring.

Chairman Cilek stated all paperwork was checked and per Nate Fisher, all evaluation paperwork for Director Drum is complete. Director Drum stated Mr. Fisher confirmed all paperwork received and just in need of a signature.

Annual Selection of Vice Chair

Chairman Cilek explained the process to select a Vice Chair and the duties of the Vice Chair. Trustee Gould made a motion for Trustee Fisher to be the Vice Chair. Trustee DeAngeli seconded the motion, which passed unanimously

Executive Session: At 3:23 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 convene in executive session to communicate with legal counsel to discuss legal ramifications of and legal options for pending litigations or controversies. Trustee Fisher seconded the motion and the Board voted unanimously via roll call vote.

