



PUBLIC EMPLOYEE RETIREMENT SYSTEMS OF IDAHO  
607 North 8<sup>th</sup> Street, Boise, Idaho 83702

MINUTES OF MEETINGS OF RETIREMENT BOARD

The Board of the Public Employee Retirement System of Idaho met in-person at 8:30 a.m., June 28, 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:

Peter Bundgaard	BLS Capital	Anders Lund	BLS Capital
Robin Armour	BLS Capital	Alex Simpson	PERSI
Jenny Flint	PERSI		
Branden Kennah	PERSI		

At 8:34 a.m., Chairman Cilek called the meeting to order. He welcomed everyone to the meeting, reviewed the objectives and agenda of the meeting.

Approval of the Minutes Trustee Fisher made a motion to approve the minutes of the May 16 and May 17 meetings. 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. The fiscal year-to-date return as of the morning of the Board meeting was down -3.9% for the month for a fiscal year to date return of -8.2% at \$21.214 billion. The Sick Leave funds are down -11.8% for the fiscal year to date at \$606 million. The months US equities (R3000) are down -5.2% for a fiscal -10.8%. International developed markets (MSCI EAFE) are off -7.9% for a FYTD loss of -16.1%. Global developed market equities (MSCI World) have lost -6.0% for a -11.5% fiscal year to date. Investment grade bonds (BB Aggregate) have dropped -2.2% for the month to date for a -10.9% fiscal year to date. Emerging markets (MSCI Emerging) are off -5.8% to increase the fiscal year loss to -24.4%. REITs (DJ Select REIT) are down -5.9% to -4.5% for the fiscal year. TIPS are off -2.0% to -4.0% for the fiscal year. Private real estate has a gain of +33.3% and private equity has gains of +32.3% for the fiscal year.

Donald Smith has the best absolute and relative return to benchmark at -4.1%, which is +14.0% above their U.S. benchmark for the fiscal year. Peregrine has the worst absolute and relative return at -33.9%, which is -21.5% behind their U.S. equity benchmark. The fund as a whole is +3.3% ahead of the 55-15-30 reference benchmark boosted by spectacular private equity and real estate returns assisted by TIPs relative returns to general investment grade bonds.

#### Investment Manager Market Overview:

Ms. Sugiyama presented Robin Armour, Peter Bundgaard, and Anders Lund with BLS Capital. Mr. Bundgaard discussed BLS Capital's philosophy. In addition to focusing on long term, predictable and stable growing free cash flow, BLS Capital focuses in strong business model, skilled management, and high return on invested capital and low debt. BLS Capital concentrates on a thorough knowledge of limited number of companies that they can understand and disciplined on unwavering focus on quality and valuation.

Mr. Lund provided samples of quotes from their previous annual letters and examples of sources of pricing power companies.

Chairman Cilek and Trustees thanked BLS Capital for taking the time.

#### EXECUTIVE DIRECTOR

School Sick Leave Clarification Legislation Director Drum explained how because of schools now allowed to participate and contract with OGI for medical insurance services, there is a perceived impact with members on how their sick leave funds will be drawn and accumulated. Director Drum also explained that for future reference, PERSI might want to update the language in the current Idaho Code and clarify that it is up to the school districts to report the sick leave to PERSI, which will be coming out of the School Sick Leave Trust and not the State Trust. Director Drum discussed with the Board on selecting to run the clarification, a minor change, for Idaho Code 33-1228 this year. No decision was made at this time. However, PERSI staff will continue to communicate with schools and employers.

#### DEPUTY DIRECTOR

New Employers Deputy Hampton introduced two new employers. Mountain Community School, a mandatory employer with 8 to 10 full time employees with entry date of July 25, 2021 and Blaine Soil Conservation District with 1 full time employee with entry day of June 15, 2022.

Long Range Plan Deputy Hampton presented a PERSI Personal Budget Discussion report, an initial budget line item request. Deputy Hampton provided a detail summary and background information on actual base salaries versus private salaries with benefits. Deputy Hampton also described comparisons between Oregon and Washington. Deputy Hampton discussed Idaho job classifications and comp ratios. Deputy Hampton believes this is a good starting point to approach current state established pay ranges and put us in the market competitively. He provided a rough estimate of an 11% increase for operations and a 16% increase in portfolio above current budgeted wages and benefits.

Director Drum provided details on PERSI staff turnovers in the lower pay grades and retention issues. Deputy Hampton explained he would also be using the state job descriptions versus PERSI staff job descriptions when meeting with DHR. Deputy Hampton explained next step would be to meet with DHR, and possibly DFM as well, to discuss what would be acceptable.

The Board thanked Deputy Hampton for putting in all the work to gather all the information presented today and welcomed him to proceed. PERSI staff will return to the Board with the results from the meetings with DHR, DFM, and budget request at the August meeting.

Rule Changes Deputy Hampton introduced a rule change and is requesting a vote to accept the rule change. Deputy Hampton explained eliminating words from the Definitions rule, 59.01.04 (13-20), which would eliminate language that was added into the rule under the regulation that was never adopted by the IRS. The change will also remove the definitions of normal retirement age, permissive service credits, police officer, and teacher as they were added in statute last session so are not needed in rule. PERSI staff recommended the options for rule changes and that the Board allow PERSI staff to file the administrative bulletins as necessary.

Trustee Fisher motioned adoption of proposed rule changes and that the Board authorizes staff to file administrative bulletin filings as necessary and make non-substantive changes, technical in nature only, that may be required by the Office of Administrative Rules Coordinator, without further Board review and approval. Trustee Price seconded the motion, which passed unanimously.

#### FISCAL

Update/Expense Reports/Travel/Prelim 2024 Budget Financial Executive Officer, Alex Simpson, gave the fiscal update, presented the expense reports, and provided information on the scheduled and completed out of state travel. Mr. Simpson presented and discussed the proposed 2024 Budget request for both Administration and Portfolio.

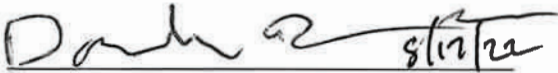
Executive Session: At 10:11 a.m. Chairman Cilek stated the Board intended to move to executive session in accordance with Idaho Code §74- 206(1)(f).

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.

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

Regular Session: The Board returned to regular session at 10:50 a.m. No decisions were made.

Adjournment: There being no further business to come before the Board, the meeting adjourned at 10:55 a.m.

  
Donald Drum  
Executive Director

Date

  
Jeff Cilek  
Chairman

Date