



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., March 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, 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:

Robert Schmidt	Milliman	Chris Brechbuhler	Clearwater
Ann O'Bradovich	Callan	Dan Bates	Clearwater
Michael Kennedy	Korn Ferry	Larry Sweat	PERSI
Brandon Fitzpatrick	DBF	Kelly Cross	PERSI
Nate Oakley	Mountain Pacific	Branden Kennah	PERSI
Bruce Reeder	Mountain Pacific	Eliza Storms	PERSI

At 8:35 a.m., Chairman Cilek called the meeting to order. He welcomed everyone to the meeting.

Approval of the Minutes Trustee Fisher made a motion to approve the minutes of the February 23 and February 24 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. PERSI is down -0.7% for the month for a fiscal year-to-date return of -0.3% at \$23.124 billion. The sick leave funds are down -3.4% for the fiscal year-to-date at \$670 million. The estimated funding ratio for the main plan is 93.9%. This month US equities (R3000) are up +0.6% for a fiscal year +0.8%. International developed markets (MSCI EAFE) are down -1.1% for a FYTD loss of -5.3%. Global developed market equities (MSCI World) are up +0.3% for a 0.0% fiscal year. Investment grade bonds (BB Aggregate) have dropped -2.3% for the month for a -5.4% fiscal year-to-date. Emerging markets (MSCI Emerging) are off -4.1% to increase the fiscal year loss to -17.0%. REITs (DJ Select REIT) are gaining +3.8% to +11.2% for the fiscal year. TIPS are up +0.1% to +3.0% for the fiscal year. Private real estate has a gain of +24.9% and private equity has gains of +27.5% for

the fiscal year. Donald Smith has the best absolute and relative return to benchmark at +12.7% which is +18.5% above their U.S. benchmark. Genesis (emerging) has the worst absolute return at -23.4% and Peregrine has the worst relative return at -18.2% which is -19.7% behind their U.S. equity benchmark. The fund as a whole is +1.6% 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.

Ms. Sugiyama stated that the real estate portfolio review will be given at the April meeting.

Investment Manager Market Commentary Investment Officer, Richelle Sugiyama, introduced Brent Fredberg (Director), Glenn Carlson (Executive Officer) and Rhonda Berger (Director) of Brandes Investment Partners who provided a general overview and remarks of global equity and fixed-income assets with focus on their value investing approach.

EXECUTIVE DIRECTOR

Legislative Update Executive Director Drum gave an update on the legislation being tracked and monitored by PERSI staff. The bills reviewed included H443, H499, H551, H552, H553, H554, H555, H589, H724, H728, H737, HRC52.

H628 pertains to administrative hearings and establishing an independent office and pool of hearing officers for this process. The hearing officers currently utilized for PERSI hearings have a greater understanding of PERSI and this may not be the case with the establishment of a new independent office to handle administrative hearings.

Director Drum reviewed the history of Rule 80 along with the original intent of this class. The original law regarding Rule of 80 was passed in 1968. Rule of 80 was crafted to allow individuals who work in professions that require strength and endurance as well as have a higher mortality risk to transition to retirement at an earlier age. In 1985, PERSI and the legislature clarified the law in an attempt to clearly distinguish who was eligible for Rule of 80 and who was not. This was to reduce the amount of employees being added that may not actually qualify and also remove some classes or groups who had previously been allowed to receive Rule of 80. Dispatchers were one of the groups removed by the legislature at that time.

Changes have been occurring with Rule of 80 participation for a number of years. In 2019, PERSI worked to make sure rule of 80\public safety service was appropriate. §59-1303 was updated to eliminate some of the subjectivity that employers were using to justify and qualify positions for rule of 80. §59-1303 was also made job title specific to make the statute more transparent. In 1999, rule of 80\public safety members represented 8.7% (5,162 members) of the active member population which grew to 10.6% (7,553) in 2019. As of June 30 last year, that number was still at 10.6% (7,765 members). H499 and H589 will add approximately 850 members to rule of 80 and potentially increase the percentage of rule of 80 participation to approximately 12% of the active member population. Rule of 80 is a richer benefit and it does increase the overall cost of PERSI. In 2018, the normal cost rate for rule of 80 members was 17.99% which is estimated to increase to 20.31% as of July 1, 2022.

Director Drum has an education outreach initiative planned including a presentation scheduled in April with the Fire Chiefs Association, newsletters and in-person meetings with employers and members all around the state to educate rule of 80 participants more on the changes from this year's session as well as upcoming changes to address the contribution rate for this class.

New Class Discussion Robert Schmidt of Milliman presented information regarding the tentative new class for educators and considerations for the Board regarding contribution rates. Mr. Schmidt provided a review of the current contribution rates as well as the alternative rates presented at the December meeting. Due to the returns and current market, the Board also reviewed alternative rate options as they may not be able to move forward as intended in December. Historically any rate changes are done after the final valuation reports are presented, however, the Board may need to make a rate decision sooner to address the current issue of one group subsidizing another. Bonuses and salary gains also impact the average monthly salary used for calculating retirement benefits and current contribution rates may not be covering this growth. The Board will review this information again at the April meeting and may move forward with a decision then.

DEPUTY DIRECTOR

Long Range Plan Larry Sweat, Information Technology Manager, provided an update on Goal 4 objective A and B. Goal 4 is to continue to ensure the integrity, adaptability, usefulness, and security of the technology infrastructure while recognizing available resource constraints. Within objectives A and B, the IT department has been continuing to evaluate and update the technology modernization and innovation plan as well as adapting to dynamic customer services and communication needs as they evolve.

Personnel Budget Update Deputy Director, Michael Hampton, provided an update on Change in Employee Compensation (CEC) early implementation. On March 11, the Division of Human Resources (DHR) and Division of Financial Management (DFM) issued their guidance on implementation of the legislative appropriation for FY 2023 CEC. The legislature appropriated a fully funded upward adjustment of the compensation schedule by 3% to provide a 3% ongoing salary increase for all permanent positions as well as a \$1.25 per hour increase for each permanent employee, to be distributed based on merit with flexibility as determined by agency directors. On March 14, PERSI submitted a request to implement the 3% ongoing salary increase for all staff. It is PERSI's intent to provide the 3% pay line move to all staff at the earliest possible date (March 20) and continue to work through DFM/DHR for approval of the merit based increase as soon as possible.

New Employers Deputy Hampton introduced two new employers active as of July 1, 2022. Both employers are schools and mandated to join under §59-1302(15). Elevate Academy Nampa LLC currently has 37 employees. Elevate Academy North LLC currently has 29 employees.

Contested Case 07-21: The matter of Idaho Independent Intergovernmental Authority (IIIA) appeal of the agencies denial of application to be a PERSI employer. The Board's options are to schedule oral arguments by the parties before the Board prior to issuing final order, remand the matter for further evidentiary hearings or vocational assessment if further factual development is needed, or issue a final order accepting, rejecting or modifying the Recommended Order from the Hearing Officer.

The Board requested that PERSI staff and DAG George work with Paul Madden to propose a temporary rule to update the IDAPA 59.01.01(14)(A) as the current rule does not include the appropriate citing for PERSI employer eligibility purposes.

Trustee Price made a motion to adopt the Hearing Officer's recommended order and approve the request for IIIA to become a PERSI employer. Trustee Gould seconded the motion, which passed unanimously.

FISCAL

Update/Expense Reports/Travel Financial Executive Officer, Alex Simpson, gave the fiscal update and presented the expense reports. There has been one completed travel since the last update which was for Director Drum to attend the NASRA conference in Washington, D.C. Director Drum is the current President of NASRA.

BOARD

The Board reviewed the draft agenda for the April Board meeting. No agenda items were added during the meeting.


Adjournment: There being no further business to come before the Board, the meeting adjourned at 11:50 a.m.



Don Drum
Executive Director

4-19-22

Date



Jeff Cilek
Chairman

4-19-22

Date