



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 8:30 p.m., May 17, 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, Bob Maynard, Chief Investment Officer, Investment Officer Richelle Sugiyama, and Management Assistant Eliza Storms were also in attendance.

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

Ann O'Bradovich	Callan Associates	Branden Kennah	PERSI
Amy McDuffee	Mosaic Governance	Alex Simpson	PERSI
Marina Lund	Longview Partners	Alex Philipps	Longview Partners
Jenny Flint	PERSI		

At 8:32 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 April 18 and April 19 meetings. Trustee Price seconded the motion, which passed unanimously.

PORTFOLIO

Callan Quarterly Report:

Ann O'Bradovich of Callan presented the First Quarter 2022 performance evaluation report. The report included a general market overview and summary as well as fund performance for the Defined Benefit plan, Defined Contribution plan, the Sick Leave plan, and Callan updates. The Total Fund ended the 1st quarter 2022 with \$23.3 billion, a net increase of \$1.2 billion. For the 1st quarter 2022, PERSI Defined Benefit earned a return of -4.32%, falling short of the Policy Target return of -3.91%. The one-year Total Fund return was 7.32%, lagging the Policy Target return of 7.90%. Over the last five years, the Total Fund gained 10.14% vis-à-vis the Policy Target's return of 9.92%. Over the last 20 years, the Total Fund has provided an average annual return of 7.84%, trailing the Policy Target return of 7.91%, but topping the Long-term Target return of 7.55%.

Total assets as of March 31, 2022, the Defined Contribution plan totaled \$1.48 billion, 77% of assets invested in the Total Return Fund, 16% of asset invested in Equity Funds and 5% of assets invested in Fixed Income and Cash equivalents. STIP had the largest inflow (+4.4M), followed by Mellon Large Cap (+1.5M) and Total Return Fund (+\$0.8 million). For the quarter, balanced funds, the Total Return Fund outperformed the Long-Term Index by 119bps. Ms. O'Bradovich stated there are no significant issue that needs to be addressed. There will be a Choice Plan presentation in June.

The Sick Leave plan funds are vested as 50% equity and 50% fixed income. This portfolio was down about .8%, heavier allocations, two bonds did not protect in the 1st quarter. PERSI Sick Leave Funds Performance Attributions for 1st quarter the Funds lagged the Target by 4 bps for the quarter, passive funds topped their benchmarks by 1 bp, and the overweight to Domestic Equity and underweight to Bonds cost 5 bps.

Trustee Price discussed Capital Market assumptions. Ms. O'Bradovich indicated they complete the Capital Market assumptions every year and starts in the fall and publishes in January. Ms. O'Bradovich stated Callan is currently doing the work now and should have some presentation for the September Board meeting.

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 -2.6% for the month for a fiscal year to date return of -6.9% at \$21.528 billion. The Sick Leave funds are down -10.1% for the fiscal year to date at \$620 million. The months US equities (R3000) are down -2.9% for a fiscal -8.6%. International developed markets (MSCI EAFE) are off -4.1% for a FYTD loss of -13.4%. Global developed market equities (MSCI World) have lost -3.2% for a -9.0% fiscal year to date. Investment grade bonds (BB Aggregate) have dropped -.02% for the month to date for a -9.7% fiscal year to date. Emerging markets (MSCI Emerging) are off -6.6% to increase the fiscal year loss to -25.4%. REITs (DJ Select REIT) are down -7.7% to +.05% for the fiscal year. TIPS are off -1.4% to .324% for the fiscal year. Private real estate has a gain of +26.3% and private equity has gains of +32.3% for the fiscal year.

Investment Manager Market Overview:

Ms. Sugiyama presented Longview Partners, Marina Lund (CEO) and Alex Philipps (CIO). Ms. Lund completed introduction and handed the presentation to Mr. Phillipps. Mr. Phillipps discussed what we see today and what we can see going further.

EXECUTIVE DIRECTOR

Statutory Matters

Director Drum provided an update on the Rule of 80. Provided the history of Rule of 80 and status at this point in time. Director Drum discussed the growth of the Rule of 80, in last 20 years has been about 22% growth in our active employees, but has 49% growth in people who have police officer status and Rule of 80. People have moved from Rule of 90 to Rule of 80. At this point, there are about 7,800 people in the Rule of 80 prior to conversion that occurred this year, and will be about 8,500 individuals who will have the Rule of 80 once the dispatchers, juvenile correctional officers, and probation officers are added in. Director Drum discussed the original intent of Rule of 80 and its history. Director Drum provided feedback from his last two weeks of discussions on the road. Discussed increasing education of PERSI stakeholders regarding the cost impact, contribution rates, fairness adjustment, and educate on what this really means throughout the summer and fall.

DEPUTY DIRECTOR

New Employer

Deputy Hampton introduced two new employers. Idaho Independent Intergovernmental Authority (IIIA), has six full time employees, and with an entrance date of May 1, 2022. New employer meets the definition of an Employer/Governmental Entity under §59-1302(15). Effective July 1, 2021, Office of Administrative Hearings is a new mandated state agency (under new law HB 629, I.C. 67-5280 passed in last session). Office of Administrative Hearings has four full time employees.

Actuary Contract

Deputy Hampton discussed the dedicated Actuary Contract, PERSI Staff recommendations, and requested Board Approval to proceed. Deputy Hampton presented the process completed. On March 9th, an RFP was sent to 8 pension actuary firms. On March 16th, 6 pension actuary firms participated in the pre-proposal conference. On April 11th, PERSI received 2 completed proposals, 1 incomplete proposal, and 3 no bid responses. On April 21st, technical scoring of complete proposals was finalized. On April 29th, the oral presentations were scheduled and follow up questions/agenda provided. On May 11th, the oral presentations were completed, scored, cost proposals opened, and finalized. PERSI staff discussed that PERSI was most likely to award the contract to Cavanaugh MacDonald at a \$200,000 annual fee and a \$250 per hour rate for hours exceeding 2080 annual hours.

PERSI Staff is recommending the Board approve Cavanaugh MacDonald as offer or most likely to be awarded the Dedicated Actuary contract, based upon technical merit and price, and to authorize the Executive Director to finalize a contract with Cavanaugh MacDonald to provide dedicated actuarial service with a goal of implementation no later than June 30, 2022.

Director Drum and Deputy Hampton explained the time-frame, DHR, and recruitment of both an internal actuary and hiring of actuary firm.

Trustee Fisher made a motion to approve the contract. Trustee DeAngeli seconded the motion, which passed unanimously

FISCAL

Annual Comprehensive Financial Report

Financial Executive Officer (FEO), Alex Simpson, presented the FY2022 Expense Reports. Mr. Simpson stated PERSI is running favorably and portfolio is also running on budget. Mr. Simpson provided the administration report for FY 2022 expenditures, which are as of the end of April as well as encumbrance for FY 2021.

Quarterly Financial Statements

Mr. Simpson provided the third quarter of FY 2022 unaudited financial statements.

June Agenda: The Board reviewed the agenda for June. No changes were made.

Executive Session: At 10:48 a.m. Chairman Cilek stated the Board intended to move to executive session in accordance with Idaho Code §74-206(1)(a) and Idaho Code §74-206(1)(b).

Trustee Gould made a motion to go into executive session in accordance with Idaho Code §74-206(1)(a) to consider hiring a public officer, employee, staff member or individual agent and Idaho Code §74-206(1)(b) to consider the evaluation, dismissal or disciplining of, or to hear

complaints or charges brought against, a public officer, employee, staff member or individual agent. Trustee Price seconded the motion and the Board voted unanimously via roll call vote.

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

Regular Session: The Board returned to regular session at 12:02 p.m.

Adjournment: There being no further business to come before the Board, the meeting adjourned at 12:03 p.m.

			
Donald Drum	Date	Jeff Cilek	Date
Executive Director		Chairman	