



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., January 17, 2024. The following Trustees were present:

Jeff Cilek  
Joy Fisher  
Park Price  
Darin DeAngeli

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

In attendance in-person or via Zoom were:

Richard Greenberg   Donald Smith   Ann O'Bradovich   Callan

At 8:37 a.m., Chairman Cilek called the meeting to order.

Approval of the Minutes Trustee Price moved to approve the minutes of the December 4<sup>th</sup>, 5<sup>th</sup>, 18<sup>th</sup> & 22<sup>nd</sup> meetings. Trustee DeAngeli seconded the motion. The motion passed with those in attendance.

PORTFOLIO

Proposed Investment Termination Language

Executive Director Drum presented the Board with two separate recommendations to amend the current Investment Policy Statement (IPS). He explained the two recommendations: one from the Board's fiduciary counsel and the other from PERSI's Investment Staff.

In discussion, Trustee DeAngeli indicated he would like a statement that would indicate the Chief Investment Officer (CIO) is to communicate with Board Chair and prudently terminate managers and agents, to be included into the Investment Staff Recommendation presented. Further, Trustee DeAngeli noted that the policy being silent doesn't mean that there is no authority to act. Trustee Price stated the Board should be able to delegate termination to the CIO due to an event that needs immediate attention, and the Board can make a change to the language down the road should there be a need. Chairman Cilek clarified Trustee DeAngeli would like to accept the Investment Staff Recommendation with the addition of the statement indicating communication with Chair. Trustee DeAngeli confirmed that is what he is asking. Trustee Fisher and Trustee Price stated that terminating had not been an issue in the past and

asked that notification of the Board Chair be excluded. Trustee DeAngeli conceded the language.

Trustee Price moved to approve the Investment Staff Recommendation option for the termination of managers. Trustee DeAngeli added the approved recommendation to be placed in the appropriate location in PERSI policies. Trustee Fisher seconded the motion. The motion passed with those in attendance.

#### Monthly Portfolio Update

Chief Investment Officer Richelle Sugiyama provided a quick recap of 2023 referencing the portfolio update dated January 4, 2024. She discussed the various events that occurred during 2023, which included the Fed's most aggressive rate cut in history. Ms. Sugiyama reviewed the year end returns as of December 31, 2023, ending just above \$23.2 billion.

Ms. Sugiyama also provided the performance report as of January 16, 2024.

Ms. Sugiyama introduced Richard Greenberg with Donald Smith.

#### Investment Manager Market Overview

Richard Greenberg with Donald Smith presented a market overview. Mr. Greenberg expressed his appreciation for being able to present to the Board today. He provided a brief history of the history of Donald Smith Co., Mr. Smith himself, and current practices. Mr. Greenberg explained Donald Smith Co.'s focused investment strategy and inputs including price to book value, price to tangible book value decile, as well as the impact of value investors shifting from active to passive investing. He provided a review of takeovers in the PERSI portfolio from 2021-2023 during which there were 56 stocks held in the PERSI portfolio of which 10 announced takeovers. Mr. Greenberg stated Donald Smith Co. investment philosophy and practice remains consistent and they will not deviate in the future.

#### **EXECUTIVE DIRECTOR AND DEPUTY DIRECTOR**

##### Legislative Tracking Update

Executive Director Drum provided an update on proposed legislation PERSI staff is monitoring. Director Drum started with the possible legislation that could impact PERSI. This draft legislation includes:

- Bill to include dispatcher supervisors to Rule of 80
- Bill to adjust the Public Safety return to work.

PERSI staff will continue to monitor.

Director Drum explained PERSI staff are also monitoring S1219 which may impact working from home and H386 is a bill that replaces the charter school statute. PERSI staff will continue to follow up on all bills and keep the Board informed as bills move forward.

\* Trustee Wolff joined the board meeting at 10:51 a.m.

Deputy Hampton provided an update on the reserve account legislative idea. He stated there is a draft with the Governor's office possibly for FY2025. Chairmen Cilek requested PERSI staff to add a line in the Legislative Tracker for FY2025 legislative ideas.

#### Secure 2.0 Impact on Choice Plan

Deputy Hampton provided an update on Secure 2.0 and how that will impact PERSI and PERSI staff. He explained that currently Choice Plan eligibility mirrors the Base Plan. Secure 2.0 makes it possible for individuals to be eligible for the Choice Plan who are not eligible to the Base Plan. Deputy Hampton explained this would require a change in employer reporting due to differing eligibility requirements. Staff recommends and supports separating reporting requirements of the Base Plan and the Choice Plan. Choice Plan contributions would be directly reported to the Third-Party Administrator. He stated training would need to be provided to employers due to the change.

Employer Account Specialist, Vanessa Sellars explained the current reporting mechanism that is in place. She explained the fiscal department is in frequent communication with employers due to matching errors, which causes delays in processing. Ms. Sellars, explained that with the Secure 2.0 process, the employer would work directly with Empower/Choice Plan Third Party Administrator and remove PERSI staff as a middle-person, improving efficiency.

Deputy Hampton informed the Board this process would provide better customer service for the employer as they would have a direct interaction with Choice Plan administrator to resolve issues.

#### Private Letter Ruling

Deputy Hampton provided background on the catastrophic disability benefit for public safety individuals injured in the line of duty. There is currently a member eligible for payout. An issue has arisen on whether the payment is a taxable event for that member. Deputy Hampton explained PERSI staff has been working with ISP and PERSI's tax counsel. Due to the situation, Deputy Hampton is asking the Board to authorize PERSI to seek a private letter ruling from the IRS on the taxability of this benefit for the affected member.

The Board asked for an estimate on legal fees, cost, and total amount. Staff will provide the total estimated cost.

Deputy Attorney General, Cheryl George explained the private letter ruling is asking for a ruling on the applicable laws, not the member. She stated PERSI staff is asking for the private letter ruling with respect to the law so that it would apply to anyone who falls within those statutes.

The Board authorized PERSI staff to use their judgment in seeking a private letter ruling.

#### New Employer

Deputy Hampton introduced three new employers: Gem Soil and Water Conservation District-Emmett, Squaw Creek Soil Conservation District – Emmett and Bayview Water and Sewer District – Bayview. All three new employers meet the definition of an Employer/Governmental Entity under 59-1302(15).

#### Contested Case – Wood, Jami

Deputy Hampton presented to the Board its options in this case which included: 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. PERSI staff is requesting the Board act on this matter.

Trustee DeAngeli made a motion to enter a Final Order accepting the Hearing Officer's Recommended Order, that the application for disability retirement be denied. Trustee Wolff seconded the motion, which passed unanimously.

## FISCAL

### Fiscal Update/Travel/Expense Report

Chief Financial Officer, Alex Simpson provided the Board with an updated state travel reports and expenses.

Trustee Price asked for clarification on the Judge's Retirement Fund report showing over budget. Mr. Simpson explained some allocated expense may be incorrect due to reclassification issue. Trustee Price requested that the entry be corrected and brought back to the Board.

Mr. Simpson provided a brief update on Luma, current processes, and reporting status.

### Review of Governance Policies S1 SS 5-6

Chairmen Cilek asked for a discussion on the Board Governance policies, Section 1 SS 5-6 (Executive Director Responsibilities and Chief Investment Officer Responsibilities) and asked for a motion.

Trustee DeAngeli moved to make the change as presented to the Board. The Board held a brief discussion. No second was made. Motion failed to pass.

## BOARD

February Agenda: The Board reviewed the February agenda, no additions, or changes at this time.


Chairman Cilek and the Board thanked Director Drum for his leadership and appreciation for his eighteen (18) years of dedication. Director Drum thanked the Board.

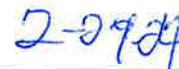
Executive Session: No executive session was held.

Adjournment: There being no further business to come before the Board, the meeting adjourned at 10:28 a.m.

  
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Michael Hampton  
Executive Director, Interim

  
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Date

  
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Jeff Cilek  
Chairman

  
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Date