



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

RETIREMENT BOARD MEETING MINUTES

A regular meeting of the Board of the Public Employee Retirement System of Idaho was held at 607 North 8th Street, Boise Idaho starting at 8:34 a.m., May 26th, 2026.

Members Present:

Jeff Cilek
Park Price
Darin DeAngeli
Lori Wolff
Josh Whitworth

Staff Present:

Michael Hampton
Alex Simpson
Richelle Sugiyama
Chris Brechbuhler
Mike Anderson

Guests:

Ryan Cook - Milliman
Ann O'Bradovich, Adam Lozinski, Jonny Gould – Callan
Michael Byrne, Adam Schwank – AEW
Brandon Fitzpatrick, Casey Macomb – DBF

Legal Counsel:

Elisa Magnuson

At 8:34 a.m., Chairman Cilek called the meeting to order.

Consent Agenda

Chairman Cilek presented the consent agenda for approval. After no objections all items on the consent agenda were approved by the Board.

Board Action Items

Asset Liability Study

CIO Richelle Sugiyama introduced the memo summarizing the Callan Asset/Liability (A/L) Study and stating the frequency, purpose, and background of the A/L study, including and overview of Staff recommendations.

Adam Lozinski of Callan presented the A/L Study. He explained that the purpose of the study is to evaluate fund objectives, provide a comprehensive picture of the interaction between assets and liabilities, and determine a prudent, long-term strategic asset allocation mix.

Adam presented Callan's recommendation to reaffirm the existing strategic policy.

Adam noted that the Fund has achieved a strong funded status, without taking on additional risks, and ranks in the top third of peers with over \$10bn in assets.

The A/L Study considered the competing objectives of the Fund and resulting alternative asset mixes, ranging from more aggressive to more conservative for comparison purposes.

Trustee DeAngeli moved to approve the asset/liability study and maintain the current strategic policy, reaffirming the existing strategic policy mix as recommended by Staff and Callan, Trustee Price seconded, and the motion passed.

Sick Leave Experience Study

Ryan Cook of Milliman presented the sick leave experience study which included a review of the benefits program, demographic and economic assumptions, proposed updates based on recent experience, and provided recommendations for the Board's consideration.

The experience study showed higher-than-expected terminations and retirements, prompting tempered increases in assumptions. Sick leave accrual rates and payout percentages were adjusted based on recent data, with COVID and policy changes influencing trends.

The Board reviewed administrative expenses and investment return assumptions. Based on capital market projections, the recommendation for the investment return assumption was increased to 5.6%, with the caveat that future asset allocation changes may require further adjustment.

The Board considered whether an asset/liability study should be completed specific to the sick leave fund. The Board commented on the funded status and potential asset mixes and discussed possibility of broader use of the benefits based on its funding status.

Trustee DeAngeli moved to approve the proposed demographic assumptions and economic assumptions rates, including an increase of investment return from 5.4% to 5.6%, and decrease of the assumed load for administrative expenses from 0.05% to 0.02%. Trustee Wolff seconded, and the motion passed.

Base Plan Contribution Rate Setting

Ryan Cook of Milliman presented the scheduled contribution rate increases for the Base Plan, which included a review of modeling projections.

The Board discussed the scheduled 2.5% rate increase for July 2027 and 1.25% rate increase for July 2028, considering the impact on amortization periods and required investment returns under various scenarios. Sustainability modeling showed that regardless of the rate schedule, contribution levels would converge over 20 years, with discretionary PAAs and additional rate adjustments factored in maintaining funded ratios.

Trustee Wolff moved to approve the recommendations to cancel the 2.5% rate increase for July 2027, and retain the 1.25% rate increase for July 2028, Trustee DeAngeli seconded, and the motion passed.

Board Information Items

Governance Policy Review

Elisa Magnuson provided an overview on the Governance Policy review, reassuring the Board that it is following the governance policy standards, with only technical issues identified for future adjustment. Substantive changes have been made as needed in the past two years, and outside fiduciary counsel will review the policy for presentation of any of their recommendations in the fall.

FY 2028 Operating Budget Preview

Mike Anderson presented the proposed budget for FY2028, including administrative, portfolio, and new sick leave expenses. The Budget request includes a 27% increase in software and hardware costs and a new full-time position to administer the sick leave fund. Mike added and explained the need for a new General Ledger accountant position due to workload to the current General Ledger accountant.

Actuarial Education on Asset Smoothing Analysis

Ryan Cook of Milliman presented an overview on asset smoothing, explaining its purpose and how it affects contribution rates.

Asset smoothing is used to reduce volatility in contribution rates by averaging asset values over several years. The Board reviewed five-year smoothing models and compared them to current methods.

Ryan summarized that current practices do a good job of smoothing contribution rates, so asset smoothing wouldn't reduce the volatility of future enacted contribution rates. Asset smoothing would result in smoother contribution rates and fewer proposed increases, though ultimate costs and funded levels remain similar to current methods.

The Board discussed the results of the analysis noting that future contribution rates tend to increase earlier than actual. They also requested future analysis of the impact of asset smoothing on post-retirement allowance adjustments. Ryan summarized that the Board's utilization of contribution rate smoothing has been effective for the Board and that the end result of the asset smoothing analysis and the Board's results come to the same result. He also noted that asset smoothing will help in down years and will lower funding ratios in up years.

The Board discussed statutory requirements for rate increases when amortization periods exceed 25 years, and considered pre-planned gradual rate increases as policy options, noting that flexibility is retained to adjust as needed.

Board Consultant and Staff Reports

Quarterly Performance Evaluation

Ann O'Bradovich of Callan presented the first quarter 2026 Performance Evaluation report. Ann provided a market overview and presented the Fund results for the last quarter, stating that the actual asset allocation is in line with policy and ranges, and is well diversified. She highlighted Fund performance, noting the underperformance, explaining this continues to be difficult markets for active managers with concentrated, diversified portfolios, particularly given the concentration within the index.

Ann highlighted that performance relative to peers remains consistent, noting median results over the longer term. She commented on the short-and long-term performance, noting the outperformance of real estate. She noted the Russell 3000 index is in the top quartile and the difficulty of active management.

Ann provided an overview of the structure of the DC plan, including the stable investment options. She highlighted performance, noting the passive options matched benchmarks and active managers are performing as expected, and answered questions about the quarterly performance evaluation.

Ann provided an update on the sick leave portfolio, which is managed 50-50 between equities and fixed income, with performance as expected.

CIO Report

Richelle Sugiyama provided an update on portfolio activities, noting the completion of the transition in late April, which included the onboarding of two new small mid-cap managers.

Real Estate Review (Callan, AEW, DBF)

Chris Brechbuhler introduced the annual real estate review, including presentations from various managers.

Jonny Gouldof Callan presented the real estate portfolio review as of the first quarter of 2026. Overall, the real estate portfolio is a stable, well diversified portfolio. He provided a historical summary and overview of the relationship with AEW, in addition to the diversification and performance of the portfolio. Callan recommended PERSI continues its relationship with AEW. Trustee Price asked if we've moved past the bottom of low valuation in real estate markets. Jonny agreed that valuations have reset, interest rates have stabilized, and we are likely at the reset or beginning of the next cycle, despite the challenge in some office sectors.

Jonny also provided a summary of the PRISA fund and Adelante portfolios.

Adam Schwank of AEW presented the PERSI Real Estate update, noting the concentration in industrial and housing sectors, which is by design. They continue to outperform their benchmark since inception.

Jonny presented Callan's review of the DBF Idaho Commercial Mortgage Program. He noted the stability of the program and effective management of the well-diversified commercial mortgage portfolio. Callan recommended PERSI continue the Idaho Commercial Mortgage Program with DBF.

Brandon Fitzpatrick of DBF presented the Idaho Mortgage Program Review. The program has been solid with a 0% delinquency rate, continued conservative underwriting, and continued interested in the program. Overall, the program remains stable and is performing well.

Executive Session:

At 12:40 p.m. Chairman Cilek made a request for motion to enter executive session in accordance with Idaho Code § 74-206 (1)(b). Trustee Price moved to enter executive session and Trustee DeAngeli seconded the motion, which passed unanimously. Upon conclusion of the executive session at 1:50 p.m., Trustee Price moved to return to regular session, Trustee Wolff seconded the motion, which passed unanimously.

Adjournment: With no further business to discuss, the Board adjourned at 1:50 p.m.