Memo

Date: April 22, 2024

To: PERSI Board

From: Richelle A. Sugiyama, Chief Investment Officer
Chris Brechbuhler, Deputy Chief Investment Officer

Re: Real Estate Review

Attached please find Callan's annual review of our real estate program, which provides a thorough review of the organizations, objectives, process and performance of the respective portfolios. AEW and DBF have also provided materials and will present updates on their respective portfolios. Hard copies will be provided.

Sally Haskins and Jonathan Gould will be presenting their review of both programs, as follows:

The first Callan presentation titled, "The Real Estate Portfolio Review" focuses on our private (AEW), core fund (PRISA), and REIT (Adelante) exposures. AEW, represented by Michael Byrne and Patrick McLaughlin, assumed management of the private real estate portfolio over 10 years ago and has transformed it into the portfolio we have today. On page 18, Callan recommends retaining AEW, noting on page 17 that AEW "remains a stable organization" and "is exceeding the objectives of the program". Pages 20-22 provide summary reviews of our exposure to our core fund (PRISA) and Adelante, our only active REIT manager.

The second Callan presentation is the review of the Idaho Commercial Mortgage Program (CMP) managed by D.B. Fitzpatrick and Co. (DBF). DBF, represented by Brandon Fitzpatrick and Casey Macomb, has managed this program since 1988. Callan remains supportive of the CMP and DBF (page 19), concluding on page 18 that the DBF "organization remains stable and heavily focused on the CMP" and that the "CMP is well-diversified and has provided competitive relative performance"'.

Please contact us if you have any questions or concerns.

Callan

April 2024

Public Employee Retirement System of Idaho

Real Estate Portfolio Review

Jonathan Gould, CAIA
Senior Vice President

Sally Haskins
Senior Vice President, Co-Manager, Real Assets Consulting

Agenda

- PERSI Real Estate Portfolio Overview
- AEW Separate Account
  - Account Overview & Objectives
  - Performance Review
  - Conclusions and Recommendations
- Review of Other PERSI Real Estate Managers
  - PGIM PRISA
  - Adelante

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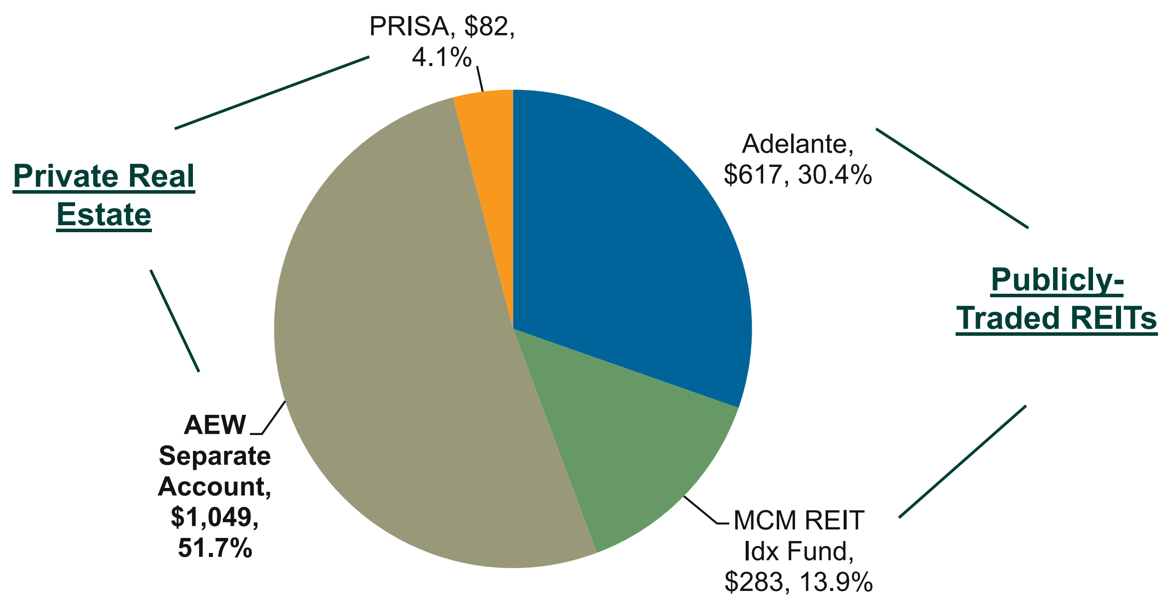
PERSI Real Estate Portfolio Overview

Real Estate Portfolio Summary

Portfolio Overview, as of December 31, 2023

	NAV ($million)	% of Real Estate Portfolio	% of Total PERSI Portfolio	Target
Private Real Estate	**$1,131.2**	**55.7%**	**4.9%**	**4.0%**
AEW Separate Account	*$1,049.0*	*51.7%*	*4.5%*	
PGIM PRISA	*$82.2*	*4.1%*	*0.4%*	
Public Real Estate (REITS)	**$899.5**	**44.3%**	**3.9%**	**4.0%**
Adelante	*$616.5*	*30.4%*	*2.7%*	
MCM REIT Index Fund	*$282.9*	*13.9%*	*1.2%*	
Total Real Estate	**$2,030.7**	**100%**	**8.8%**	**8.0%**



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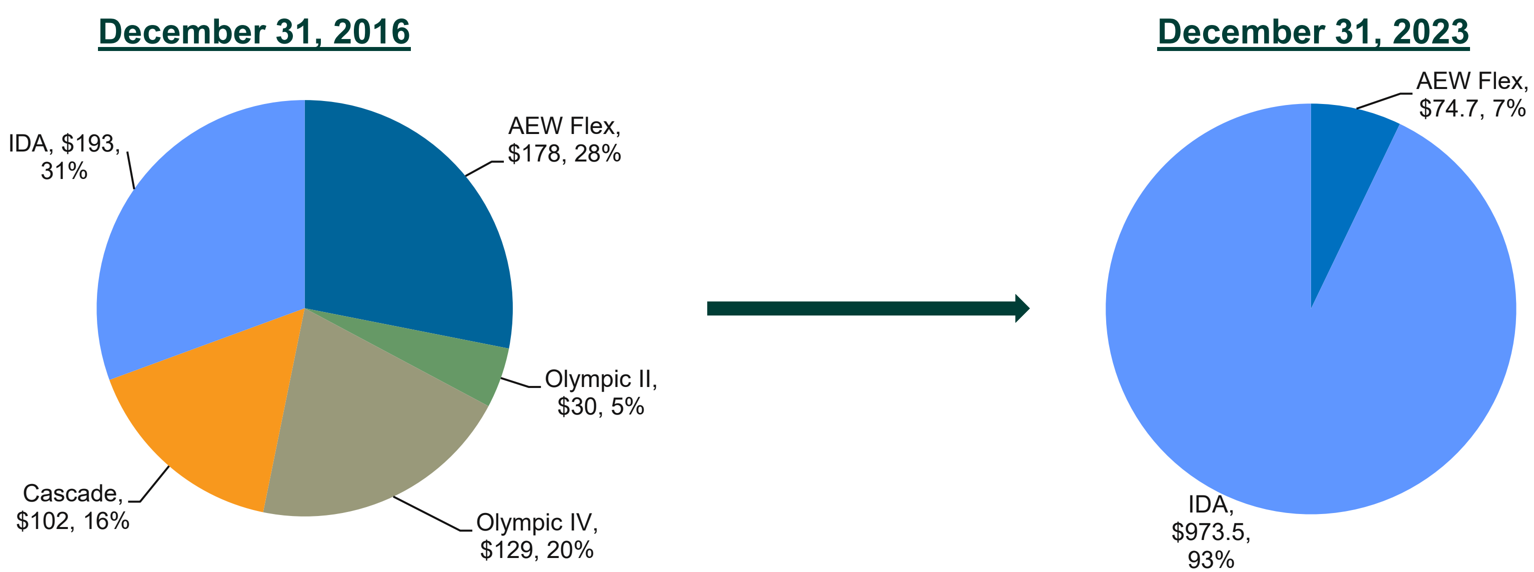
AEW Separate Account

AEW Separate Account Overview

As of December 31, 2023

- The role of the AEW separate account is to provide competitive returns and to be a diversifier in the overall PERSI portfolio. It is not designed nor intended to be broadly diversified over the entire real estate market.
- Approximately 93% of the account is now in the IDA Investments portfolio, which is actively managed and includes all assets acquired by AEW. AEW's role as an asset manager for legacy assets has significantly declined as the portfolio has been re-positioned.

Venture	Description	# of Assets / Properties	PERSI Net Investment Value($mm)	AEW Role
AEW Flex (fka Koll)	Flex Office & Industrial	2 (2)	$74.7	Asset Management
IDA Investments	Operational & Development Assets	22 (55)	$973.5	Acquisitions / Asset Management
Total		**24 (57)**	**$1,048.2**	

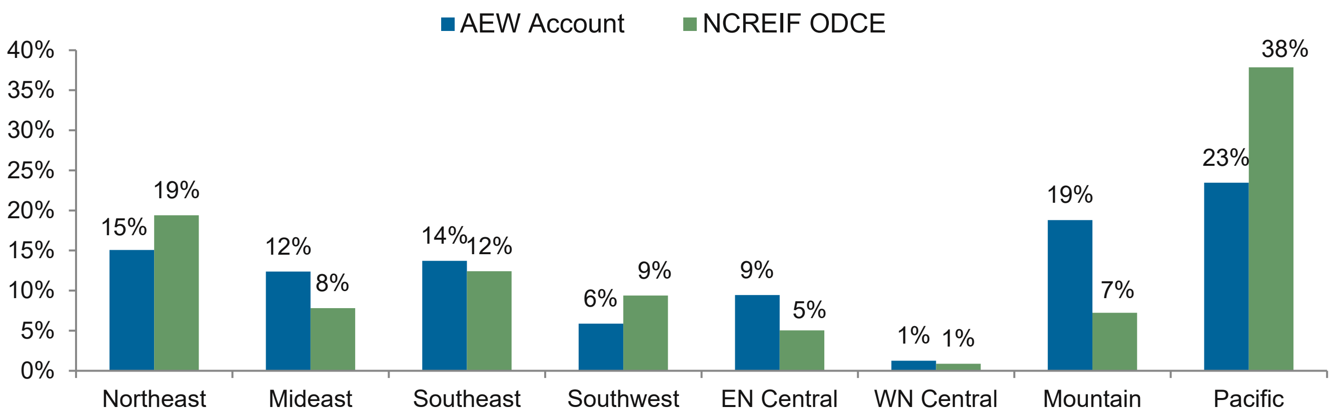


AEW Separate Account Overview

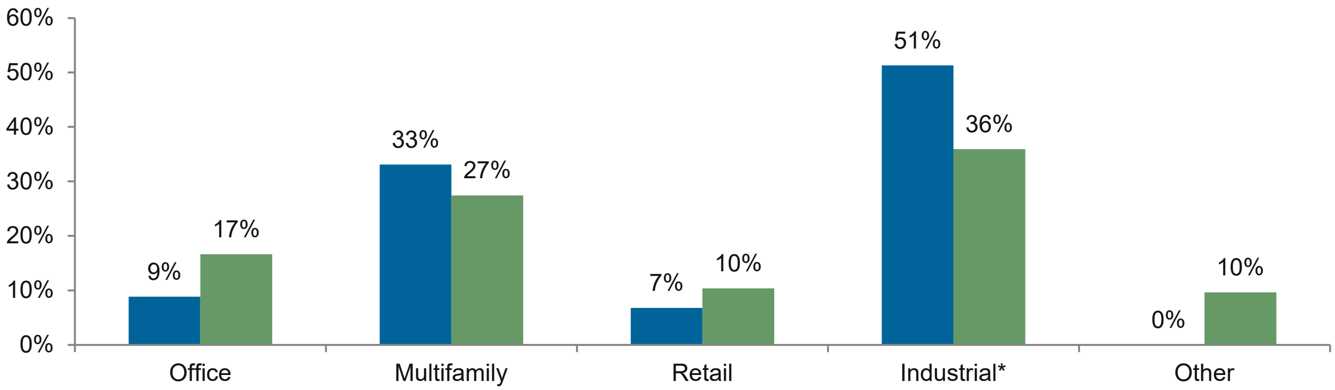
Diversification, as of December 31, 2023

- The Account is well-diversified and well-positioned for the current real estate environment, while maintaining exposures to both coastal and sunbelt markets.

Market Exposure, as of December 31, 2023



Sector Exposure, as of December 31, 2023



MSA	Exposure
Los Angeles	10.8%
Miami	9.9%
Chicago	9.8%
Boston	8.9%
Phoenix	7.9%
Charlotte	7.0%
Pennsylvania	5.9%
Baltimore	5.5%
Las Vegas	5.4%
Orange County	5.3%
Denver	5.1%
Atlanta	3.5%
Houston	3.5%
Seattle	3.4%
Dallas	2.8%
Portland	2.2%
Oakland	1.9%
Minneapolis	1.2%
Los Angeles	10.8%
Miami	9.9%
Chicago	9.8%
Boston	8.9%
Phoenix	7.9%
Charlotte	7.0%

AEW Objectives

1. Maintain A Strong and Stable Organization

- AEW has been undergoing a leadership transition at the firm, as long-tenured senior professionals have retired in recent years.
  - The firm's succession plan has been in place for a number of years, and retiring or soon-to-be retired senior leaders at the firm have remained in advisory positions as their successors assume leadership roles.
  - AEW maintains multiple business lines that provide diversification of revenue sources.
  - The firm's investment process has remained consistent.
- Patrick McLaughlin has assumed the responsibility of lead portfolio manager for the Account. The Account continues to receive the requisite attention, resources and support from the broader organization.
  - The Account's controller has turned over multiple times in the past few years.
  - *Walter Bastis, departed the firm in 2022. Mr. Bastis was replaced by an experienced operations professional at the firm, Patricia Flynn.*
  - *Jessica Ruiz, who joined AEW in April of 2023, replaced Ms. Flynn as the Account's controller and lead operations manager upon her arrival at the firm. Prior to joining AEW Ms. Ruiz spent 18 years in a similar role at another institutional real estate manager, Berkshire Residential. Ms. Ruiz is also supported by an Assistant Controller, Zach Antonio.*

AEW Objectives

2. Achieve Business Plan Objectives

- The Account's focus and objectives have shifted as the portfolio's transformation is complete.
  - Approximately 93% of the existing PERSI portfolio has been acquired directly by AEW; few legacy assets remain.
  - The Account's transformation has resulted in increased investment sizes, broader geographic diversification, an overweight to industrial and multifamily and a lower and more flexible debt position.
- The portfolio continues to be actively managed, despite a slow market environment.
  - Two legacy assets were sold during the year: La Costa Meadows (office/flex) during the first quarter and Calabasas Courtyard (office) during the second quarter.
    - *Calabasas Courtyard was sold using seller financing, whereby PERSI provided financing to the seller.*
  - Cosmopolitan Apartments, a multifamily asset in Minneapolis that was acquired in early 2008 (prior to AEW's involvement), was also sold subsequent to year-end.
  - AEW executed 1.5 million square feet of leasing during 2023 and completed $150 million of financing transactions, with an additional $122 million in progress.

AEW Objectives

2. Achieve Business Plan Objectives (Continued)

- While the portfolio remains income-producing and well-occupied at 94%, the Account underperformed operationally in 2023 due to challenges in the office portfolio and underperformance relative to budget in industrial and multifamily.
  - The portfolio generated $109 million of Net Operating Income (“NOI”) for the year, which was below its budget of $112 million.
  - NOI for Industrial and Multifamily, the two largest components of the portfolio, were below budget by -6.0% and -4.0%, respectively.

Occupancy vs. Budget by Property Type

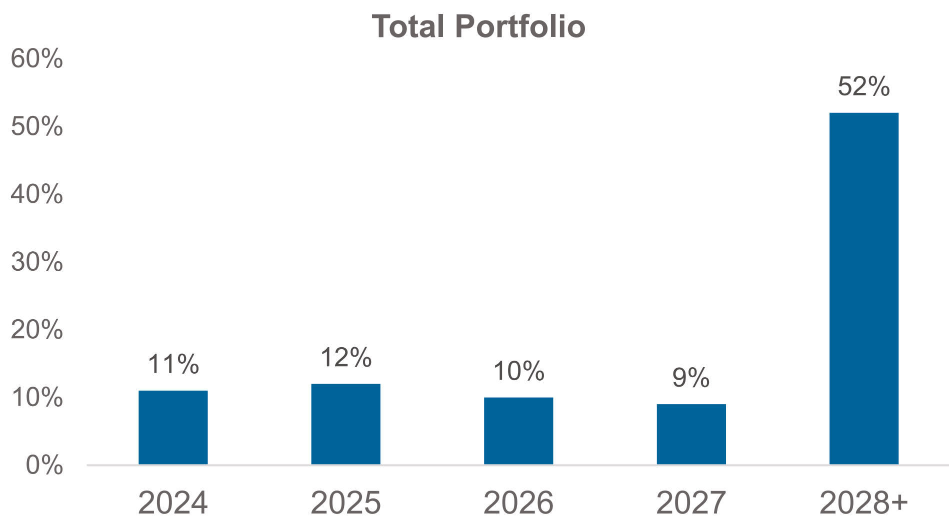
	2023 Budget	2023 Actual	Variance	2024 Budget
Multifamily	94%	94%	-	95%
Industrial	99%	97%	-2%	97%
Office	83%	76%	-7%	74%
Retail	97%	93%	-4%	100%
Total	**96%**	**94%**	**-2%**	**94%**

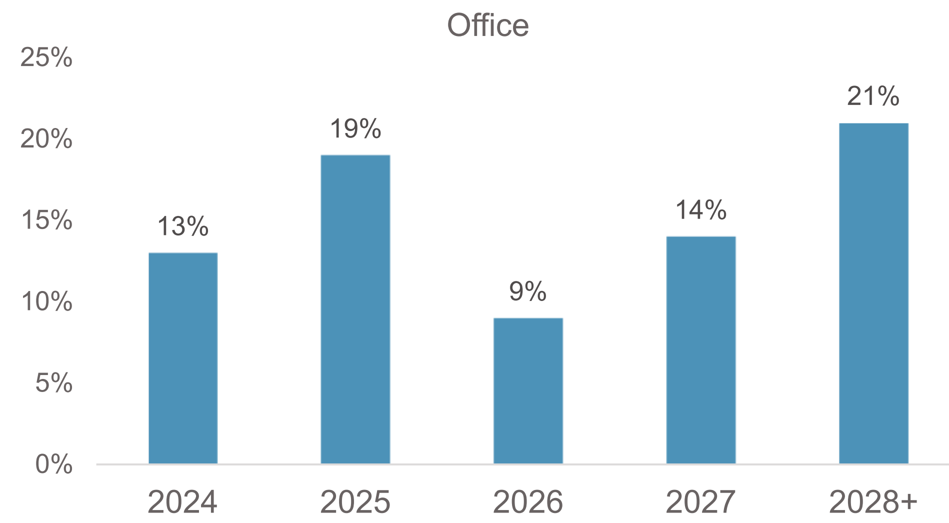
NOI vs. Budget by Property Type ($million)

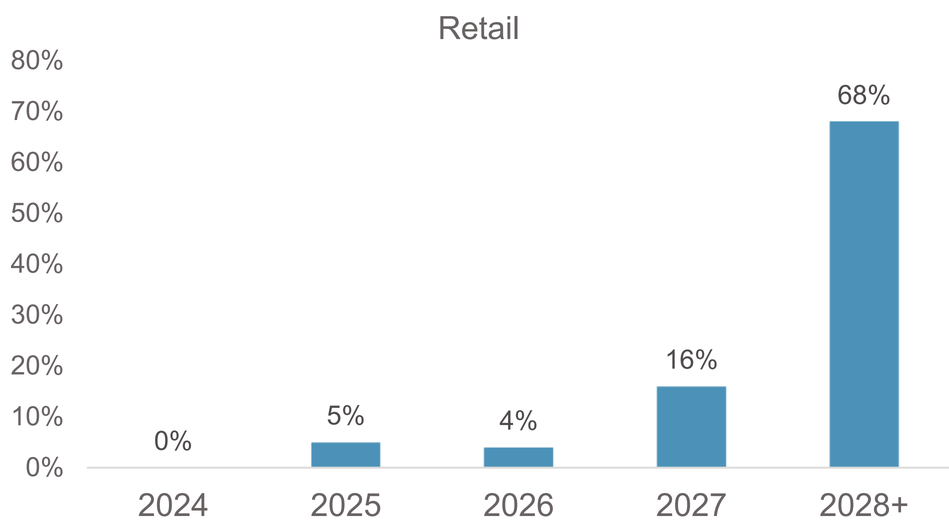
	2023 Budget	2023 Actual	Variance
Multifamily	$33.3	$32.0	-4.0%
Industrial	$41.0	$38.6	-6.0%
Office	$28.0	$28.1	+0.2%
Retail	$9.6	$9.9	+2.9%
Total	**$108.6**	**$112.0**	**-3.1%**

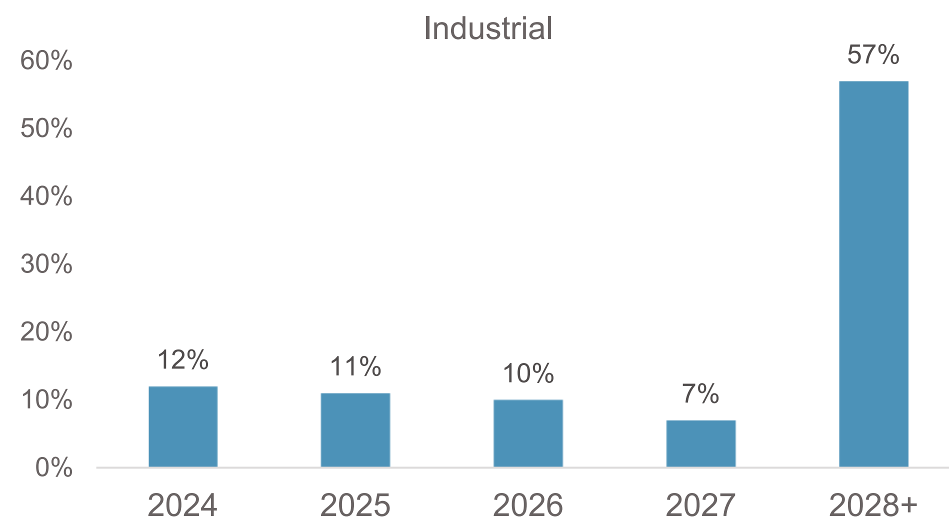
AEW Separate Account – Lease Rollover

Lease Rollover by Property Type, as of December 31, 2023





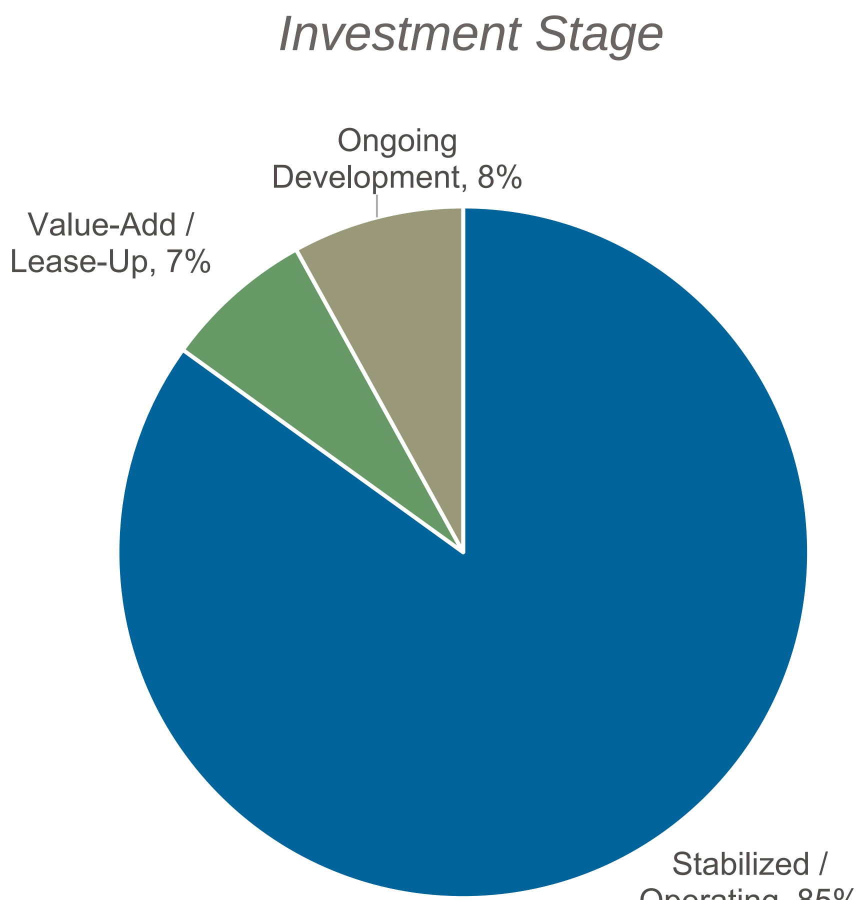




Based on square feet. Excludes multifamily properties, which typically have one-year leases.

AEW Separate Account – Investment Stage

AEW portfolio by Investment Stage, as of December 31, 2023



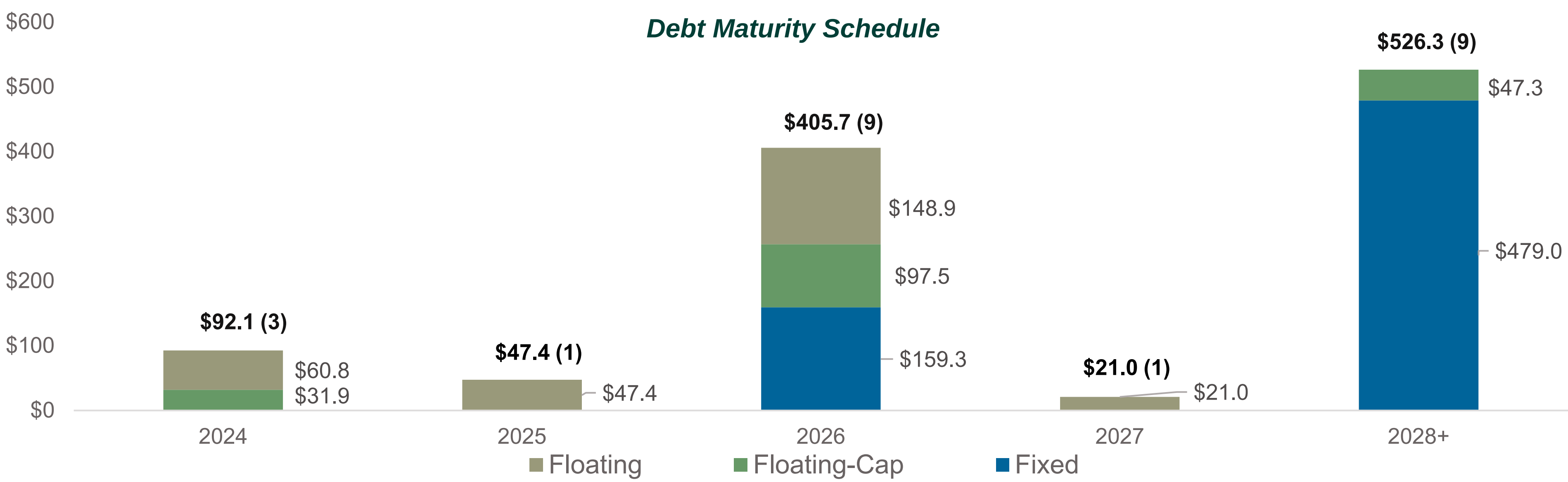
AEW Objectives

2. Achieve Business Plan Objectives (Continued)

- Leverage increased from 42% LTV to 48% LTV over the course of 2023 due primarily to declines in property values.
- The Account's loan balance was 58% in fixed-rate debt, while 42% was in floating-rate debt.
- The coupon rate for unhedged floating-rate debt has expanded from 2.8% to 7.8% over the past two years.
- Three of the four loans with interest rate caps have expiring caps in 2024.

	YE2023	YE2022
Total Leverage (LTV%)	48%	42%
# Loans	23	24
Avg Remaining Term	3.6 Years	4.4 Years
Fixed / Floating	58% / 42%*	64% / 36%
Avg Fixed Rate	3.9%	3.9%
Avg Floating Rate	7.8%	6.9%
Avg Floating w/ Cap	5.6%	-

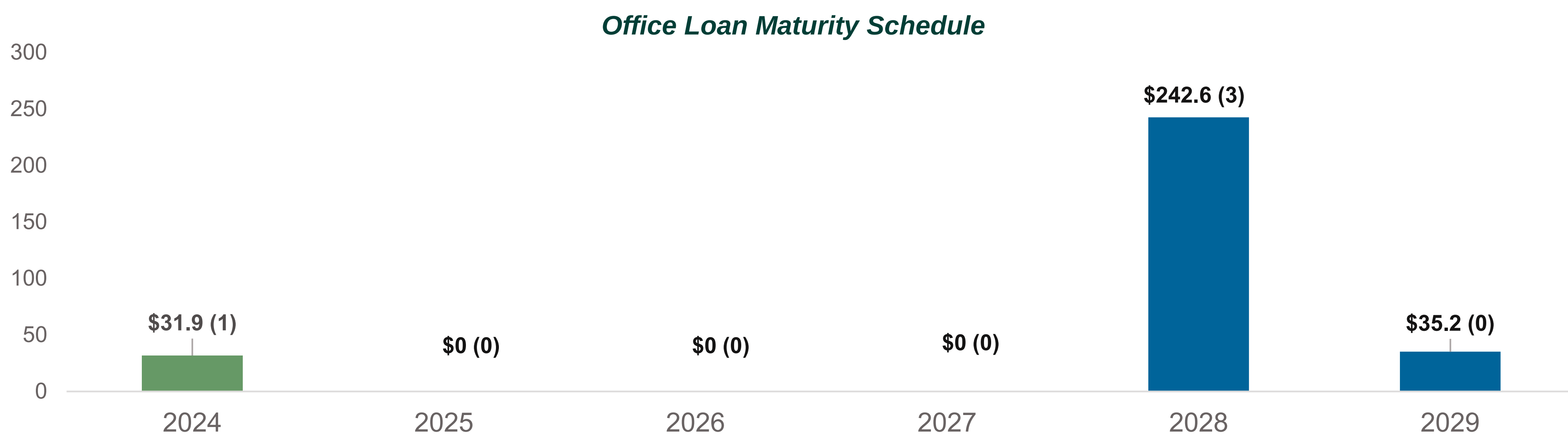
* 38% of the floating-rate debt (or 16% of the total debt) has an interest rate cap.



Number of loans maturing shown in parentheses.

Office Loan Portfolio

Property	Loan Balance	Maturity Date	LTV	Interest Rate	Amortization Type	DSCR	Extension Options
101 Station Drive	$26.6	Mar-28	64%	4.29%	Interest Only	2.27x	None
1100 Second Avenue	$50.8	Aug-28	93%	4.28%	Interest Only	1.24x	None
1111 Third Avenue	$165.2	Aug-28	84%	4.28%	Interest Only	1.97x	None
120 Vantis	$31.9	Sep-24	90%	SOFR + 3.50%	Interest Only	1.32x	One-Year
300 A Street	$35.2	Jun-29	56%	3.98%	Interest Only	3.26	None



Number of loans maturing shown in parentheses.

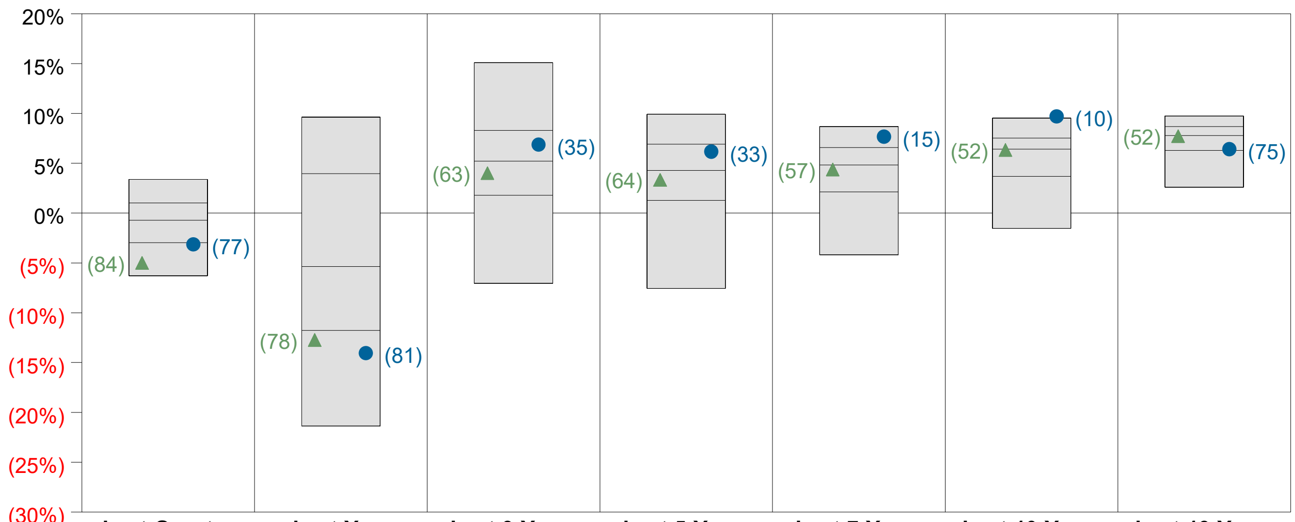
AEW Account Performance

3. Provide Competitive Returns

- The Account underperformed the benchmark over the past year by 144 basis points.
  - Short term underperformance is not unexpected given the higher leverage of the account relative to the ODCE. However, performance should continue to be monitored in the current market environment.
- Account continues to outperform the core fund index over longer time periods going back ten years.

AEW Composite Returns – as of December 31, 2023

Performance vs Total Real Estate Database

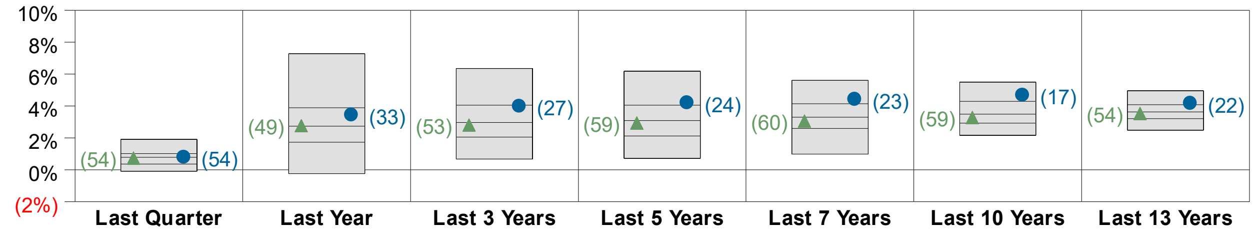


	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years	Last 13 Years
10th Percentile	3.39	9.63	15.10	9.93	8.69	9.54	9.74
25th Percentile	1.01	3.97	8.29	6.92	6.57	7.53	8.68
Median	(0.73)	(5.37)	5.22	4.29	4.82	6.42	7.79
75th Percentile	(2.96)	(11.78)	1.78	1.26	2.12	3.69	6.28
90th Percentile	(6.29)	(21.37)	(7.04)	(7.56)	(4.19)	(1.53)	2.59
AEW Composite ●	(3.25)	(14.17)	6.75	6.05	7.56	9.59	6.30
NCREIF NFI-ODCE Val Wt Nt ▲	(5.00)	(12.73)	4.01	3.34	4.38	6.33	7.73

AEW Account Performance

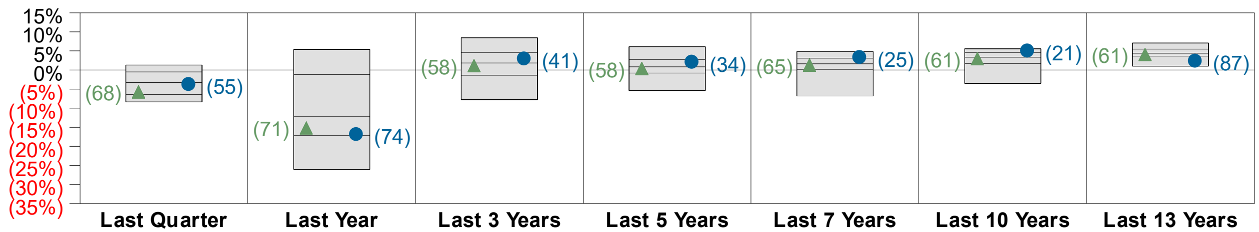
Performance Well-Balanced Between Income & Appreciation

Income Rankings vs Callan Tot Real Est DB
Periods ended December 31, 2023



	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years	Last 13 Years
10th Percentile	1.91	7.28	6.36	6.18	5.61	5.50	4.95
25th Percentile	1.02	3.89	4.05	4.05	4.14	4.29	4.08
Median	0.79	2.73	2.96	3.09	3.29	3.49	3.64
75th Percentile	0.36	1.73	2.06	2.12	2.59	2.93	3.21
90th Percentile	(0.09)	(0.24)	0.68	0.71	0.99	2.16	2.48
AEW Composite ●	0.75	3.40	3.95	4.16	4.37	4.64	4.12
NCREIF NFI-ODCE Val Wt Nt ▲	0.74	2.77	2.81	2.94	3.06	3.28	3.53

Appreciation Rankings vs Callan Tot Real Est DB
Periods ended December 31, 2023



	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years	Last 13 Years
10th Percentile	1.32	5.40	8.46	6.14	4.81	5.56	7.09
25th Percentile	(0.50)	(1.15)	4.63	2.77	3.10	4.58	5.49
Median	(3.29)	(12.10)	1.87	0.85	1.62	3.37	4.40
75th Percentile	(6.39)	(17.22)	(1.38)	(0.79)	0.16	1.75	3.65
90th Percentile	(8.37)	(26.07)	(7.79)	(5.40)	(6.82)	(3.51)	1.00
AEW Composite ●	(3.98)	(17.10)	2.75	1.85	3.10	4.79	2.13
NCREIF NFI-ODCE Val Wt Nt ▲	(5.73)	(15.17)	1.18	0.40	1.30	2.99	4.09

Conclusions and Recommendations

- AEW remains a stable organization
  - Despite undergoing a leadership transition over the past few years, AEW remains a stable organization. The implementation of the firm's succession plan and transition of leadership was gradual, though is now firmly under new leadership.
  - Of note, multiple Investor Relations personnel have departed over the past year. Broader firm turnover should continue to be monitored.
  - Patrick McLaughlin has successfully taken over as lead portfolio manager for the Account, with deep knowledge of the portfolio and its risks. Mike Byrne remains active and involved in the oversight of the PERSI Account.
  - While there has been modest turnover in the operational support functions of the Account, AEW has added additional resources to the Account to support its accounting, reporting and other support functions.

- The PERSI account is well-positioned
  - The portfolio has been and continues to be overweight to industrial and multifamily, with minimal exposure to retail and an underweight to office.
  - The portfolio is well-balanced between prime coastal markets and emerging secondary markets in the sunbelt.
  - The Account's leverage profile remains modest, though the portfolio's LTV ticked up 6% to 48% at year-end 2023. There are modest near-term maturities, with only one office maturity occurring prior to 2028.

- AEW is exceeding the objectives of the program
  - Portfolio returns are competitive and meaningfully contributing to PERSI's total performance over longer time periods.
  - Performance continues to be well-balanced between income and appreciation.
  - Short- and medium-term performance is largely reflective of investments that were sourced and acquired by AEW.

Conclusions and Recommendations

Risks & Considerations

- Office Portfolio is challenged, which is consistent with broader universe.
  - Multiple assets experienced significant negative performance over past ~18 months.
    - ***1111 3rd Avenue & 1100 2nd Avenue*** *(Seattle) was previously the Account's largest single investment by net invested equity, but the asset's value has been significantly impaired. The gross property valued has declined from $365.8 million at year-end 2021 to $247.5 million currently (-32.3%), resulting in PERSI's net investment value declining from $111.0 million to $47.8 million (-56.9%). During that time, the asset's loan-to-value ratio has risen from 59% to 87%, while its occupancy has declined from 87% to 72%.*
    - ***120 Vantis*** *(Orange County) has struggled to lease up, even prior to Covid. The gross property value of the asset has declined from $55.1 million to $35.2 million (-36%), resulting in PERSI's net investment value in the asset declining from $22.1 million to $3.2 million (-85.6%). During that time, the asset's loan-to-value ratio rose from 58% to 90% at year-end 2023, and the loan is maturing in September 2024.*
  - The impact of the write down in office values has been magnified in this account because 1100 2nd Avenue was the largest asset.
  - Office lease expirations are projected to account for a significant portion of income at risk for lease expirations occurring over the next five years.
- Increasing debt service costs
  - Debt service costs, particularly for floating-rate loans, have significantly increased over the past two years.
- New investment activity to potentially include student housing.
  - AEW is evaluating investment opportunities in the student housing sector. Student housing has unique risks and return drivers compared to market rate multifamily housing.
  - AEW has not historically emphasized the Student Housing sector; however, the firm has added personnel with expertise in the property type. Further, the firm has demonstrated discipline and taken a cautious approach to investment activity in the sector, having noted high pricing as a reason for slow deployment in the sector.

- Callan recommends PERSI continue to retain AEW

Callan

PERSI Real Estate Portfolio

Core Fund and REITs Overview

PGIM PRISA Overview

PRISA – Open-end Diversified Core Real Estate Commingled Fund

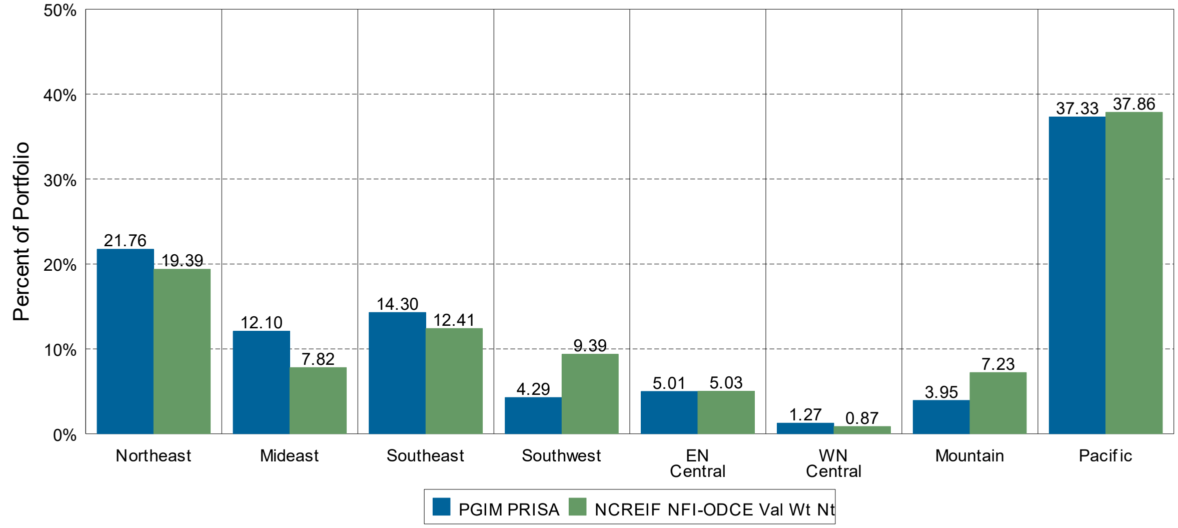
- PRISA's role in the PERSI Real Estate portfolio is to provide a reference point to the broader core real estate universe, as well as an income-oriented return and diversification across core markets and the primary property types. PERSI has been an investor in the fund since 1974.

- PRISA is one of the largest funds in the NCREIF Open-end Diversified Core Equity ("ODCE") peer group, and the fund is well diversified by market and sector.

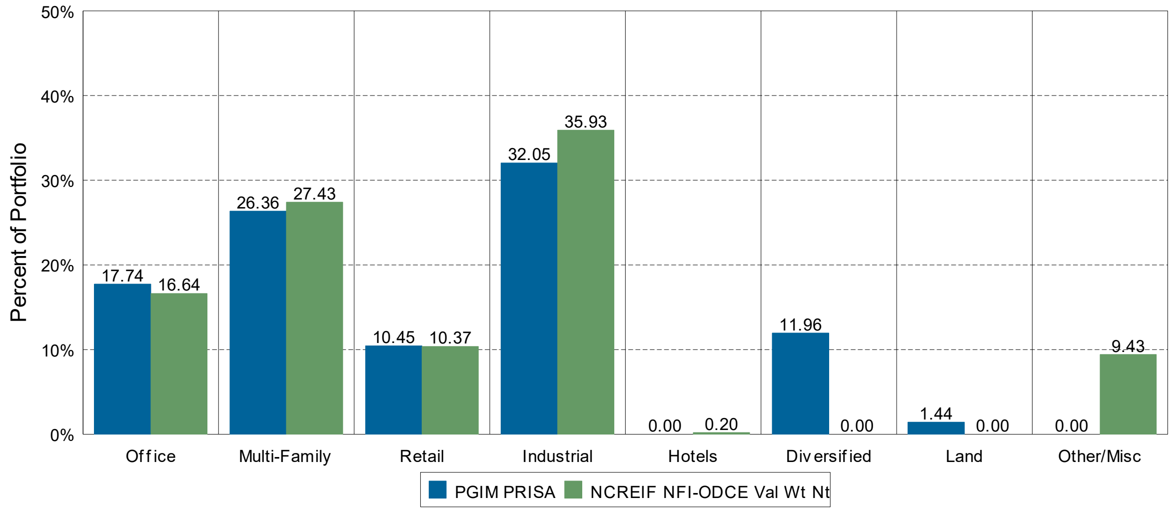
- PRISA has a conservative leverage position at 24.1% (up from 20.5% at YE 2022), and the fund includes modest exposure to alternative property types such as Life Science / Lab Space, Storage, Senior Housing & Manufactured Housing.

- PGIM Real Estate organization remains stable and well-resourced.

Diversification by Geographic Region as of December 31, 2023



Diversification by Property Type as of December 31, 2023

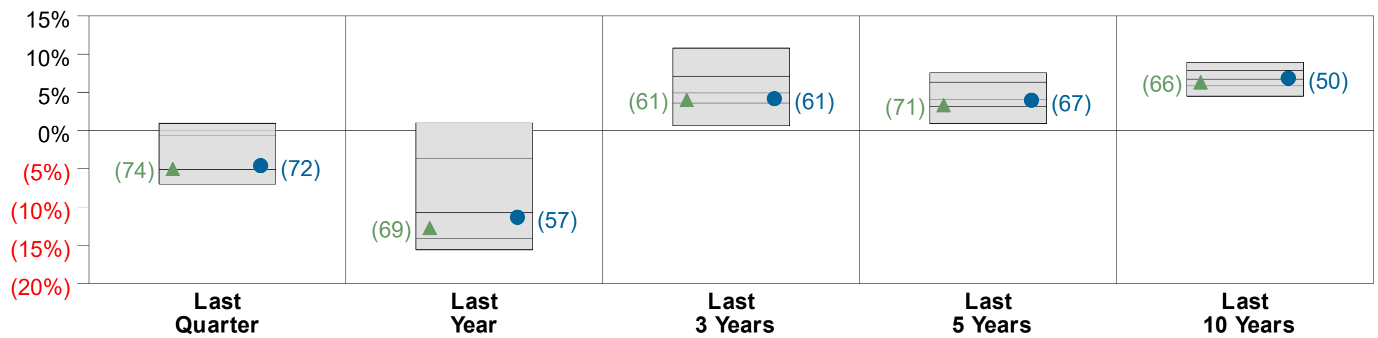


PGIM PRISA Overview

PRISA – Performance, as of December 31, 2023

	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
Net Income Return	0.78%	2.86%	2.87%	3.00%	3.41%
Appreciation Return	(5.53%)	(14.05%)	1.12%	0.78%	3.22%
Total Gross Return	(4.52%)	(10.65%)	**4.97%**	**4.75%**	**7.45%**
Total Net Return	(4.75%)	(11.50%)	**4.01%**	**3.79%**	**6.71%**
NCREIF ODCE Value Wtd Net	(5.00%)	(12.73%)	4.01%	3.34%	6.33%

Performance vs Callan OE Core Cmngld RE



	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
10th Percentile	0.97	1.01	10.81	7.56	8.94
25th Percentile	(0.04)	(3.63)	7.11	6.34	7.88
Median	(0.70)	(10.73)	4.92	4.02	6.73
75th Percentile	(5.07)	(14.07)	3.61	3.16	5.85
90th Percentile	(7.00)	(15.61)	0.63	0.91	4.50
PGIM PRISA ●	(4.75)	(11.50)	4.01	3.79	6.71
NCREIF NFI-ODCE Val Wt Nt ▲	(5.00)	(12.73)	4.01	3.34	6.33

Adelante Overview

Adelante – Active REIT Manager

- Adelante is an actively-traded REIT (public real estate securities) portfolio with the objective to generate returns above the benchmark and passive REIT strategies. PERSI has been an investor with Adelante since 1998.

- Adelante's investor/capital base remains very concentrated.
  - As of March 31, 2024, PERSI accounts for 31.3% of Adelante's AUM.

- Adelante's gross performance has exceeded the benchmark over the short-, medium- and longer-term time periods, as shown below.

	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years	Last 20 Years
Adelante (Gross)	0.61%	12.82%	5.60%	5.78%	7.12%	8.54%	8.35%
Adelante (Net)	**0.51%**	**12.33%**	**5.17%**	**5.35%**	**6.81%**	**8.33%**	**8.24%**
FTSE NAREIT All Equity Index	(1.30%)	8.02%	2.47%	3.96%	5.42%	6.93%	7.60%
Excess Return	*1.81%*	*4.31%*	*2.70%*	*1.39%*	*1.39%*	*1.40%*	*0.64%*

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limitations of Callan's estimated performance, market value, and liability calculations.

Callan's performance measurement service reports estimated returns for a portfolio and compares them against relevant benchmarks and peer groups, as appropriate; such service may also report on historical portfolio holdings, comparing them to holdings of relevant benchmarks and peer groups, as appropriate ("portfolio holdings analysis"). To the extent that Callan's reports include a portfolio holdings analysis, Callan relies entirely on holdings, pricing, characteristics, and risk data provided by third parties including custodian banks, record keepers, pricing services, index providers, and investment managers. Callan reports the performance and holdings data as received and does not attempt to audit or verify the holdings data. Callan is not responsible for the accuracy or completeness of the performance or holdings data received from third parties and such data may not have been verified for accuracy or completeness.

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Any decision made on the basis of this document is sole responsibility of the client, as the intended recipient, and it is incumbent upon the client to make an independent determination of the suitability and consequences of such a decision.

Callan undertakes no obligation to update the information contained herein except as specifically requested by the client.

Past performance is no guarantee of future results.

AEW Invested. In every square foot.

Public Employee Retirement System of Idaho

ANNUAL BOARD REVIEW | APRIL 2024

Agenda

SECTION I

AEW Overview

INVESTING SINCE 1981

Our Global Reach

AEW Is One of the Largest Real Estate Investment Managers

$87.5bn
€79.2BN AUM

910+
STAFF GLOBALLY

19
OFFICES GLOBALLY

40+
YEARS EXPERIENCE

$41.1bn
€37.2BN AUM

NORTH AMERICA
345+ employees
3 offices

Boston
Los Angeles
Denver

$40.9bn
€37.0BN AUM

EUROPE
510+ employees
11 offices

Paris
London
Amsterdam
Düsseldorf
Frankfurt
Luxembourg
Madrid
Milan
Munich
Prague
Warsaw

$5.5bn
€5.0BN AUM

ASIA PACIFIC
45+ employees
5 offices

Hong Kong
Seoul
Singapore
Sydney
Tokyo

One of the Largest Real Estate Investment Managers is sourced by Institutional Real Estate Inc., Global Investment Managers 2023 Special Report.
As of December 31, 2023. AEW includes (i) AEW Capital Management, L.P. and its subsidiaries and (ii) affiliated company AEW Europe SA and its subsidiaries. AEW Europe SA and AEW Capital Management, L.P. are commonly owned by Natixis Investment Managers and operate independently from each other. Total AEW AUM of $87.5 billion includes $39.9 billion in assets managed by AEW Europe SA and its affiliates, $5.8 billion in regulatory assets under management of AEW Capital Management, L.P., and $41.8 billion in assets for which AEW Capital Management, L.P. and its affiliates provide (i) investment management services to a fund or other vehicle that is not primarily investing in securities (e.g., real estate), (ii) non-discretionary investment advisory services (e.g., model portfolios) or (iii) fund management services that do not include providing investment advice. Staff and offices include AEW Capital Management, L.P. and AEW Europe SA and their respective subsidiaries. Investors will not receive an interest in the property pictured.

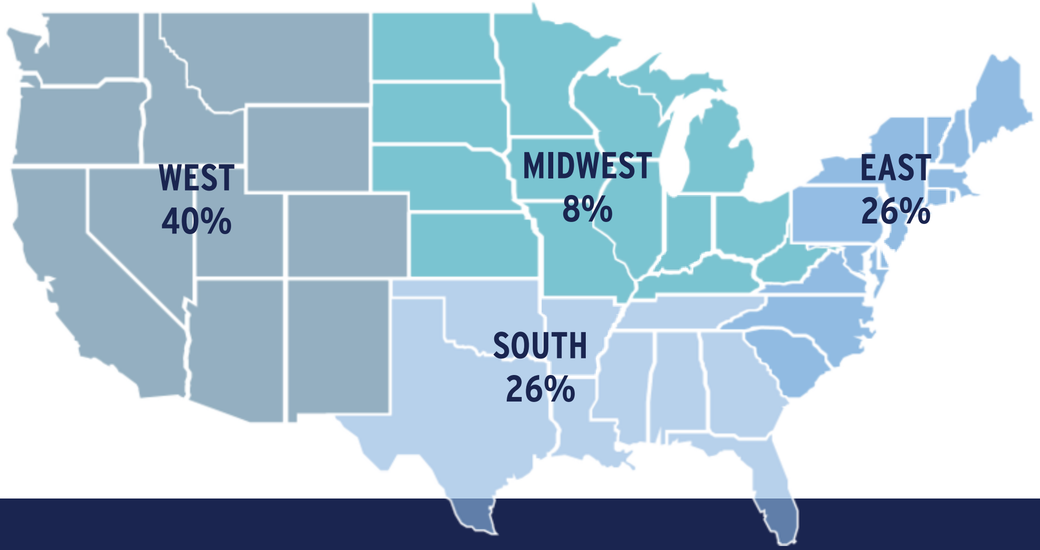
AEW NORTH AMERICAN PORTFOLIO

Extensive Experience Across All Property Types and Regions

$37.6 Billion[1]

of property investments in major metropolitan cities across all primary property types in North America

CORE	VALUE-ADD	OPPORTUNISTIC
$20.8 Billion	**$13.8 Billion**	**$3.0 Billion**



OFFICE	INDUSTRIAL	RETAIL	MULTIFAMILY	SENIOR HOUSING
17.7 MM SQ FT	**74.6 MM SQ FT**	**10.5 MM SQ FT**	**24,405 UNITS**	**8,746 UNITS**
$6.5 Billion	$12.9 Billion	$3.7 Billion	$8.5 Billion	$3.2 Billion

Based on gross asset values as of December 31, 2023. Property sector breakdowns include developments under construction.
[1]Includes real estate operating company holdings and debt investments.

PERSI / AEW Team

MICHAEL BYRNE
Chief Investment Officer
Head of Private Equity & Debt

PATRICK MCLAUGHLIN, CFA®
Senior Portfolio Manager

JESSICA RUIZ
Portfolio Controller

ZACH ANTONIO
Assistant Controller

AL DELLA PORTA
Head of Capital Markets
5 Additional Professionals

LILY KAO
Head of Asset Management
55+ Additional Professionals

SARA CASSIDY
Head of Portfolio Management

JOSH HELLER
Head of Eastern U.S. Acquisitions
20+ Additional Professionals

TOM MULLAHEY
Head of Western U.S. Acquisitions
10+ Additional Professionals

ADDITIONAL PERSI RESOURCES

RESEARCH

MIKE ACTON
8 Professionals

RESILIENCE

JESS BISSEY
5+ Professionals

INSURANCE RISK MANAGEMENT

ROSS MARKOWITZ
5 Professionals

LEGAL

CARRIE BELLERBY
10+ Professionals

NEAL SHARMA

INVESTOR RELATIONS

JAY STRUZZIERY, CFA®
10+ Professionals

ARCHITECTURE & ENGINEERING

MATT CHRISTY
4 Professionals

SECTION II

Real Estate Market Update

AEW MARKET OUTLOOK

Beginning a new market cycle

Lower for Longer, No Longer

Fed Stays the Course

Rate Cuts Sometime in 2024

Recession Indicators Remain Elevated

Economy Surprising to Upside

Market in Gridlock

Price Discovery Unfolding

Transaction Activity Limited

Private Market Lag

Valuations Keep Adjusting in 2024

Liquidity and Credit in CRE Highly Constrained

Challenging Refinancings

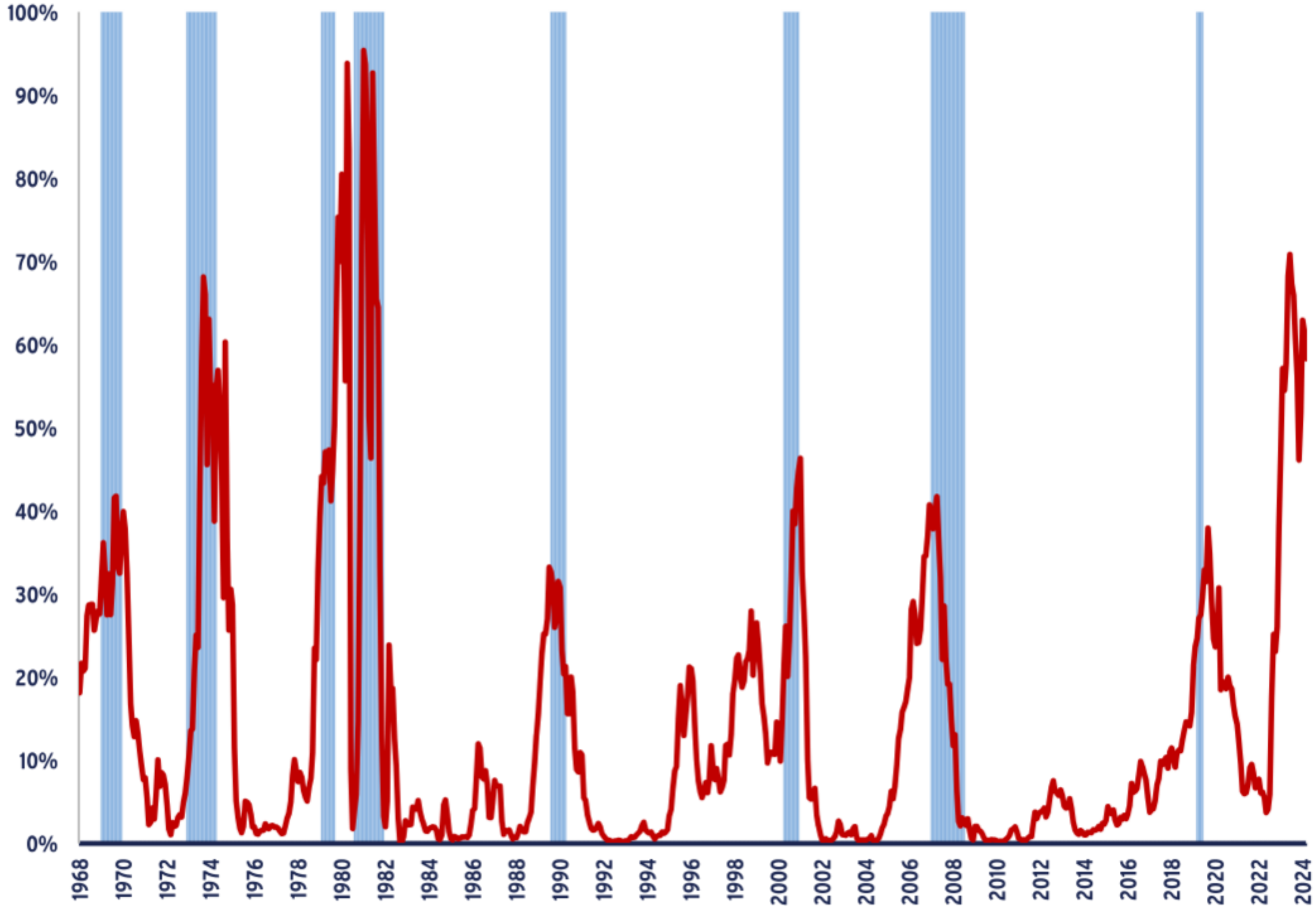
Office Day of Reckoning Is Upon Us

Physical Occupancy Flatlining

The opportunity set is forming…

Recession Risk Remains Elevated

U.S. RECESSIONS AND THE FEDERAL RESERVE BANK OF NEW YORK RECESSION PROBABILITY INDEX

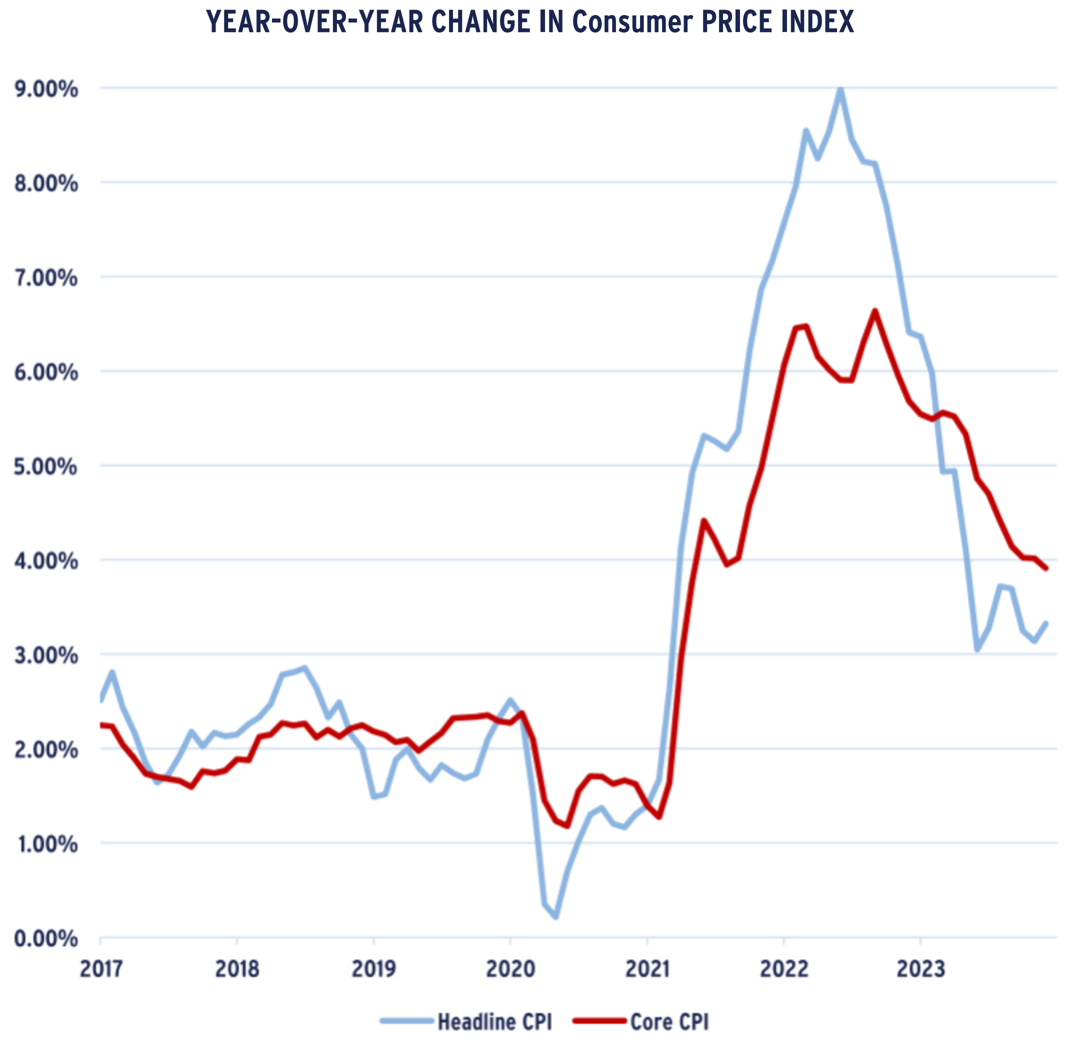


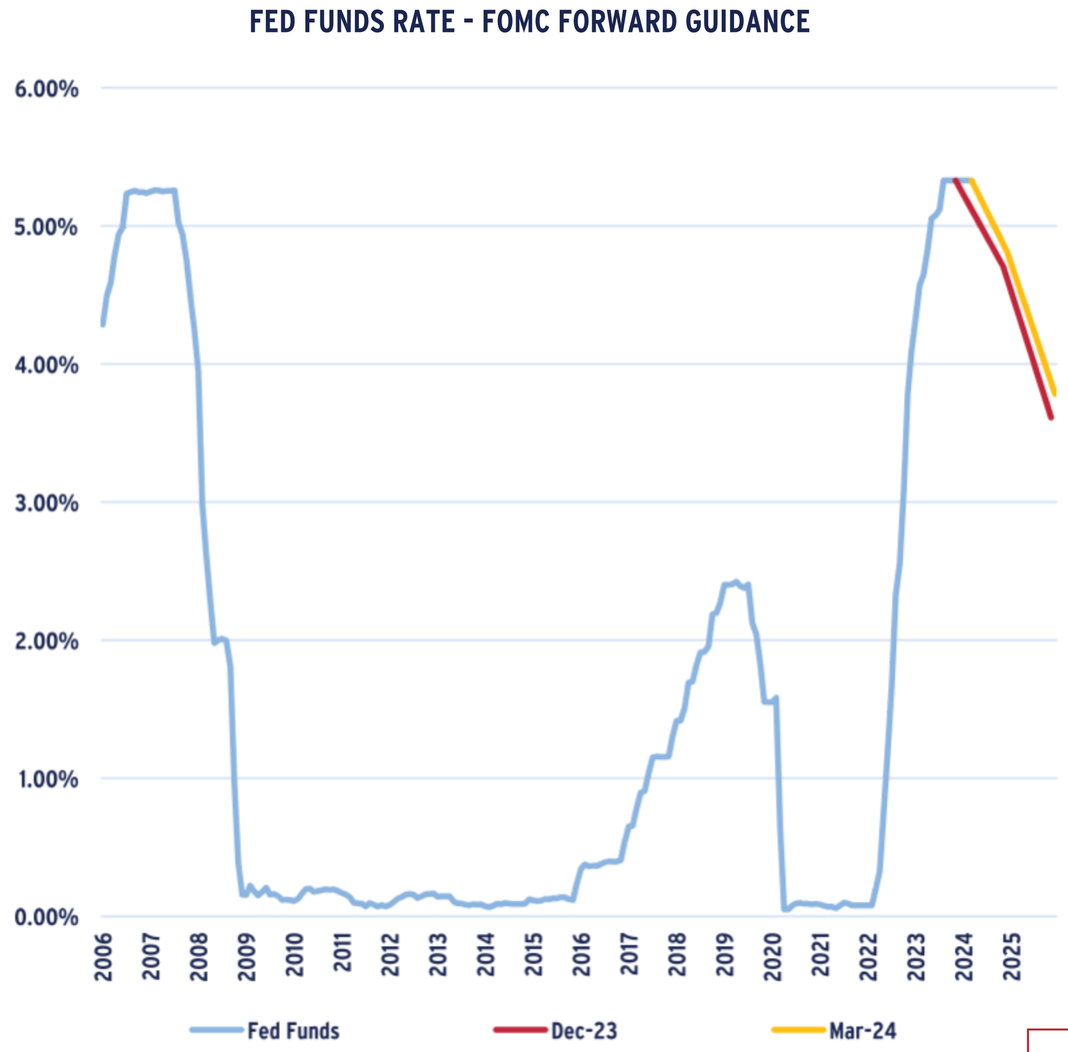
Source: Federal Reserve Bank of New York

Why No Recession Yet?

- Significant fiscal & monetary stimulus during 2020-2021?
- Large share of households with low fixed rate mortgages?
- Positive impacts of CHIPs Act and Infrastructure Bill just now being felt?
- Record domestic production of oil & gas insulating economy from energy shocks?

How Long Does Stronger Data Delay the Fed?

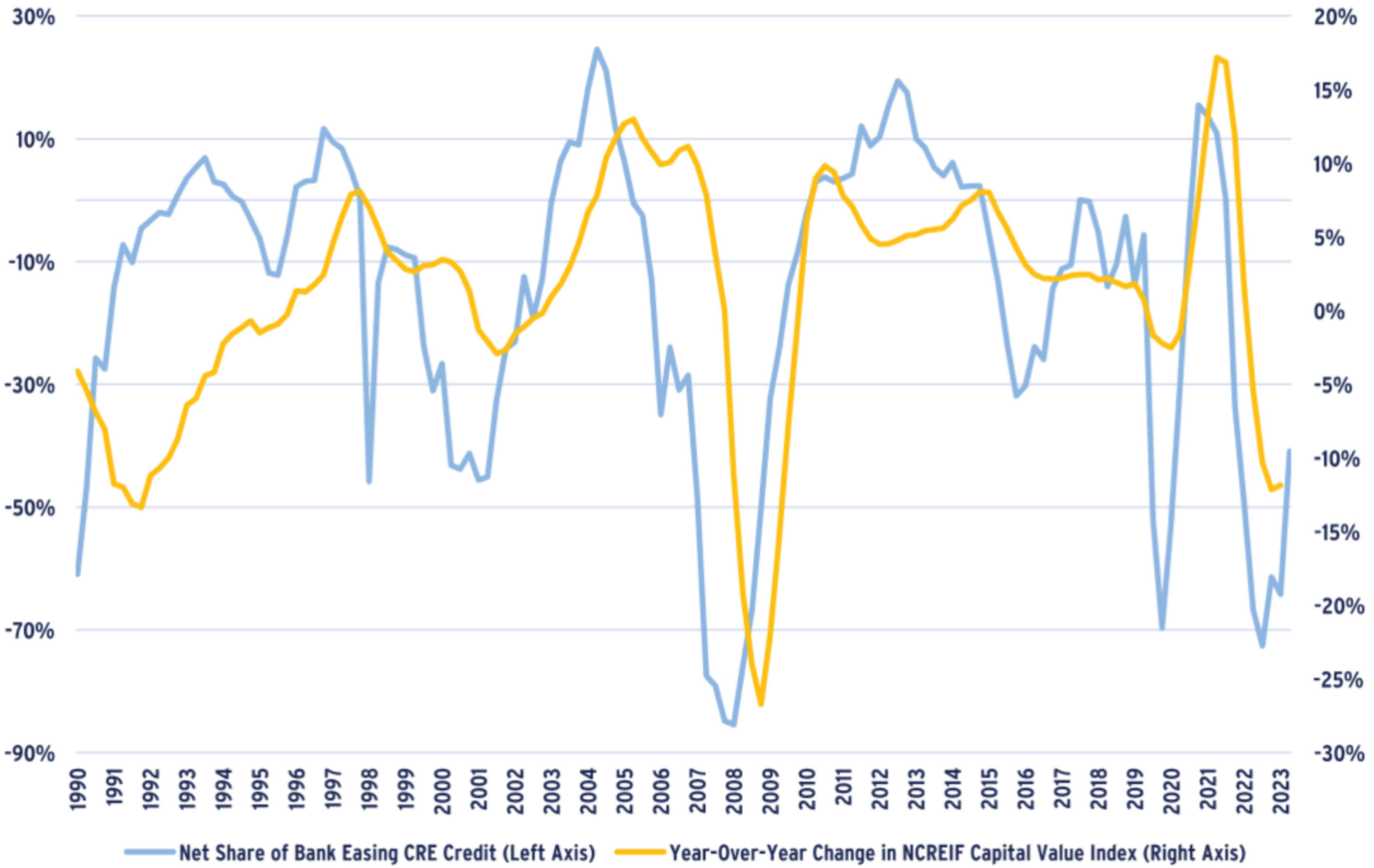


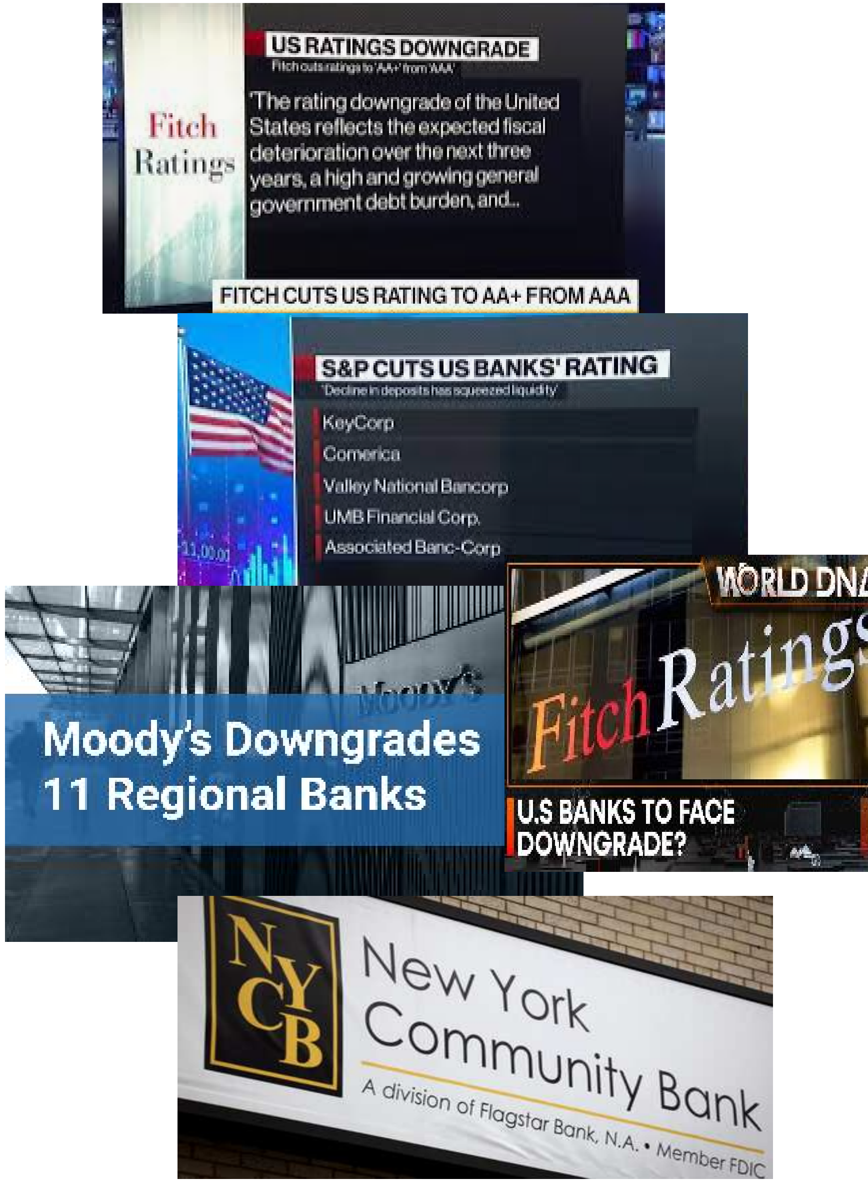


Source: BLS, FOMC

Tight CRE Credit Conditions to Continue

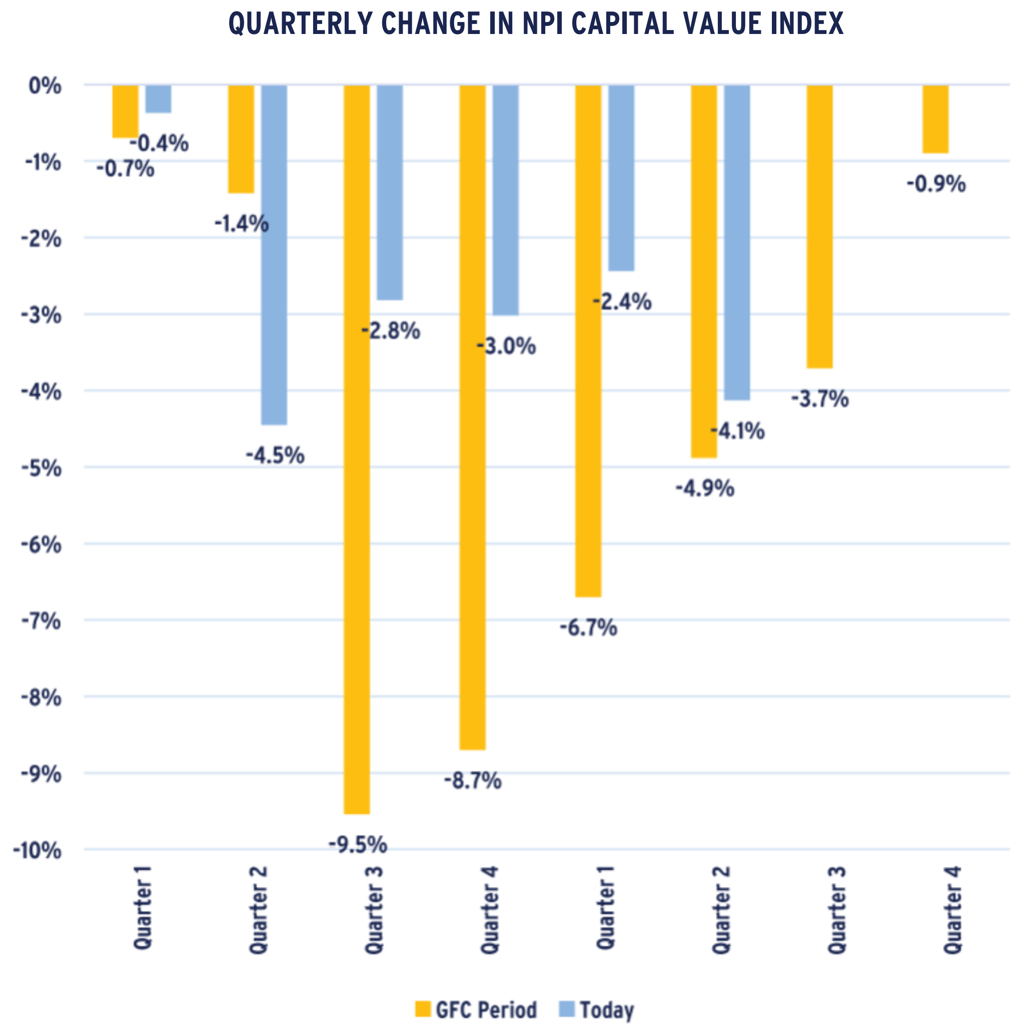
NET SHARE OF U.S. BANKS EASING CRE CREDIT CONDITIONS AND YEAR-OVER-YEAR CHANGE IN CRE CAPITAL VALUES

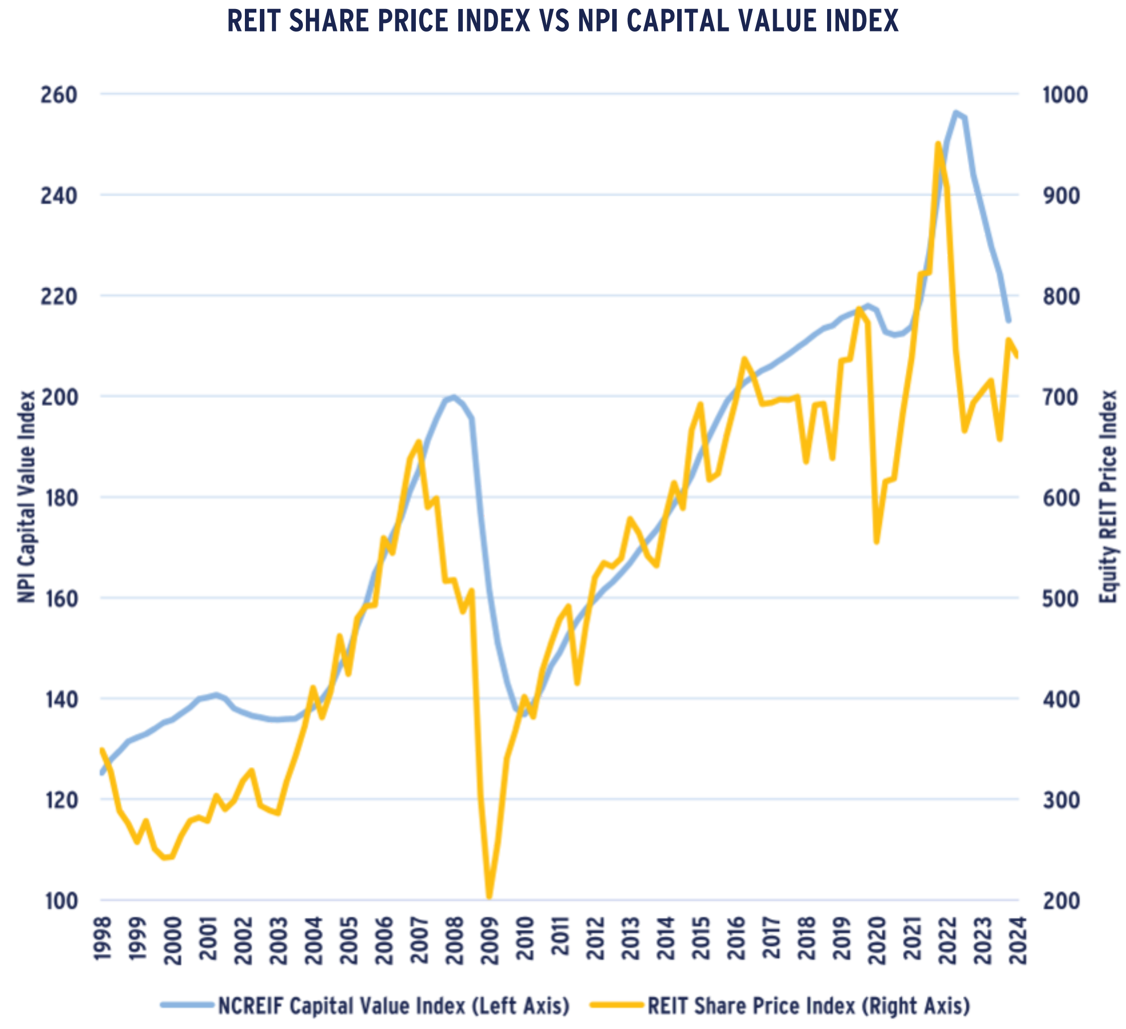




Sources: Federal Reserve, NCREIF

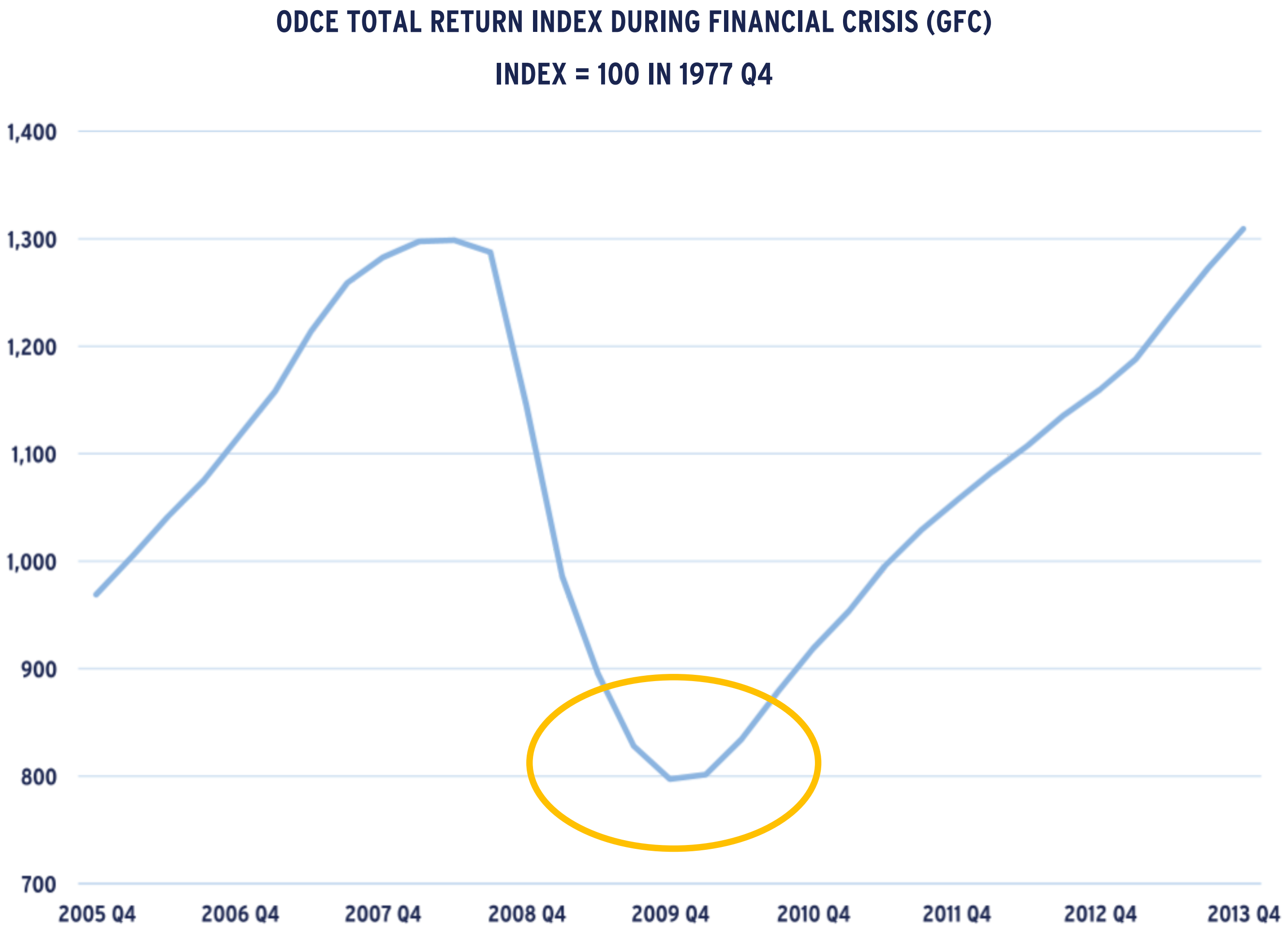
Eight Quarters of GFC Repricing, REIT Market Says End is Near?





Source: NCREIF, FTSE

Long Term Investors Don't Need to Call the Bottom



Early 1990s		5 Year Return
	1995 Q2	11.92%
	1995 Q3	12.30%
Trough	**1995 Q4**	**12.99%**
	1996 Q1	12.97%
	1996 Q2	12.69%

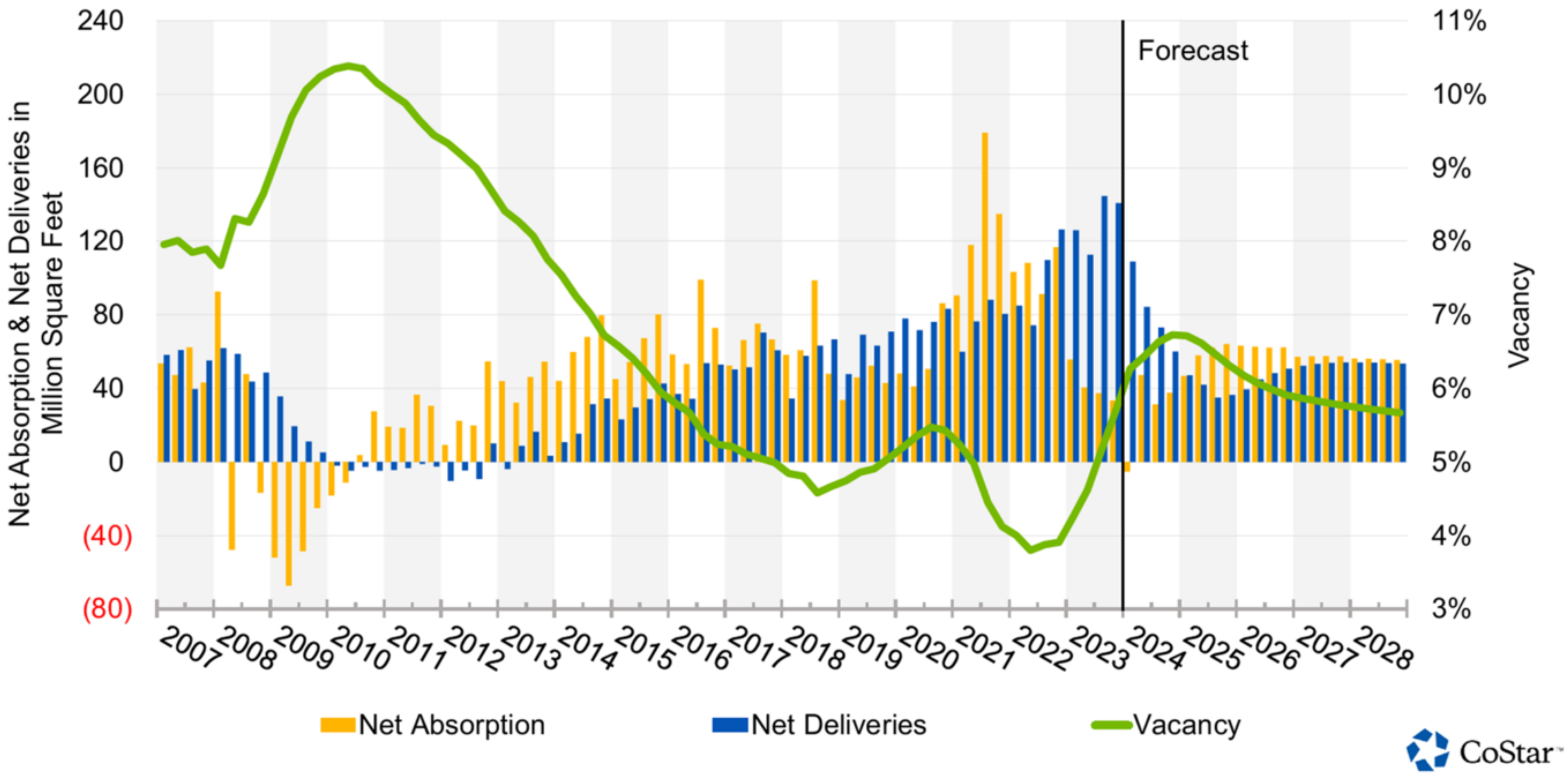
Tech Crash		5 Year Return
	2002 Q1	12.68%
	2002 Q2	13.51%
Trough	**2002 Q3**	**14.01%**
	2002 Q4	14.04%
	2003 Q1	12.50%

Financial Crisis		5 Year Return
	2009 Q3	11.34%
	2009 Q4	12.85%
Trough	**2010 Q1**	**13.44%**
	2010 Q2	13.33%
	2010 Q3	12.94%

Source: NCREIF

SECTOR UPDATE

Logistics



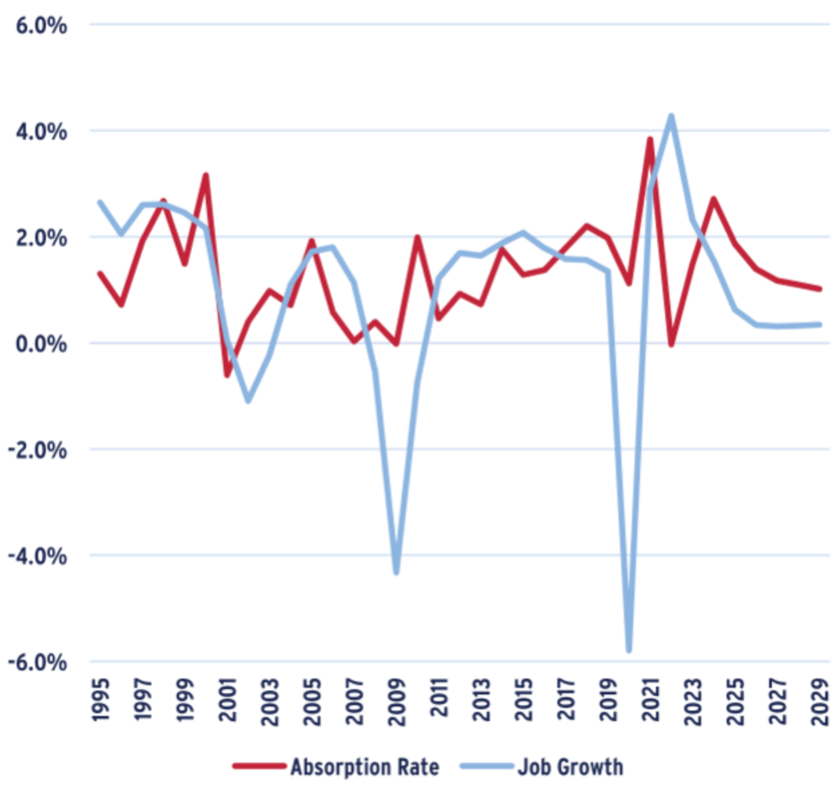
- While fundamentals in the industrial sector have softened due to record construction (blue bars), availability remains below long-term historical averages (green line).
- Generally, significant imbedded rent growth remains; this will help offset some of the valuation adjustment.
- Going forward, demand trends for the sector are positive - continued e-commerce growth, trade flows and nearshoring/ onshoring of manufacturing.

Source; CoStar

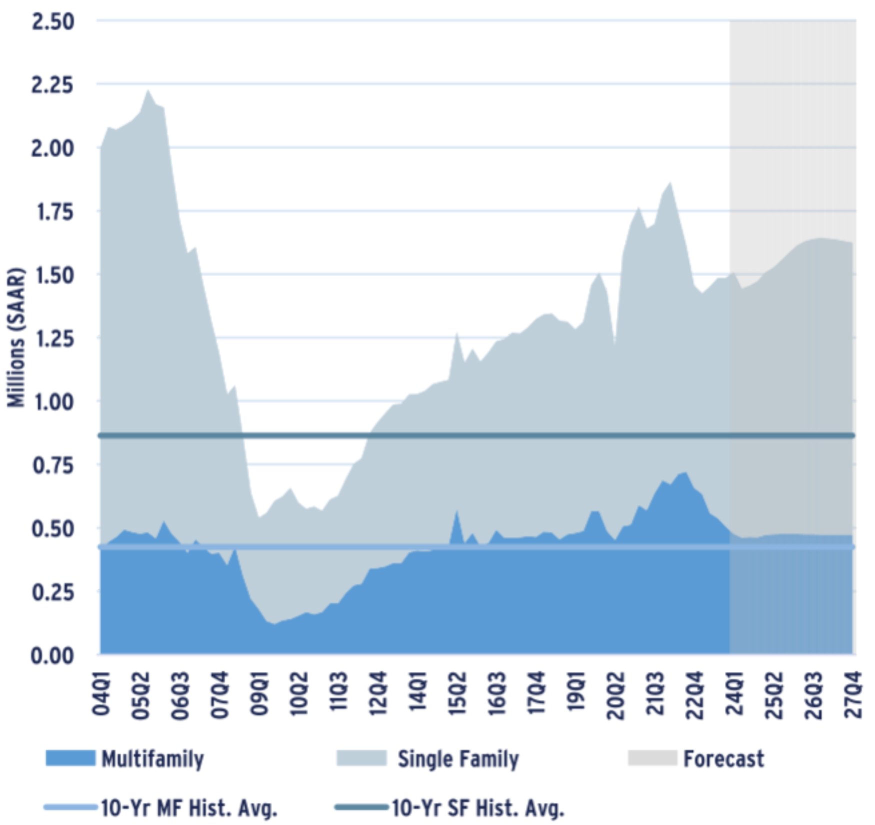
SECTOR UPDATE

Housing

JOB GROWTH AND APARTMENT DEMAND REMAIN HIGHLY CORRELATED



A SHARP DROP IN PERMITTING SIGNALS A COMING SLOWDOWN IN SUPPLY



Source: CBRE-EA, Moody's Analytics and AEW Research

- Supply growth has been elevated, and is outpacing demand; rent growth under pressure in near-term.
- Long-term, favorable demand drivers (employment growth, household formation, continued net migration and high cost of homeownership) will support rent growth while supply is expected to ebb after current wave delivers.
- The structural undersupply in housing still persists.

Conclusion

- Property re-pricing still ongoing
- Fresh equity and/or debt - rescue capital - needed
- Leasing decisions involving significant capital to remain difficult
- Positive real yields set stage for next investment cycle
- **The "return of return" is a good thing!**

Opportunity from Market Dislocation

FOCUS ON ASSET AND MARKET QUALITY

Focus on assets that the future will want, avoid marginal real estate and marginal deals

CYCLICAL HEADWINDS CREATING CURRENT OPPORTUNITY SET

Manage risk by remaining disciplined and investing in assets that align with strong long-term market fundamental conditions

LEVERAGE DEEP NETWORK OF RELATIONSHIPS

Inefficient capital markets lead to opportunities for outsized risk-adjusted returns

SECTION III

Portfolio Overview

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

Overview

PERFORMANCE	• Outperforming in 3-, 5-, 10-year, and since inception time periods; since inception outperformance of 191 bps net (annualized) • Underperformed by 159 bps net in 2023 due to West Coast office and dilutive leverage
PORTFOLIO ALLOCATION	• Diversified across geographies - major metros across the U.S. • Strategic overweights to industrial and multifamily sectors, totaling 84% of the portfolio
OPERATIONS	• Net operating income meeting budget • Occupancy trailing budget due primarily to the office sector and one Bed Bath & Beyond location
PORTFOLIO MANAGEMENT	• Managed $150 million in financing transactions during 2023 with another $122 million in process • Executed 1.5 million square feet of leases (new and renewal) • Sold three deals, one with seller financing • Chose not to acquire any new deals during 2023

Portfolio Overview

BY THE NUMBERS

$2.3B
Gross Property Value

$1.1B
Net Investment Value

48%
Loan-to-Value

24 Investments	**57** Properties
7.8M Square Feet (Commercial)	**2,104** Apartments

8.8%
Since Inception Annualized Return (NET)

94%
Portfolio Occupancy

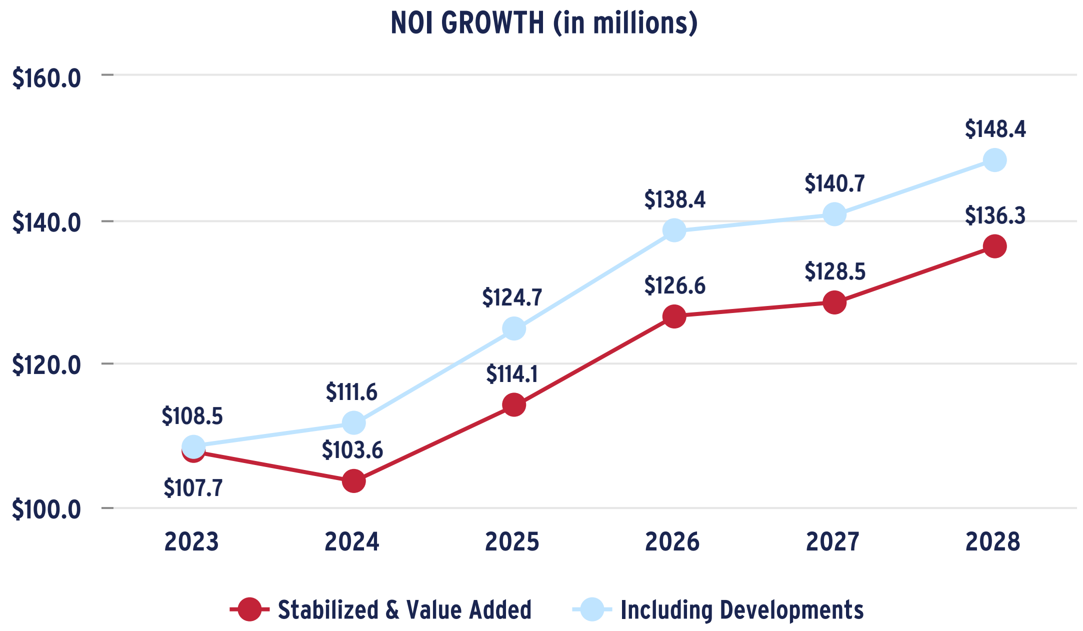
As of December 31, 2023

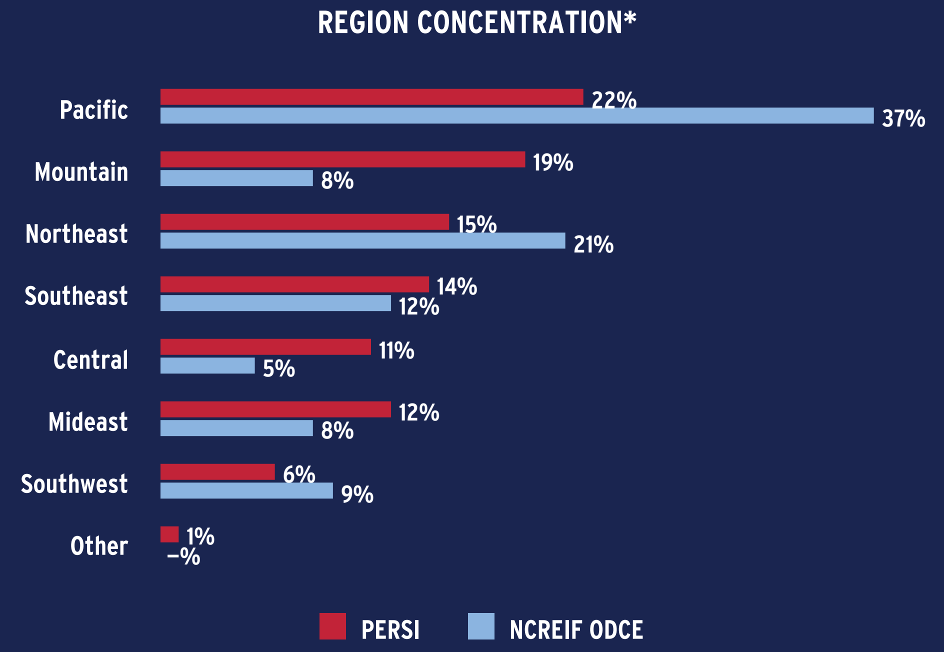
Current Portfolio[1]

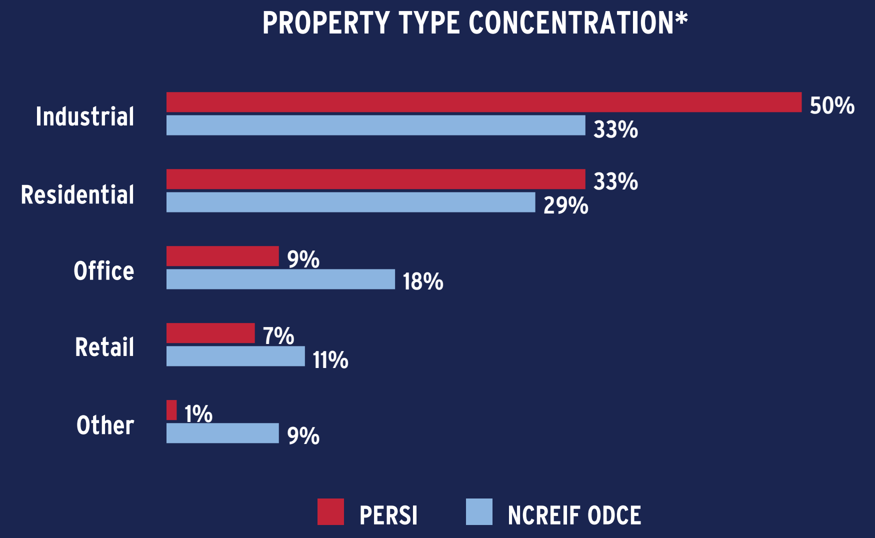
[1] As of March 31, 2024

Portfolio Overview

- Strategic overweights to industrial and multifamily sectors, with 9% exposure to office
- Over the next five years total projected NOI growth is 37% with a CAGR of 6.5%
- Stabilized and Value-Added strategies' NOI CAGR is forecasted to be 4.8%







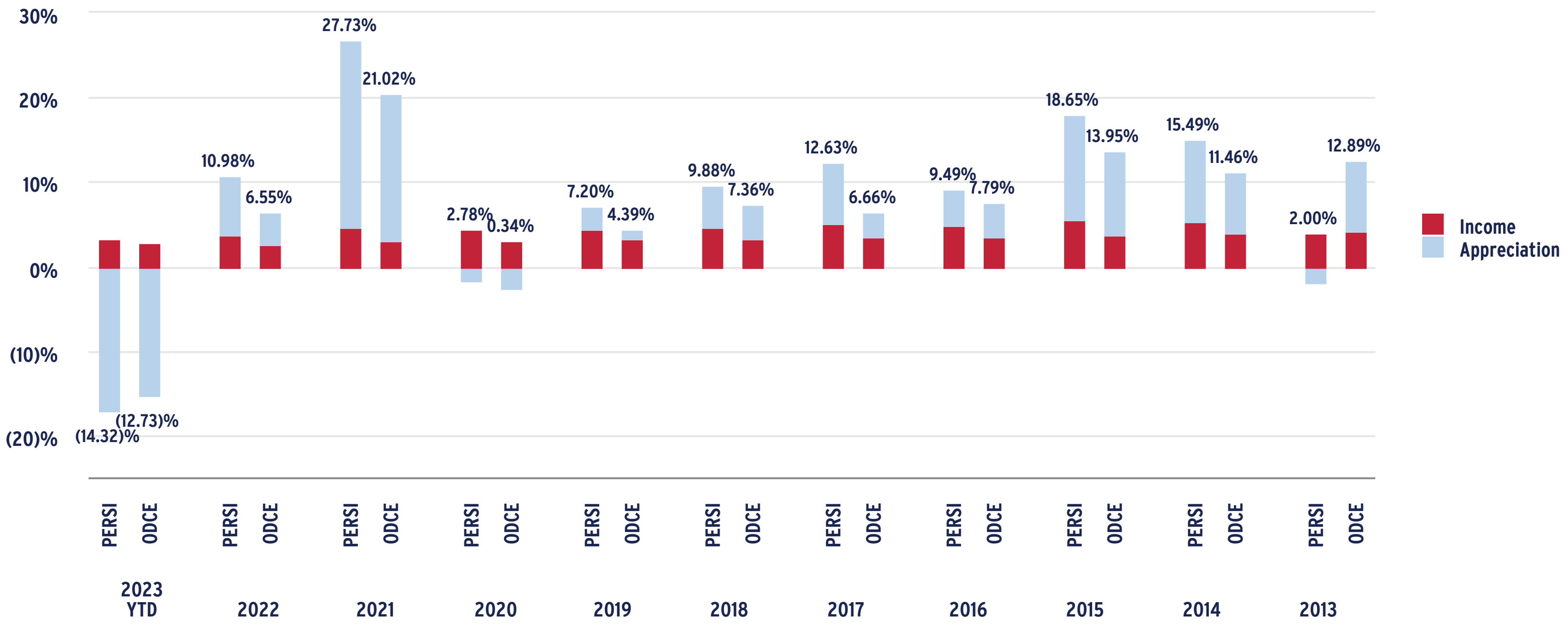
*Concentration charts as of 12/31/2023

Portfolio Performance

FOR THE PERIOD ENDING DECEMBER 31, 2023

	Q4 2023	1 YEAR	3 YEAR	5 YEAR	10 YEAR	SINCE INCEPTION[1]
INCOME	0.99%	4.48%	5.11%	5.33%	5.67%	5.58%
APPRECIATION	(4.10)%	(17.12)%	2.66%	1.77%	4.70%	4.08%
TOTAL (GROSS OF FEES)	(3.14)%	(13.35)%	7.88%	7.18%	10.61%	9.86%
TOTAL (NET OF FEES)	(3.42)%	(14.32)%	6.69%	6.00%	9.53%	8.82%
NCREIF ODCE INDEX (NET)	(5.00)%	(12.73)%	4.01%	3.34%	6.33%	6.91%
PERFORMANCE > ODCE	158 bps	(159) bps	268 bps	266 bps	320 bps	191 bps

NET PORTFOLIO PERFORMANCE VS ODCE



[1] Inception since January 2013, which includes significant write-downs in 2013 for unanticipated capital needs identified shortly after account transfer.

191 BPS

Since inception outperformance (annualized)

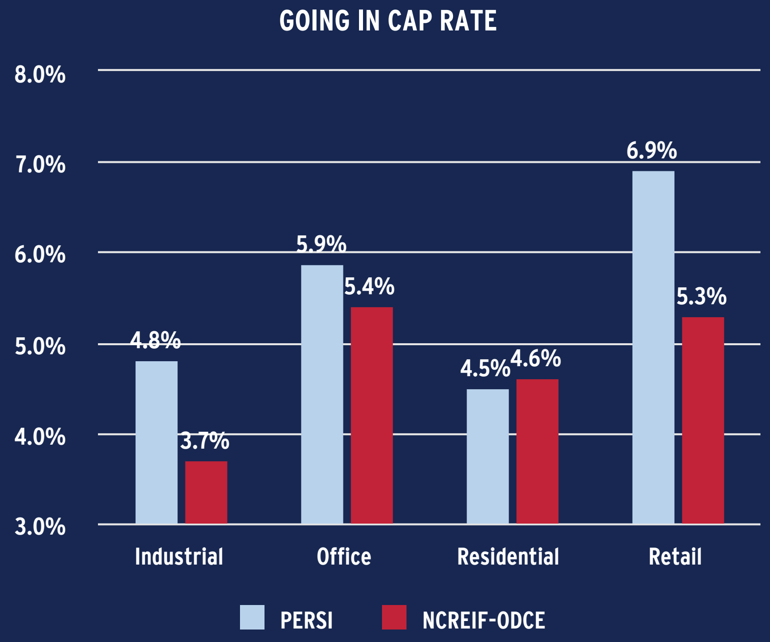
(159) BPS

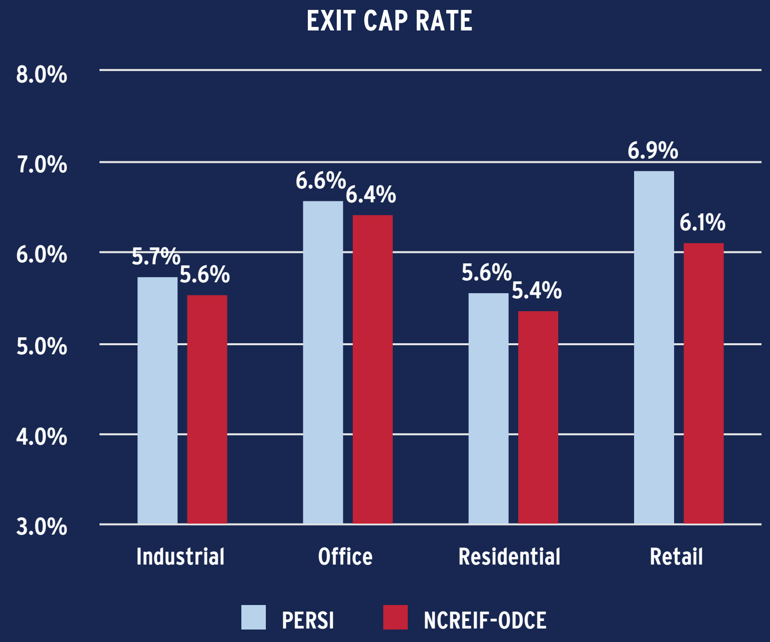
1 year underperformance

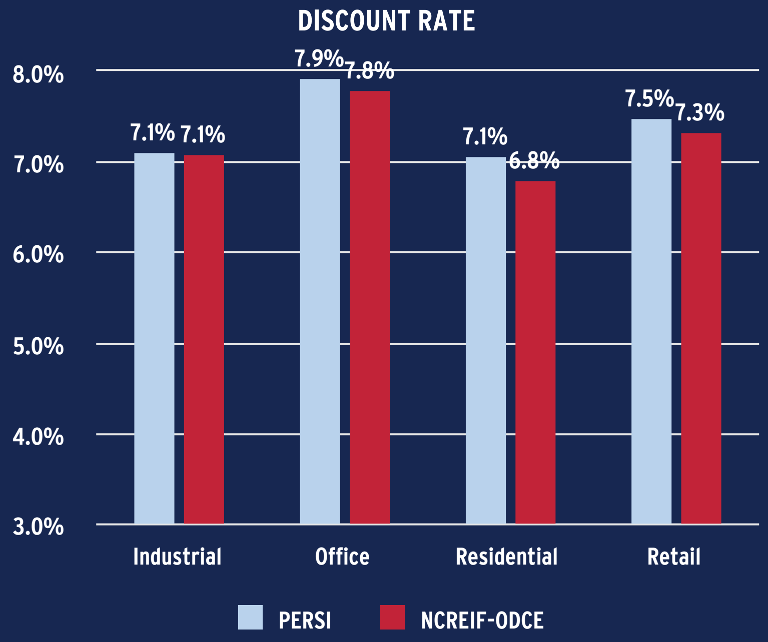
11

Consecutive years Income return outperformance

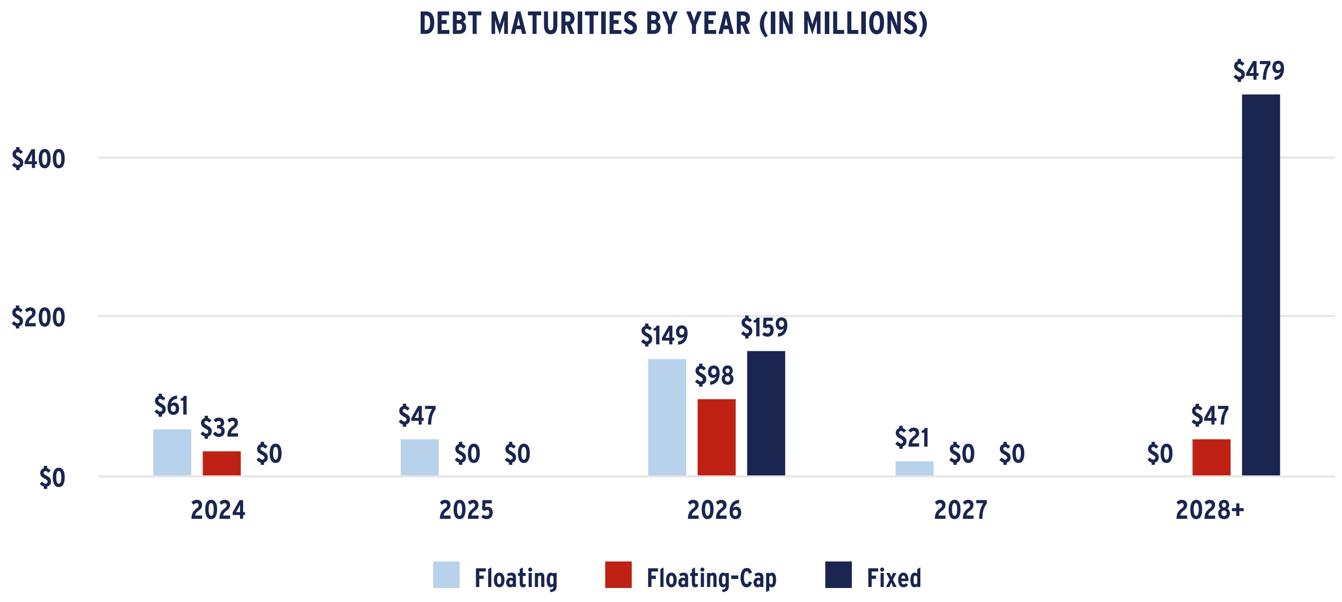
Cap Rate Valuation Metrics - Q4 2023







Debt Snapshot

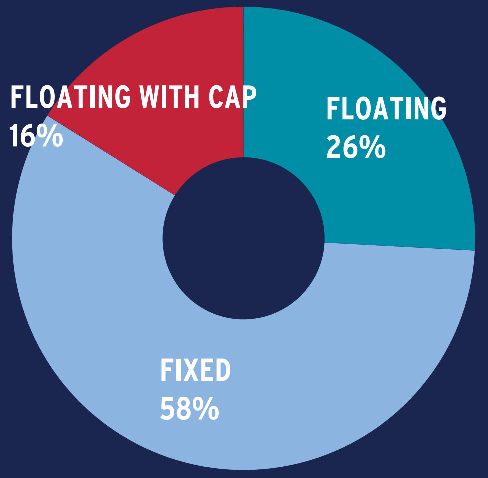


Lower loan-to-value ratios, higher debt service coverage ratios, and primarily fixed-rate loans, have overall allowed us to absorb higher financing costs

- We are in active lender discussions with respect to all loans maturing in 2024 and 2025
- Harbor Logistics (industrial) and Best In The West (retail) will be refinanced from floating to fixed rate
- Vantis (office) loan modification in active negotiation

48%
Loan-to-Value

3.6 Years
Average Remaining Loan Term



3.9%
Average Fixed Interest Rate

7.8%
Average Floating Interest Rate

5.6%
Average Floating with Cap Interest Rate

SECTION IV

2023 Year in Review

2023 Year in Review

FINANCIAL RESULTS

	YTD 2023 ACTUALS	YTD 2023 BUDGET
Net Operating Income	$109 M	$112 M
Net Operating Distributions	$39 M	$41 M
Capital Contributions	$20 M	$35 M

OPERATIONAL RESULTS

	UNITS/SF	YTD 2023 ACTUALS	YTD 2023 BUDGET
Multifamily	2,104	94%	94%
Industrial	6,095,607	97%	99%
Office	1,214,757	76%	83%
Retail	502,700	93%	97%
Total	7,813,064 / 2,104	94%	96%

OPERATIONS & ASSET MANAGEMENT

- The portfolio's operating performance was in-line with budgeted expectations
- Capital contributions trailed budget due to timing of funding requests for Harbor Logistics
- Portfolio occupancy stands at 94%, trailing budget by 200 bps primarily due to the office sector and one Bed Bath & Beyond vacancy
- The portfolio executed a total of 1,512,438 square feet of leases in 2023 - Industrial: 1,433,593, Office: 77,828, Residential: 1,017

FINANCING

- $150 million of financing activity was executed in 2023, with another $122 million currently in process
- Key refinancings included Horizon Apartments, Santa Monica Apartments, and Jack London Square

ACQUISITIONS & DISPOSITIONS

- La Costa Meadows (office/flex) sold Q1, Calabasas Courtyard (office) sold Q4 - seller financing, and Cosmopolitan Apartments (multifamily) sold Q1 2024
- Purposely did not acquire any new properties during the year

OTHER NOTABLE ACTIVITIES

- Elected not to continue pursing Gilbert multifamily development; Harbor Logistics leased to 100%

SECTION V

2024 Goals & Dispositions / Acquisitions

2024 Key Goals

OPERATIONS & ASSET MANAGEMENT

- Maintain or increase occupancy and income levels across the portfolio
    - Continue raising rents to market within the industrial sector where 1.4 million square feet of leases rolls in 2024/2025
- Special focus on the office portfolio - leasing, hold/sell decisions, loan modifications
    - Scrutinize all dollars spent on building capital and leasing
- Stabilize Santa Monica and Jack London multifamily assets
- Monitor health of joint venture partners

FINANCING

- Refinancing and modification discussions are well underway for the four loans maturing in 2024 and 2025

PROJECTED INDUSTRIAL NOI YIELD

FINANCIAL GOALS

	2024 BUDGET	2023 ACTUAL
Net Operating Income	116.3 M	$109 M
Net Operating Distributions	41.2 M	$39 M
Capital Contributions	21 M	$20 M

OPERATIONAL GOALS

	2024 BUDGET	2023 ACTUAL
Multifamily	95%	94%
Industrial	97%	97%
Office	74%	76%
Retail	100%	93%
Total	94%	94%

Dispositions Focus

- **Continue to upgrade the overall quality of the portfolio by selling assets we do not believe are long-term holds.**
  - Less desirable markets with weaker growth drivers, properties with higher capital needs, less functional buildings based on today's (and tomorrow's forecasted) tenant preferences.

- **Rotate the portfolio into assets offering better future growth potential - asset quality and market.**

2024 Disposition Candidates

*Evaluating for redevelopment

Acquisitions Focus

- Quality and property characteristics that meet the future.
- Capitalizing on current market dislocation to acquire high-quality assets at favorable prices below replacement cost.
- *Assets* and *Locations* that will benefit from the compounding effects of innovative businesses, social stability and desirability, and consumer relevance.

INDUSTRIAL PARKS

Locations
Focus on top industrial markets.

Objective
Acquire what we believe are dominant industrial assets due to market relevance.

CLASS-A MULTIFAMILY ASSETS

Locations
Balance growth and recovery markets.

Objective
Acquire irreplaceable assets at their cyclical low-point relative to NOI due to market supply and concession issues.

RETAIL IN TOP SUBURBAN ZIP CODES

Property Type
Market-dominant retail centers (grocery-anchored, neighborhood, power).

Objective
Control the most locationally important assets with superior demographics and household incomes.

TARGETED STRATEGIES

Property Types
Targeted strategies in housing-adjacent sectors, healthcare, self storage.

Objective
Own purpose-oriented assets that offer specialized use to their targeted customer base, can capitalize on superior near-term and long-term demand trends.

SECTION VI

Asset Spotlights

Industrial Portfolio

52%
INDUSTRIAL EXPOSURE

40	$983M	$541M	97%
PROPERTIES	GROSS PROPERTY VALUE	NET INVESTMENT VALUE	DEC 2023 OCCUPANCY

HARBOR LOGISTICS

- 829k sf in Baltimore, Maryland
- Completed in 2023
- 100% leased

BROADWAY INDUSTRIAL

- 283k sf in Phoenix, Arizona
- 100% occupancy

CORAL TREE / TORRANCE

- 247k sf of existing Class B flex space in Carson and Torrance, California
- 97% occupancy

Multifamily Portfolio

32%
MULTIFAMILY EXPOSURE

10	$747M	$340M	94%
PROPERTIES	GROSS PROPERTY VALUE	NET INVESTMENT VALUE	DEC 2023 OCCUPANCY

SANTA MONICA

- 99 units with 20k sf retail in Santa Monica
- 72% occupancy (residential)
- 25% occupancy (retail)

SOLERO PLANTATION

- 481 units in Fort Lauderdale
- 96% occupancy

ALISTER QUINCY

- 171 units in the Boston metro
- 93% occupancy

Office Portfolio

9%
OFFICE EXPOSURE

5	$387M	$86M	76%
PROPERTIES (not including Calabasas loan)	GROSS PROPERTY VALUE	NET INVESTMENT VALUE	DEC 2022 OCCUPANCY

300 A STREET

- 113k sf in Boston
- 100% occupancy
- Single, credit tenant

1111 3RD / 2ND & SPRING

- 714k sf in Seattle
- 72% occupancy

120 VANTIS

- 181k sf in Boston
- 83% occupancy

Retail Portfolio

7%
RETAIL EXPOSURE

2	$140M	$71M	93%
PROPERTIES	GROSS PROPERTY VALUE	NET INVESTMENT VALUE	DEC 2022 OCCUPANCY

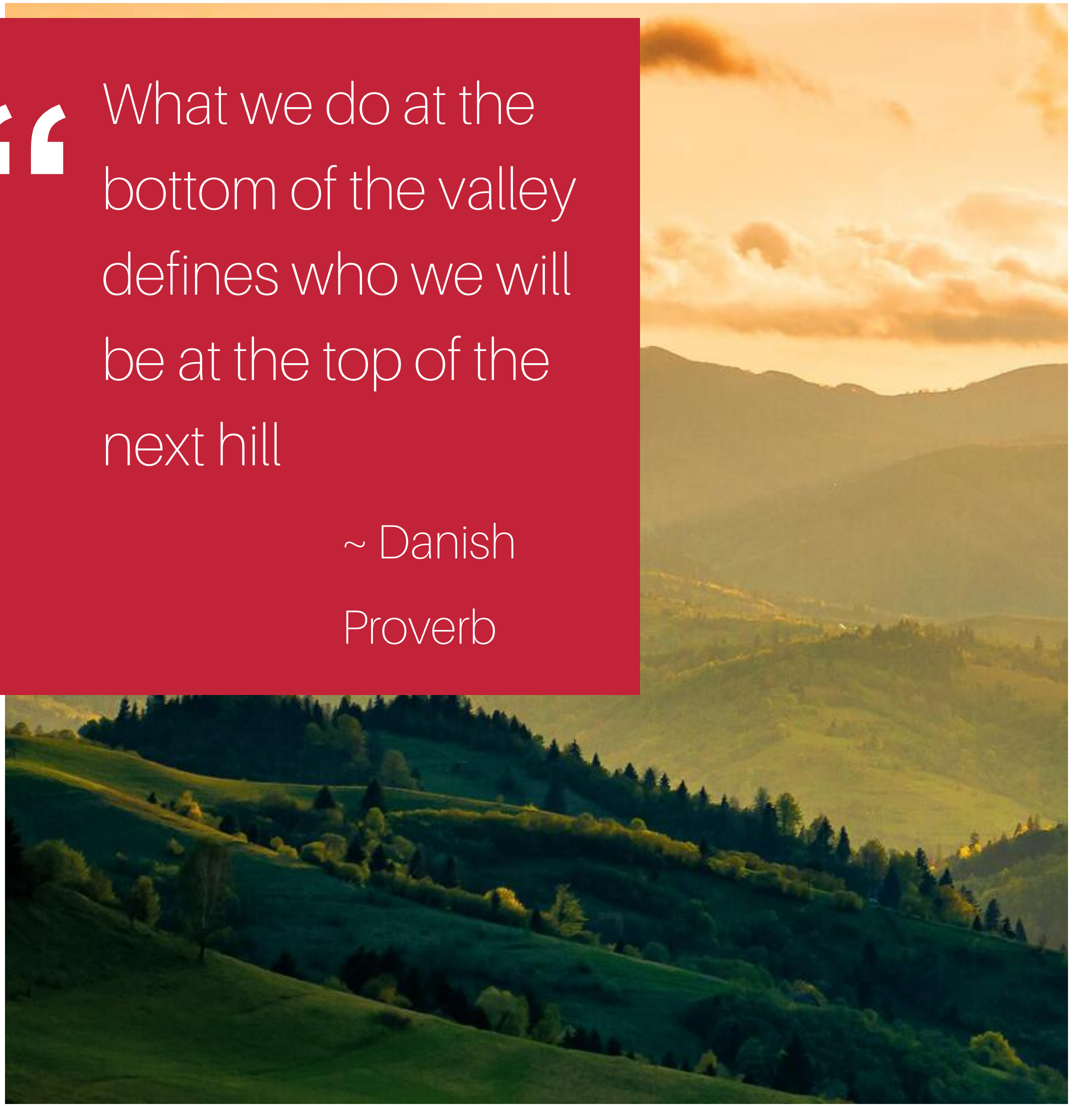
MEADOW WALK

- 75k sf in the Boston metro
- 100% occupancy

BEST IN THE WEST

- 465k sf in Las Vegas
- 92% occupancy

Conclusions



> “ What we do at the bottom of the valley defines who we will be at the top of the next hill
>
> ~ Danish Proverb

- Property re-pricing began six quarters ago and will likely continue part of the way into 2024
- Market bifurcation will persist with the office property sector under significant pressure
- Fundamentals in industrial and multifamily property sectors have softened from historic levels but remain strong over the medium-term, meanwhile retail fundamentals are strong currently; in the near-term, yields are adjusting to higher interest rates
- PERSI’s portfolio is allocated over 90% to these three sectors
- We remain intensely focused on business plan execution and risk management (portfolio- and asset-level balance sheets) as we navigate this period of uncertainty and re-pricing
- As one of the largest real estate investment managers, AEW is able to leverage its network of relationships to both manage current portfolios and identify the best go-forward opportunities

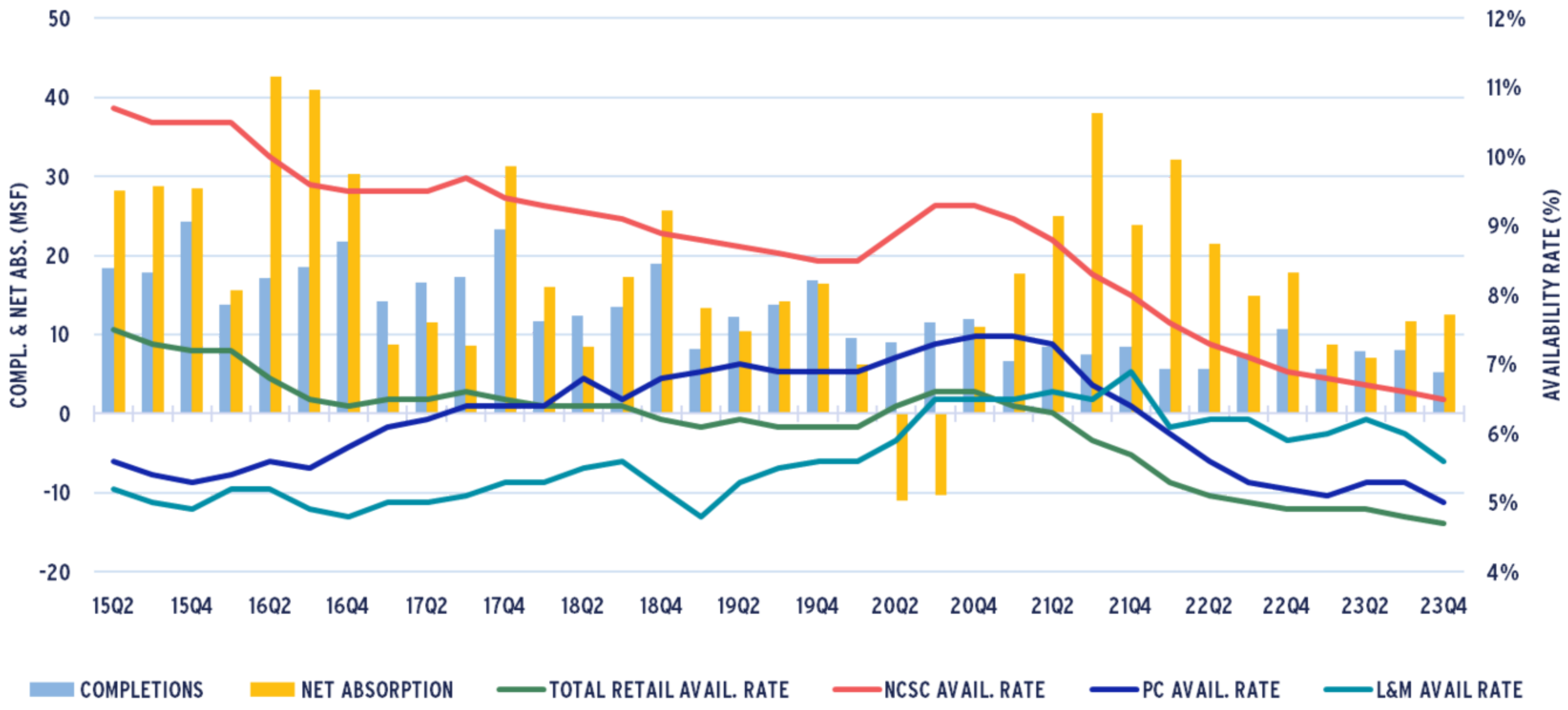
SECTION VII

Appendix

SECTOR UPDATE

Retail

NECESSITY-BASED RETAIL IS LEADING THE RETAIL RECOVERY

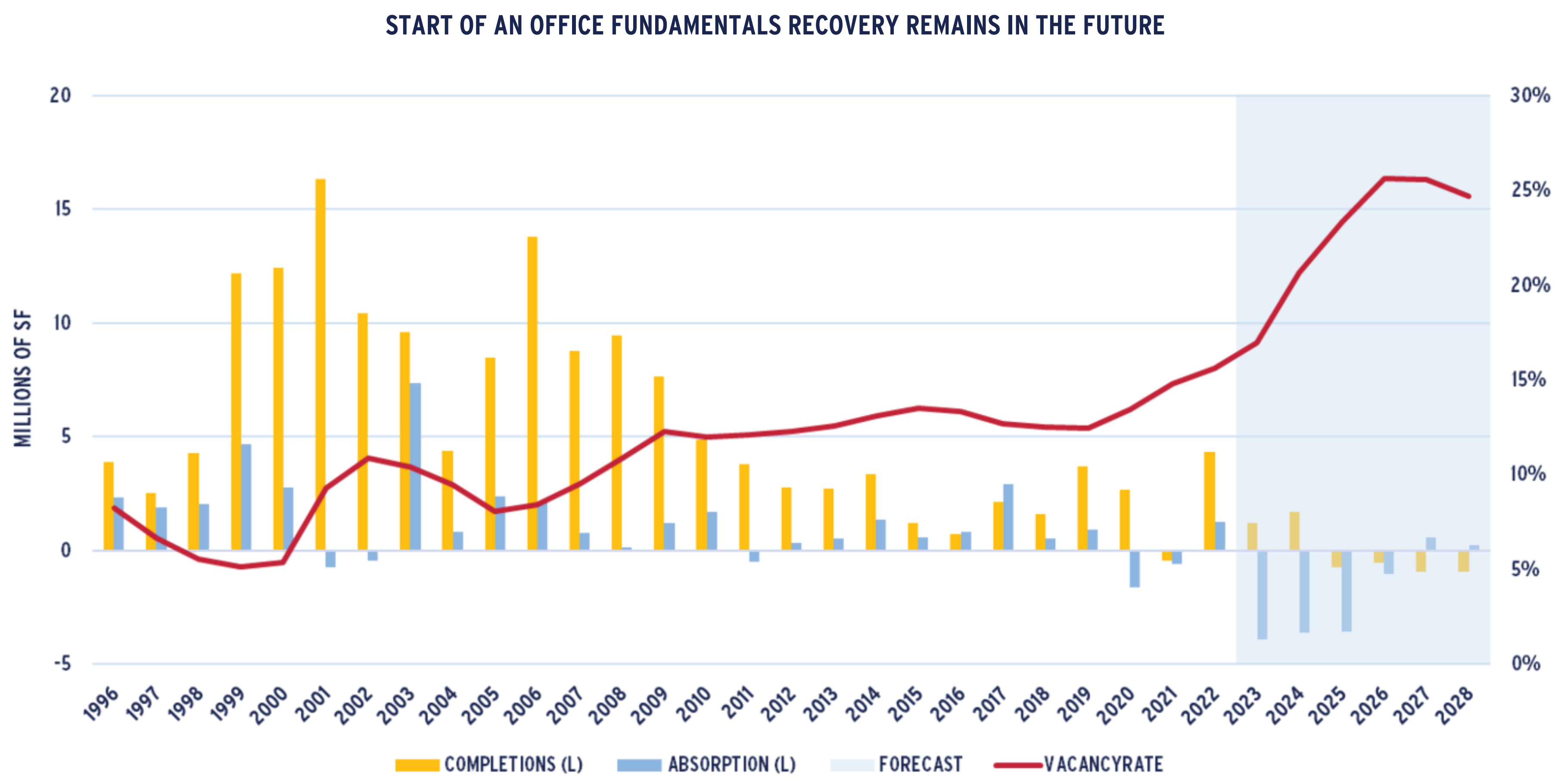


Source; CBRE-EA and Federal Reserve Bank of New York

- While office, industrial and apartment fundamentals continue to soften, the retail sector has continued to improve with availability dropping to record lows (18-year low).
- We are focused on FONO – food, off-priced, necessity (incl grocery) and open-air centers where meaningful loss-to-lease exists, allowing for future rent growth.
- Going forward, record-high credit card debt, surging credit card interest rates, lower housing market churn, rising delinquencies, and the resumption of student loan repayments, could put pressure on discretionary spending.

SECTOR UPDATE

Office



Source; Costar, CBRE Research as of Q3 2023

- Office markets have not found their footing, with negative absorption continuing to push vacancies much higher.
- Momentum in the leasing market remains muted, compounded by a shrinking average lease size as more tenants look to downsize.
- While underlying job growth in the office using sectors has been healthy, the relationship between office job growth and absorption is broken due to remote the working dynamic.

AS OF DECEMBER 31, 2023

Portfolio Debt Summary

BORROWER	LENDER	MATURITY DATE	AMORTIZATION TYPE	INTEREST RATE	CURRENT LTV	12/31/23 DEBT BALANCE	FAIR VALUE ADJUSTMENTS	FAIR VALUE BALANCE	TRANSFER RIGHTS/ SUBSTITUTION RIGHTS	LOCKOUT PERIOD/ PREPAYMENT PENALTY	EXTENSION OPTION
101 Station Drive	PNC Bank	Mar-28	Interest-Only	4.27%	64%	$26,600,000	$(1,512,189)	$25,087,811	Yes/Yes	None/Greater of 1% or YM through 11/2027; no fee therafter	None
1100 Second Avenue	Met Life	Aug-28	Interest-Only	4.28%	93%	50,844,000	$(3,833,316)	47,010,684	Yes/Yes	YM prior to 7/31/2027, $500k after	None
1111 Third Avenue	Met Life	Aug-28	Interest-Only	4.28%	84%	165,156,000	$(12,451,719)	152,704,281	Yes/Yes	YM prior to 7/31/2027, $500k after	None
120 Vantis	Met Life	Sep-24	Interest-Only	SOFR+350	90%	31,850,000	$0	31,850,000	Yes/Yes	None/Yr 1 Greater of 1% or YM	One - 1-year option
1601 Fullerton Court	Mass Mutual	Nov-26	Interest-Only	3.44%	30%	2,500,000	$(71,919)	2,428,081	Yes/Yes	YM prior to 11/02/2024, 1% after	None
1620 Fullerton Court	Mass Mutual	Nov-26	Interest-Only	3.44%	32%	4,900,000	$(140,960)	4,759,040	Yes/Yes	YM prior to 11/02/2024, 1% after	None
300 A Street	Hartford Investment Management (HIMCO)	Jun-29	Interest-Only	3.98%	56%	35,200,000	$(2,648,925)	32,551,075	Yes/Yes	None/YM through 11/30/28	None
3708 River Road	Mass Mutual	Nov-26	Interest-Only	3.44%	29%	11,300,000	$(325,072)	10,974,928	Yes/Yes	YM prior to 11/02/2024, 1% after	None
440 & 450 Medinah Road	Mass Mutual	Nov-26	Interest-Only	3.44%	38%	15,300,000	$(440,141)	14,859,859	Yes/Yes	YM prior to 11/02/2024, 1% after	None
471 Fox Court	Mass Mutual	Nov-26	Interest-Only	3.44%	32%	2,400,000	$(69,042)	2,330,958	Yes/Yes	YM prior to 11/02/2024, 1% after	None
Alister Quincy	Eastern Bank	Nov-29	Interest-Only	4.40%	55%	38,500,000	$(1,333,099)	37,166,901	Yes/No	None/Yr 1 of Term 3%; Yr 2-3 2%;Yr 4-5 1%; 1% on sale to a third party	None
Best in the West	JP Morgan Chase	Feb-25	Interest-Only	SOFR+205	42%	43,500,000	$0	43,500,000	Yes/No	None/None	Two - 1-year options
Bridgestone - Illinois	Ares	Jan-26	Interest-Only	SOFR+320	47%	29,508,359	$0	29,508,359	Yes/No	Yr 1 Lockout/Yr 1-2 YM /After Yr 2 Prepay at Par with No Penalty	None
Bridgestone - Oregon	Ares	Jan-26	Interest-Only	SOFR+320	41%	21,306,214	$0	21,306,214	Yes/No	Yr 1 Lockout/Yr 1-2 YM /After Yr 2 Prepay at Par with No Penalty	None
Bridgestone - Pennsylvania	Ares	Jan-26	Interest-Only	SOFR+320	33%	46,703,886	$0	46,703,886	Yes/No	Yr 1 Lockout/Yr 1-2 YM /After Yr 2 Prepay at Par with No Penalty	None
Broadway Industrial Park	Principal	Nov-26	Interest-Only	3.23%	29%	14,550,000	$(482,312)	14,067,688	Yes/No	None/Greater of 1% or YM	None
Cloverfield	Prudential	Oct-26	Interest-Only	SOFR+325	62%	26,732,521	$0	26,732,521	Yes/No	None/None	One - 1-year option
Cosmopolitan at Mears Park	Santander Bank, N.A	Aug-27	Interest-Only	SOFR+145	53%	21,000,000	$0	21,000,000	Yes/Yes	None/None	None
Harbor Logistics Center	Byline Bank/ Webster Bank	Mar-24/ Dec-25	Interest-Only	PRM+0/ SOFR+200	50%	64,747,992	$0	64,747,992	Yes/No Yes/Yes	None/None	Two - 1-year options
Horizon Apartments	Voya Investment Management	Mar-26	Interest-Only	SOFR+215	55%	67,000,000	$0	67,000,000	No/Yes	None/12 Month YM during first Yr	Two - 1-year options
Jack London Square	Argentic	Jan-26	Interest-Only	SOFR+340	60%	31,500,000	$0	31,500,000	No/No	18 mos./0.25% of loan amount	Three - 1-year options
LoHi Gold Apartments	Fannie Mae	Jul-26	Amortizing	3.47%	44%	23,071,781	$(597,020)	22,474,761	No/No	None/Greater of 1% or YM	None
LoHi House	Prudential	Jul-28	Interest-Only	2.45%	50%	25,000,000	$(1,603,518)	23,396,482	No/No	None/Greater of 1% or YM	None
Meadow Walk	Cambridge Savings Bank	Jun-29	Amortizing	4.25%	61%	22,916,558	$(894,413)	22,022,145	Yes/No	None/Yr 1 2%; Yr 2-3 1%	Two - 1-year options
Meritex - Charlotte	PNC Bank	Jun-29	Interest-Only	4.11%	43%	69,316,000	$(2,908,795)	66,407,205	Yes/No	None/Greater of 3%(2022) 2% (2023-2024) 1% (2025-2026) or YM	None
Meritex - Park Ladera	Thrivent Financial	Feb-26	Amortizing	3.75%	28%	14,819,749	$(278,298)	14,541,451	Yes/No	None/Yr 1-4 YM	None
Meritex Portfolio - Gateway 161, Deer Valley, Jetstar	Thrivent Financial	Oct-28	Interest-Only	2.30%	41%	45,484,000	$(3,151,315)	42,332,685	Yes/No	None/Yr 1-4 YM	None
Platform Apartments	Fannie Mae	Aug-31	Interest-Only	SOFR+164	53%	47,300,000	$0	47,300,000	Yes/No	Yr 1-2 of Term/ Yr 1-2 5%, Yr 3-9 1%	None
Solero at Plantation	Prudential	Jan-26	Amortizing	3.98%	37%	70,414,457	$(1,151,870)	69,262,587	Yes/Yes	None/Greater of 1% or YM	None
Yale	Prudential	Oct-26	Interest-Only	SOFR+325	52%	23,706,198	$0	23,706,198	Yes/No	None/Yr 1-2%; Yr 2 1.25%; Yr 3 0.75%	Two - 1-year options
TOTAL						**$1,093,127,715**	**$ (33,893,923)**	**$1,059,233,792**			

Thank You

Callan

April 2024

Public Employee Retirement System of Idaho

Review – D.B. Fitzpatrick and the Idaho Commercial Mortgage Program

Jonathan Gould, CAIA
Senior Vice President

Sally Haskins
Senior Vice President, Co-Manager, Real Assets Consulting

Agenda

- Idaho Commercial Mortgage Program ("CMP") Review Process
- D.B. Fitzpatrick Organization ("DBF")
- Idaho CMP Program Overview
- Portfolio Review
- Conclusions & Recommendations
- Appendix

Callan

Idaho CMP Review Process

Idaho CMP Review Process

Callan conducted a review of D.B. Fitzpatrick and the Idaho Commercial Mortgage Program during the second quarter of 2024. The following is summary of Callan's review process:

- Collection and Review of Various Documents Including:
  - D.B. Fitzpatrick's response to Callan's investment due diligence questionnaire
  - 2023 Annual CMP Review and Watchlist
  - D.B. Fitzpatrick's Form ADV, 2023 financial statements, Commercial Mortgage Valuation Policy, Organizational Chart & Professional Biographies
  - Documents supporting the loan underwriting and monitoring process
  - Investment Advisory Agreement
- In-Person Meeting and Property Tours in Northern Idaho:
  - Coeur d'Alene, Post Falls and Lewiston
- Ongoing correspondence with D.B. Fitzpatrick Staff to review:
  - Organization & Team
  - Strategy & Process
  - Portfolio
  - Performance & Risks
  - Loan Documentation

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D.B. Fitzpatrick – Organizational Overview

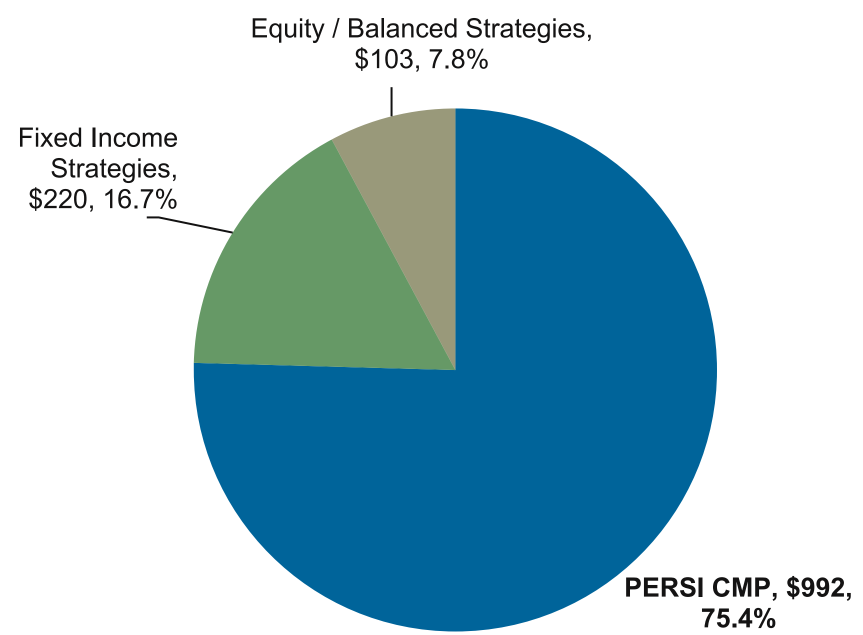
Organizational Overview – D.B. Fitzpatrick

D.B. Fitzpatrick is the Sole Manager and Administrator of the Idaho CMP

- DBF was founded by Dennis Fitzpatrick in 1984
  - Dennis Fitzpatrick retired from the Firm in 2019 and his son, Brandon Fitzpatrick, became CEO of the Firm.
  - Dennis Fitzpatrick continues to own a majority of the Firm, with Brandon Fitzpatrick owning the remainder.
- The CMP has a dedicated portfolio manager, Casey Macomb, who has been with the Firm for nine years.
  - Mr. Macomb also chairs DBF's Mortgage Investment Committee and overseas all loan monitoring and servicing.
  - Angelina Chantler serves as a key support person for the Account.
- DBF's Mortgage Investment Committee includes four individuals, and Brandon Fitzpatrick retains full veto rights over any loan under consideration.

Organizational Profile	
Founded	1984
# of Employees	10
Registrations	SEC: 1984 Idaho Department of Finance: 1985
AUM at 12/31/2023	$1.32 billion

DBF AUM By Strategy ($million)



Callan

Idaho CMP Program Overview

Idaho CMP Overview Separate Account Overview

Objectives & Parameters

- The Idaho CMP, which is managed and administered by Boise-based investment firm, D.B. Fitzpatrick, originates commercial real estate mortgages throughout Idaho.
- The bespoke program has a long track record and was incepted in 1988.
- Its objective is to generate rates of return that exceed the Bloomberg Mortgage-Backed Securities (MBS) Index Index over a complete market cycle.
- Mortgages are predominately focused on multifamily, industrial, office, retail, medical office and hotels, with modest exposure to other real estate property types, including self-storage and low income housing.
  - Loans made on bare land, single family residential or mobile home parks are not permitted.
- The CMP originates permanent whole loan fixed-rate financings, which predominately carry 10-year terms.
- Bridge and construction loans are not made, and floating-rate loans are rarely pursued.
- Returns are primarily generated from current coupon payments, as well as origination fees, rate lock fees, late fees, assumption fees, prepayment, etc.
- Loans are sourced through a network of mortgage brokers and via existing relationships. The program has a large number of repeat borrowers.
- Loans carry recourse and require full guarantees from the borrowers.
- The underwriting criteria is relatively static year over year.

Idaho CMP Overview

Objectives & Parameters

Idaho CMP Underwriting and Pricing	
Cap Rate Utilized	7.5% (6.75% for Office & Multifamily)
Maximum Loan-to-Value ("LTV") Ratio	75%
Minimum DSCR	1.2x
Loan Term	Typically 10 Years
Property Types	Multifamily, Industrial, Office, Retail, Medical Office & Hotels
Coupon Type	Almost Exclusively Fixed-Rate
Coupon Pricing	2% over 10-year U.S. Treasuries
Amortization	Generally 30-Year Amortization
Guarantees / Recourse	Full personal guarantees from borrower(s); DBF may require guarantees from additional guarantors if means of primary guarantor is deemed insufficient

Idaho CMP Overview

Underwriting and Approval Process & Procedures

- D.B. Fitzpatrick implements a thorough mortgage application process, with significant documentation requirements.

Documentation & Other Submission Requirements	
Loan Application	Lease Agreement(s) and Tenant Information
Rent Roll	Legal Description
Plans / Specs	Purchase Agreement (if applicable)
Location / Plat Maps	Credit Report
Financial Statements for Each Guarantor	Most Recent 3-years Tax Returns
Resume / Work History	Organizational Documents for Borrowing Entity
Historical Property Financials – P&L and Balance Sheet Statements	

- Additional documentation is required by DBF prior to the closing of each loan, including:

Additional Documentation Required	
Borrowing Authority	Property Condition Report
Phase I Environmental Site Assessment Report	MAI Appraisal
Insurance Coverage	ALTA Survey
Certificate of Occupancy	Zoning Letters
Title Insurance Policy	Legal Opinion from Borrower's Counsel
Estoppel Certificates and Subordination Agreements	

Idaho CMP Overview

Loan Servicing & Monitoring

- D.B. Fitzpatrick is responsible for monitoring each loan and reporting to PERSI on at least a quarterly basis.
  - DBF collects and reviews annual financials for both the underlying property and the loan's guarantor(s)
  - DBF also performs physical property reviews of each loan in the portfolio prior to closing, as well as on an annual basis

- Each loan in the Account is serviced by either D.B. Fitzpatrick or Principal Financial, though DBF will retain oversight of the monitoring of each loan post-closing.
  - Loan servicing is split approximately 50% / 50% between DBF and Principal Financial
  - Principal Financial services each loan under a Master Servicing Agreement between DBF and Principal, which details Principal's duties for servicing and custodial services, as well as fees to be paid to Principal

- DBF maintains a "watch list" for problem loans, which typically include loans with one or more of the following risk factors:
  - Real Estate Owned ("REO");
  - In default;
  - LTV in excess of 80%
  - DSCR below 1.05x;
  - Vacancy exceeding 15%; and/or
  - Balloon payment due within the next 6 months

Idaho CMP Portfolio Review

Idaho Commercial Mortgage Program - Portfolio Summary

Portfolio Overview as of March 31, 2024

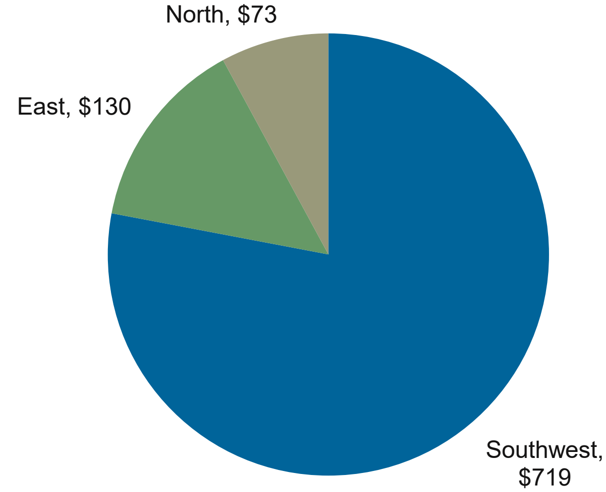
Idaho CMP Portfolio	
Number of Loans	270
Portfolio Book Value	$925.4 million
Portfolio Market Value	$831.6 million
Fixed / Floating Rate	270 / 0
Wtd. Average Life (Mat.)	6.20
Average Duration	4.82
Average Coupon	3.99%
Average Yield	4.42%

Cash & Other Assets	
GNMA	$9.9 million
FNMA	$149.8 million
Cash	$554.1k
Total Cash & Other Assets	$160.8 million
Total Portfolio Value	**$992.3 million**

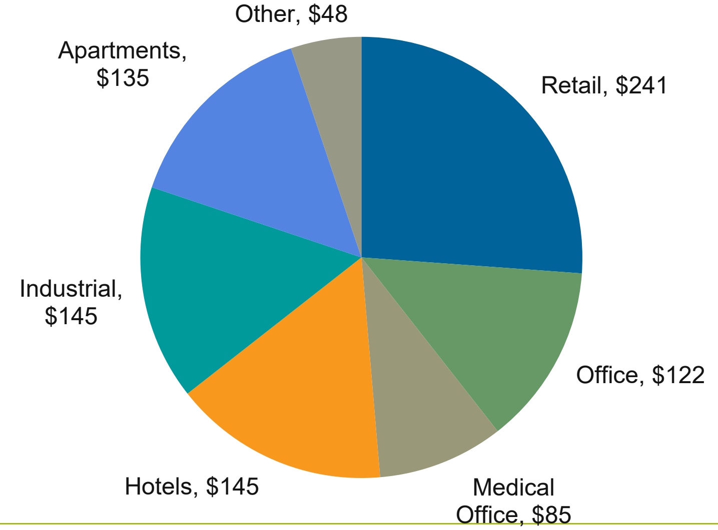
Borrower Concentration

Borrower	# Loans	Loan Balance ($mm)	% of Loan Book
Borrower 1	7	$63.2	5.8%
Borrower 2	16	$59.1	5.4%
Borrower 3	6	$29.9	2.8%
Borrower 4	9	$28.4	2.6%
Borrower 5	11	$28.1	2.6%

Regional Diversification



Regional Diversification

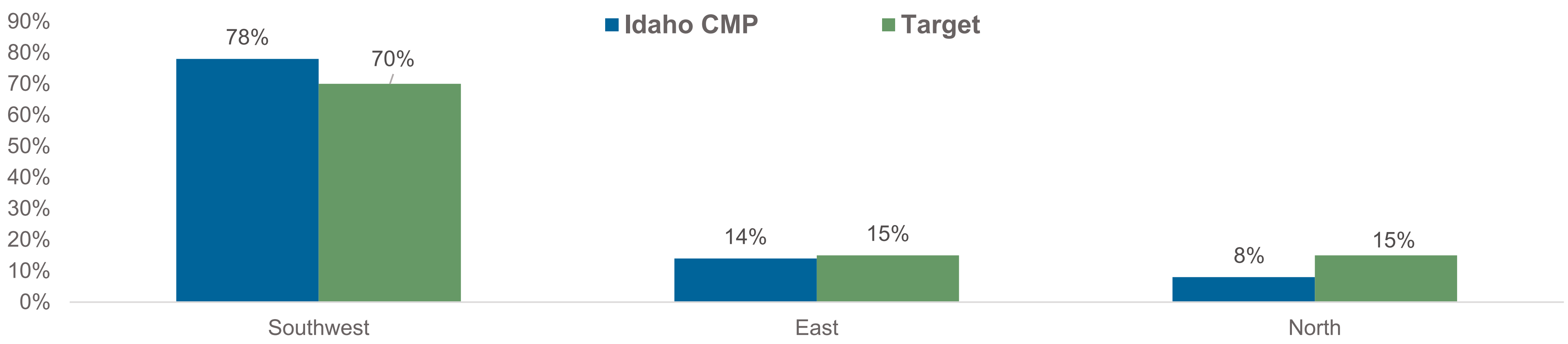


Idaho CMP Portfolio Diversification

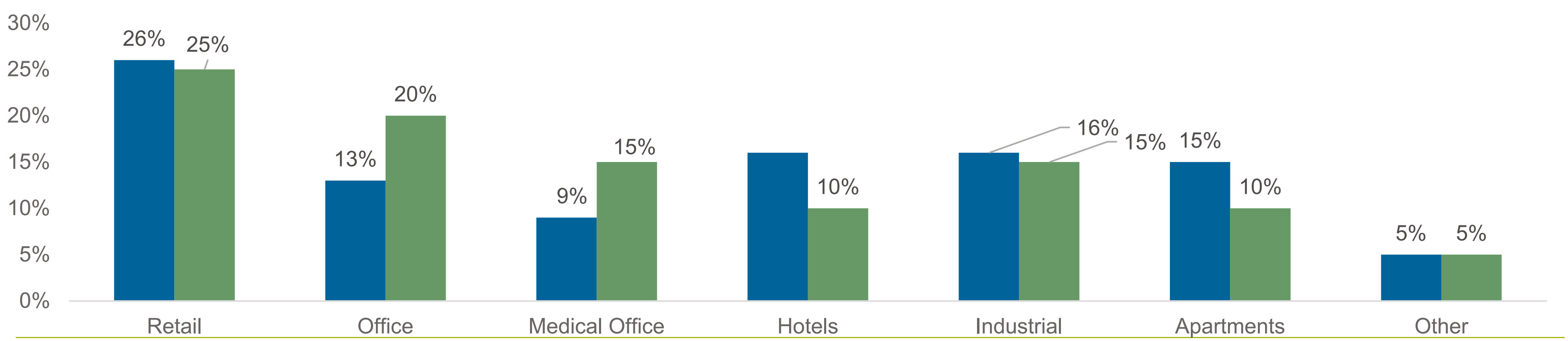
Diversification as of March 31, 2024

- The Idaho CMP portfolio has some variances from its target weightings but remains moderately-diversified.
- Exposure to hotel and retail should continue to be monitored.

Market Exposure, as of March 31, 2024



Property Type Exposure, as of March 31, 2024



Idaho CMP Account Performance

Competitive Returns Compared to MBS Benchmark

Idaho Commercial Mortgage Program Returns – as of March 31, 2024

	1Q2024	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years	Last 20 Years
Idaho CMP (Gross)	(0.21%)	2.48%	(0.58%)	2.06%	2.70	3.24%	4.63%
Idaho CMP (Net)	**(0.28%)**	**2.09%**	**(0.96%)**	**1.69%**	**2.44%**	**3.06%**	**4.54%**
Bloomberg MBS Index	(1.04%)	1.39%	(2.84%)	(0.39%)	0.45%	1.12%	2.83%
Net Excess Return	*0.76%*	*0.70%*	*1.88%*	*2.08%*	*1.99%*	*1.94%*	*1.71%*

- Relative to its benchmark, the Bloomberg Mortgage-Backed Securities Index, the Idaho CMP has exceeded its benchmark over all time periods on a net basis going back 20 years.
- DBF indicated that there have been no principal losses for any loans in the program's history, including REOs.
  - The CMP has experienced minimal defaults and delinquencies over the life of program, and only two loans have been Real Estate Owned (i.e. lender-owned property).
  - DBF indicated that the delinquency rate never exceeded 1.84% after the 2008 Global Financial Crisis and has been effectively 0.0% since 2016.
  - In 2024, one loan in the portfolio had a non-monetary delinquency, whereby the borrower did not pay the real estate taxes on the loan; however, DBF indicated the issue has since been resolved.

Idaho CMP Risk Profile

CMP Loans at Risk as of March 31, 2024

Risk Category	# of Loans	Book Value	% of Portfolio	Location(s)	Property Type(s)
DSCR < 1.05x	5	$9.8 million	1.05%	Eagle (2); Boise (3)	Office (3); Retail (2)
Vacancy > 15%	18	$70.9 million	7.66%	Boise (13); Eagle; Ponderay; Meridian; Rexburg; Lewiston	Office (6); Retail (7); Industrial (3); Medical Office; Other
LTV > 80%	9	$28.4 million	3.07%	Boise (5); Eagle (2); Coeur d'Alene; Meridian	Office (4); Retail (4); Medical Office
Balloon Payment w/in 6 Months	1	$728k	0.08%	Boise	Industrial
Tax Delinquency	1	$6.4 million	0.69%	Lewiston	Retail
Total*	***24****	***$86.8 million****			

Loans meeting one or more risk criteria.
* Excludes Duplicates

- No loans are currently delinquent or in REO.
- The loans at risk are concentrated in Office (9 loans, $27.5 million) and Retail (8 loans, $27.2mm).
- Of the 27 loans, only four loans meet two risk criteria ($14.2 million), while one loan ($1.8 million) meets three risk criteria and one loan ($1.7 million) meets all four risk criteria.
  - The one loan with a balloon payment due in the next six months does not meet any of the other risk criteria.

Conclusions and Recommendations

Conclusions and Recommendations

- The D.B. Fitzpatrick organization remains stable and heavily focused on the CMP
  - PERSI accounts for a substantial majority of DBF’s assets under management and revenue stream which should continue to motivate DBF to manage the program appropriately.
  - The Idaho CMP has a dedicated portfolio manager, and a substantial portion of DBF’s resources are dedicated to PERSI and the account.

- The CMP is well-diversified and has provided competitive relative performance
  - The portfolio contains 270 loans, with no loan comprising more than 3% of the loan book.
  - The loan portfolio is well-diversified by property type and, to a lesser extent, geographic region within Idaho.
  - While absolute performance has been muted, the Account has performed well relative to the Bloomberg Mortgage-Backed Securities Index over all time periods.
  - There are no REO loans, nor are any loans currently delinquent. A small percentage of loans in the account are currently being monitored based on established risk factors.
  - The CMP’s underwriting standards have held up over multiple market cycles. Further, the personal guarantee feature backing the loans has proven to be an effective risk mitigant and motivational tool to protect the CMP’s principal.

Conclusions and Recommendations

Risks & Considerations

- The CMP investment program requires specialized expertise to execute and manage. Callan is currently unaware of any other organizations that would be capable of taking over the program should D.B. Fitzpatrick be unable to manage the CMP. The portfolio's second servicer, Principal, could theoretically absorb the servicing responsibilities of the portfolio, but new loan activity, workouts and other functions would be challenged should DBF be unable to manage the CMP.
- PERSI accounts for a substantial majority of DBF's assets under management and revenue stream.
- While loans are made on stabilized, cash-flow positive commercial real estate, the loans are ultimately secured by personal guarantees of the borrowers, which can be difficult to underwrite and enforce. Further, certain headline risks may arise given the personal guarantees combined with the local nature of the lending program should the guarantees need to be enforced or in a foreclosure situation.
- Given the Firm's expertise and resources, DBF may not be able to manage assets in certain property types (i.e. assisted living) in the event of an REO or foreclosure situation. However, the Firm has an extensive network of partner that it can tap in this scenario.
- The portfolio has sizeable exposures to the office, retail and hotel sectors, which have and continue to face headwinds in the current economic climate.
- The Account is heavily concentrated in the southwest portion of the state in the greater Boise area. Further, the Account's loans in the north (Coeur d'Alene and Lewiston) are concentrated with just a few borrowers.

- Callan recommends PERSI continue the Idaho Commercial Mortgage Program with D.B. Fitzpatrick.

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DBFitzpatrick

Idaho Mortgage Program Review

Public Employee Retirement System of Idaho

PERSI

April

2024

DBFitzpatrick

DBF

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- BA Seattle Pacific University

Oksana Vitruk – Operations Assistant
- AA American River College

Tom Walker – CCO
- BA George Fox University
- JD Willamette University College of Law

- **DBF assets under management*: $1.32b**
  - Idaho Mortgage Program: $992m
  - Idaho Mortgage Program is designed solely for PERSI
  - Other strategies: $323m

- **We have focused resources on the development of the Idaho Mortgage Program**

**As of March 31, 2024*

DBFitzpatrick

Idaho Mortgage Program

- **Unique, specialized strategy**
  - Idaho-only
  - 270 loans; average loan size of $3.4m
  - Requires expertise in local market
  - We have built long-term relationships with borrowers, commercial brokers, finance brokers, and other market participants

- **DBF has discretion on loan fundings**
  - No pressure from PERSI regarding fundings
  - PERSI has deposited funds into the program during periods when loan fundings were high
  - Agency mortgage-backed security portfolio grows and contracts with commercial mortgage fundings
  - Borrowers have confidence that funds will be available for loans if criteria are met

- **Consistent and conservative underwriting standards result in countercyclical funding numbers**
  - Historically, fundings have increased when financial conditions tighten

Idaho Mortgage Program

- **Commercial mortgage portfolio contains no REOs (real estate owned assets) and has 0.0% delinquency rate**
  - No significant signs of strain with any of our loans
- **Lending environment is deeply constrained**
  - Banks and credit unions have decreased commercial real estate lending
- **The impact of higher interest rates on commercial real estate has yet to fully play out**
  - We expect further pressure on property prices during the next two years
- **Office sector is under pressure, though Idaho office properties have outperformed the national market**
- **Industrial vacancy is up and will likely rise further as new supply comes on-line**
- **Multifamily sector has softened, with rent growth stalling**

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Market Outlook

- **Investment activity in local commercial real estate market has been subdued as market adjusts to higher interest rates**
  - Lack of supply
  - Activity appears to have picked up slightly in recent weeks

- **Overall environment is strongly in our favor**
  - Investment activity is likely to eventually increase – with cap rates rising – as buyers and sellers accept new interest rate regime
  - The lending environment is unlikely to improve much in the near term
  - Many loans will mature within 1 – 3 years
  - Idaho's population continues to grow

- **We expect our loan production figures to rise in the near and medium term**
  - Our lending standards (cap rate assumptions, recourse requirement) are popular again

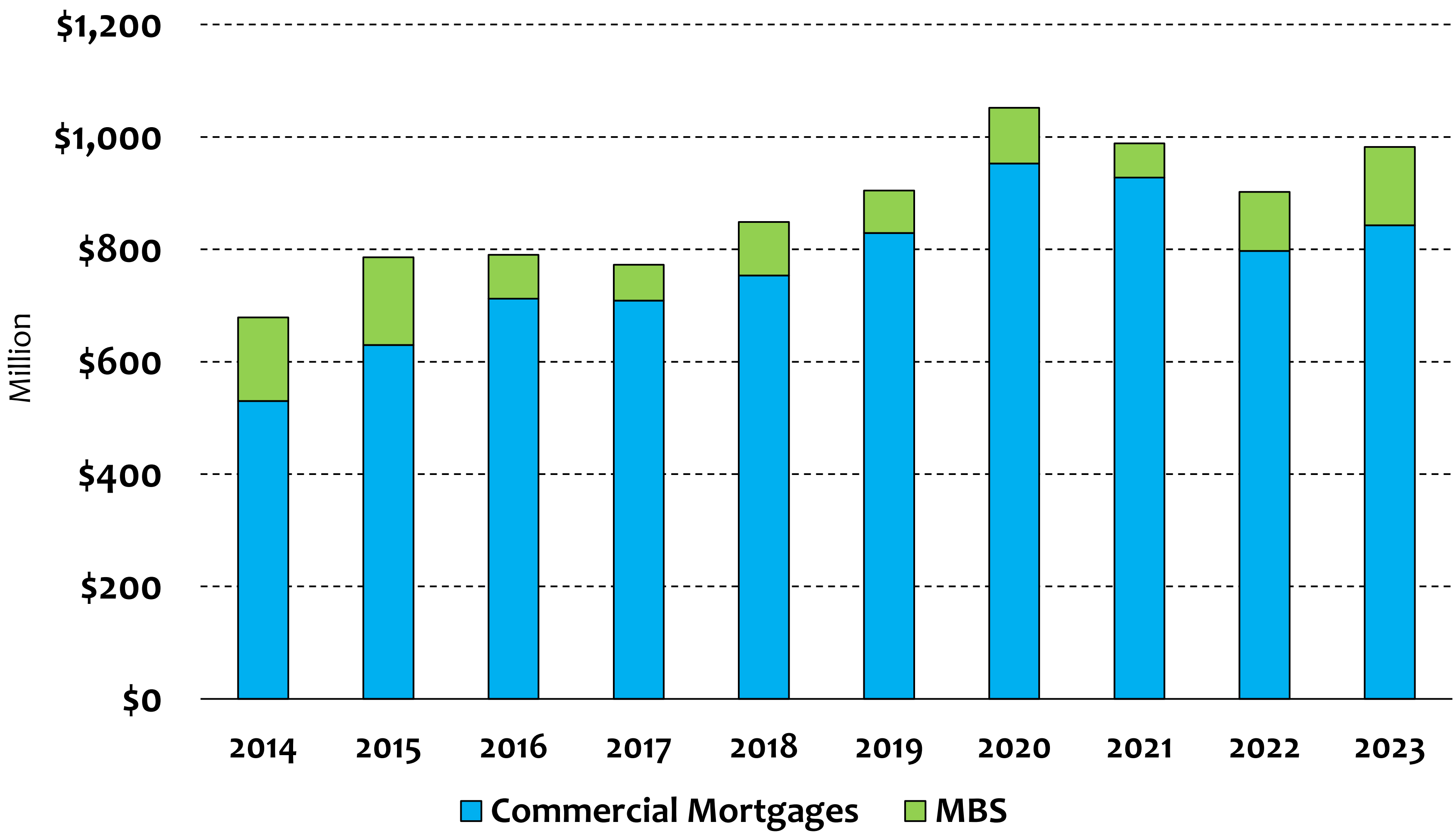
- **We like our positioning should commercial real estate weaken further**
  - We view both rising interest rates and a weaker commercial real estate market as positives for the portfolio

Commercial Mortgage Portfolio Attributes*

- **Debt Service Coverage Ratio: 2.6**
- **Average Vacancy Rate (excluding hotels): 8.3%**
- **Current Loan Balance vs Current Value (DBF value): 55.6%**
  - Current Value = NOI/DBF cap rate at funding
- **Personal Recourse**

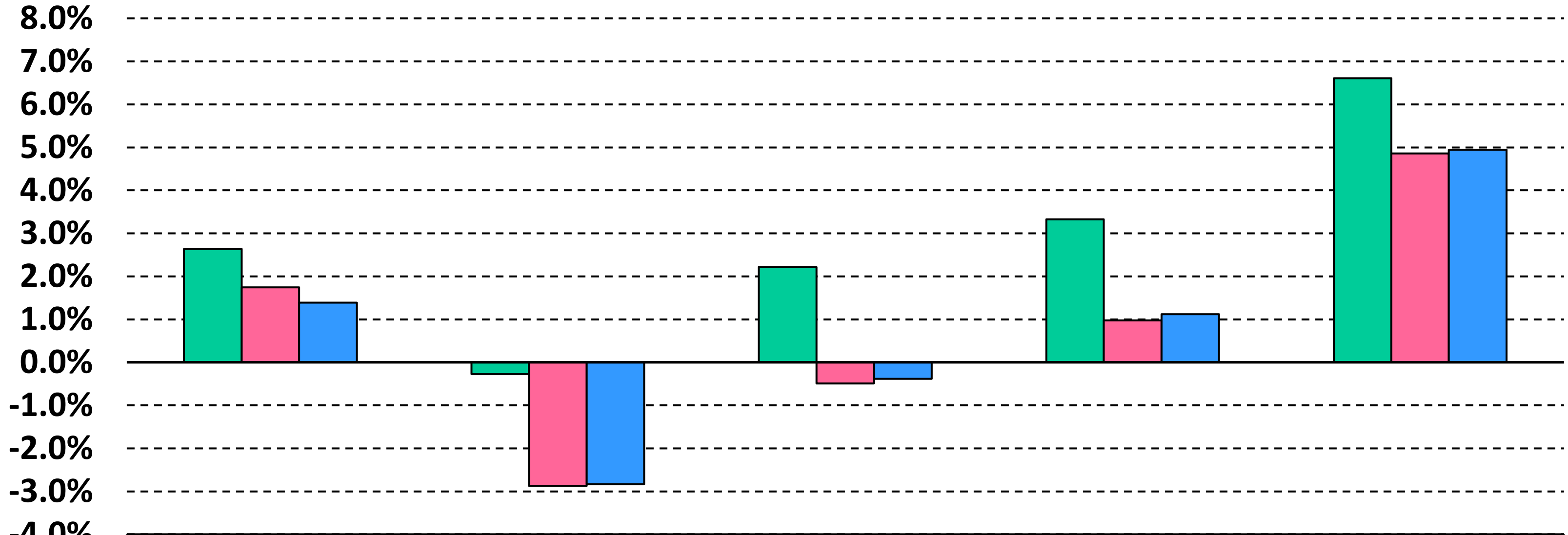
**Values based on property financials received as of December 31, 2023 (266/270 loans)*

Idaho Mortgage Program Growth



Through December 31, 2023

Sub-Portfolio Performance*



	1-Year	3-Year	5-Year	10-Year	Since Inception**
Commercial Mortgages (gross)	2.64%	-0.27%	2.22%	3.33%	6.61%
PERSI MBS (gross)	1.74%	-2.87%	-0.49%	0.97%	4.86%
Bloomberg U.S. MBS Index	1.39%	-2.84%	-0.39%	1.12%	4.94%

**As of March 31, 2024*
Commercial Mortgages: $831.6m
Agency MBS: $160.8m

***Inception: October 1989*

- Returns for periods longer than one year are annualized

Sources: Bloomberg, IDC

- ***Mortgage-Backed Security (MBS) portfolio is impacted by "cash drag" due to its link to commercial mortgage portfolio***
  - *Principal and interest payments and fee income from commercial mortgage portfolio are sent to MBS portfolio each month*
  - *MBS portfolio is source of commercial mortgage fundings and recipient of loan payoffs*
  - *These cash flows often represent a significant % of MBS portfolio*

- ***The "Idaho Mortgage Program" encompasses total portfolio of commercial mortgages and agency MBS***

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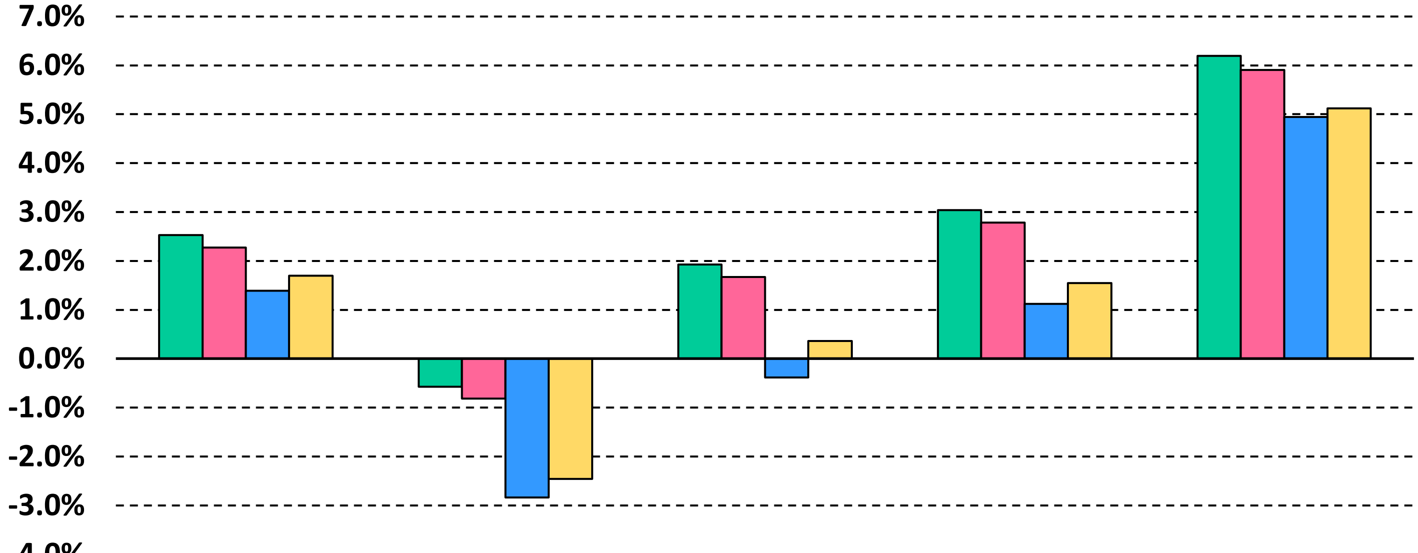
Idaho Mortgage Program Performance*



	1-Year	3-Year	5-Year	10-Year	Since Inception**
Commercial Mortgage and MBS Strategy (gross)	2.53%	-0.57%	1.92%	3.04%	6.20%
Commercial Mortgage and MBS Strategy (net of management fees)	2.28%	-0.82%	1.67%	2.78%	5.90%
Bloomberg U.S. MBS Index	1.39%	-2.84%	-0.39%	1.12%	4.94%
Bloomberg U.S. Aggregate Index	1.70%	-2.46%	0.36%	1.54%	5.12%

**As of March 31, 2024*
Commercial Mortgages: $831.6m
Agency MBS: $160.8m

***Inception: October 1989*

- Correlation (using annual returns of last 20 years):
S&P 500: -0.16
Bloomberg U.S. Aggregate Bond Index: 0.86

- Returns for periods longer than one year are annualized

Sources: Bloomberg, IDC

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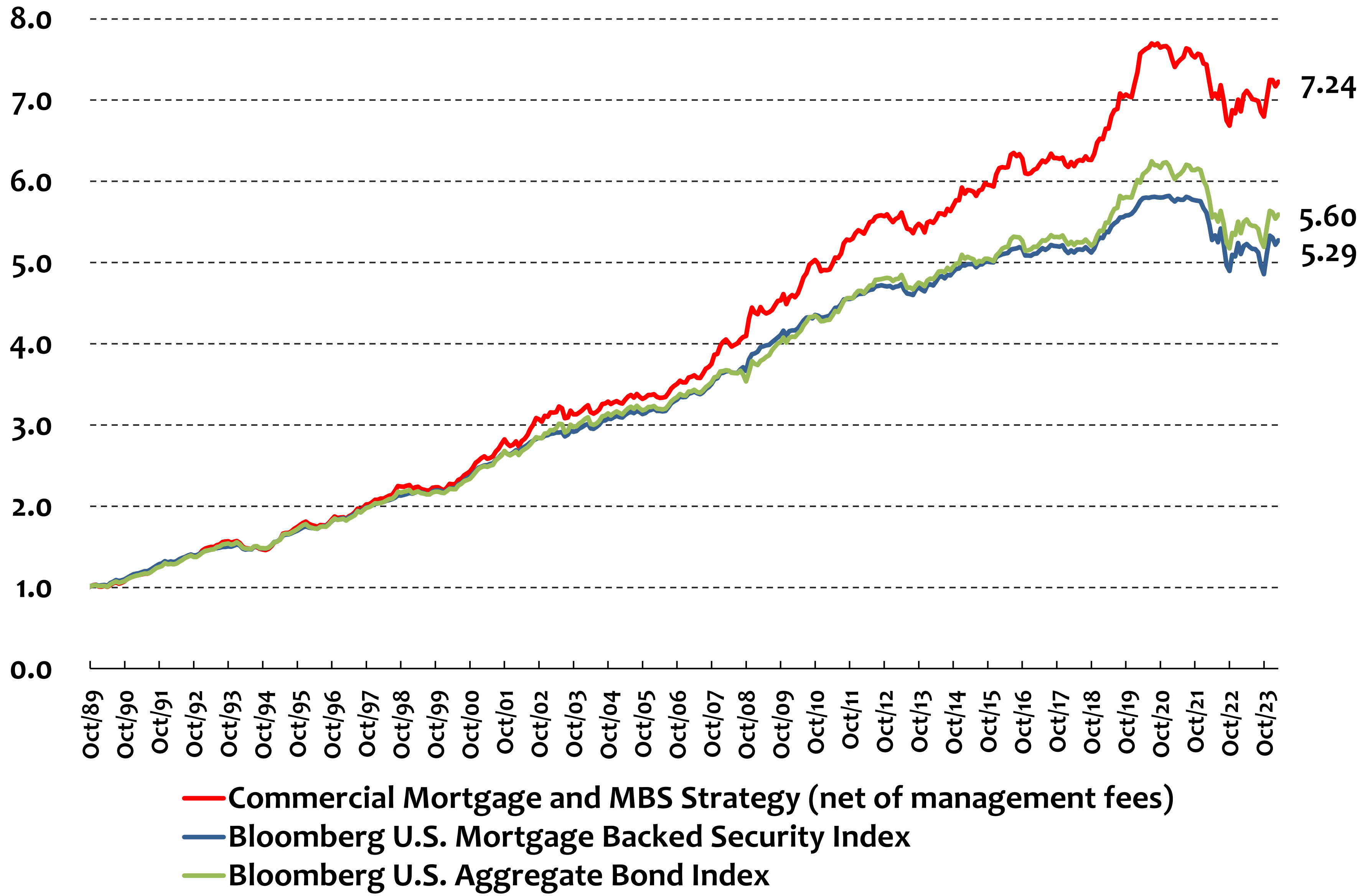
Portfolio Growth

Beginning Balance (October 1, 1989):	$151.2m
Contributions:	$162.9m
Withdrawals:	($234.8m)
Net Investment:	*$79.3m*
Investment Returns:	*$913.1m*
Ending Balance:	$992.4m

Through March 31, 2024

Growth of One Dollar Invested at Portfolio's Inception

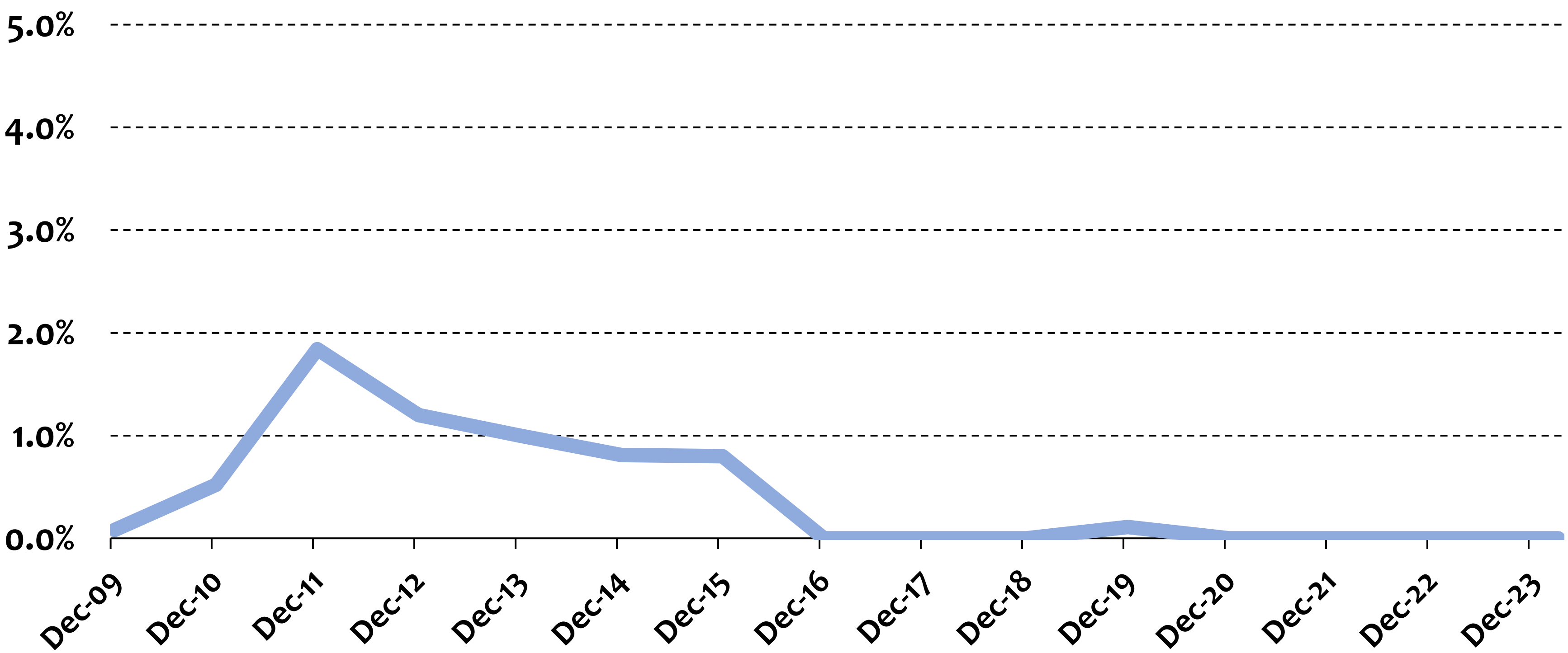


Through March 31, 2024

Sources: Bloomberg, IDC

Delinquencies & REOs

- ***The commercial mortgage portfolio has no REO (real estate owned) assets and a delinquency rate of 0.0%***
- ***No substantive delinquencies since 2015***
- ***No principal has ever been lost on a commercial mortgage loan in the program's history***



Through March 31, 2024

Mortgage Interest and Fees

	2018	2019	2020	2021	2022	2023	Average
Total Income	$31.9m	$36.0m	$37.9m	$36.9m	$35.9m	$35.5m	**$35.7m**
Interest Income	$31.0m	$34.9m	$34.8m	$35.1m	$34.6m	$35.3m	**$34.3m**
Fee Income	$0.8m	$1.1m	$3.0m	$1.8m	$1.3m	$0.3m	**$1.4m**

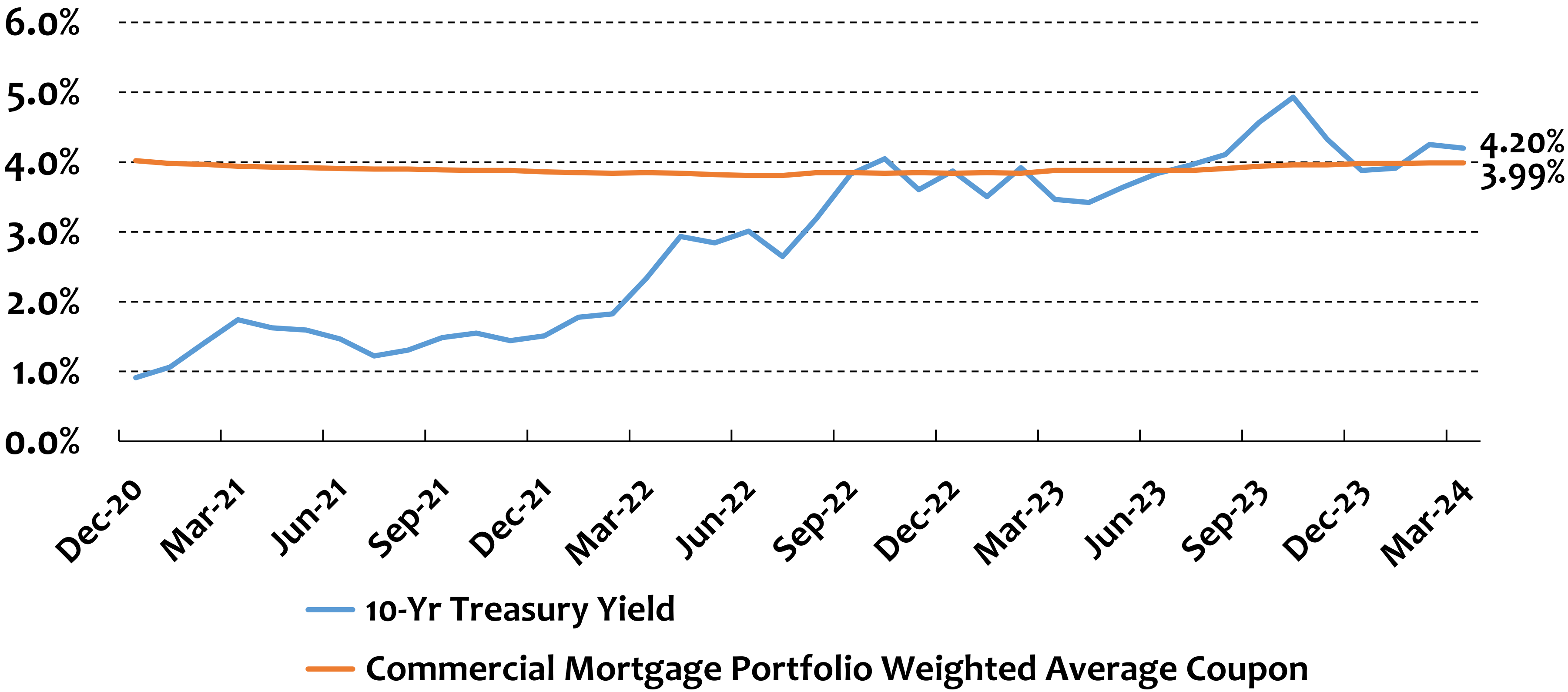
Fee Income as % of Total	2.7%	3.0%	8.0%	4.8%	3.6%	0.8%	**3.8%**

- **Prepayment Penalty Fees:**
  - Average $1.0m (range: $34k - $2.5m)
- **Forward Commitment Fees:**
  - Average $106k (range: $61k - $162k)
- **Late Fees:**
  - Average $400
- **Origination Fees:**
  - Average $249k (range: $134k - $448k)
- **Loan Assumption Fees:**
  - Average $26k (range: $0 - $57k)

Through December 31, 2023

Commercial Mortgage Portfolio Weighted Average Coupon vs. 10-Year Treasury Yield

Spread of coupon rate over Treasury yield compensates for lessened liquidity, prepayment risk, and credit risk



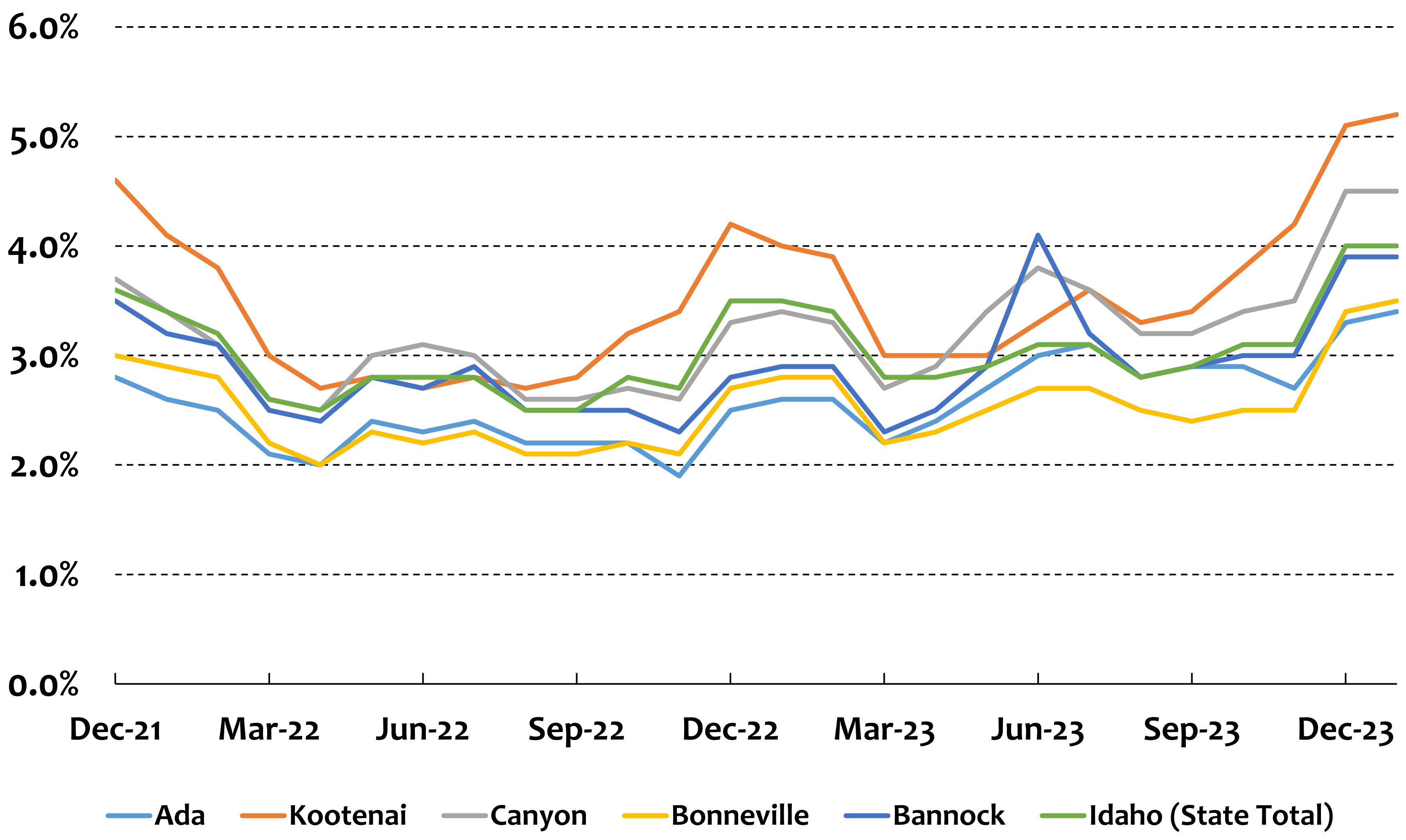
Weighted Average Coupon as of 3/31/2024

Bloomberg U.S. MBS Index: 3.12%

Bloomberg U.S. Aggregate Index: 3.20%

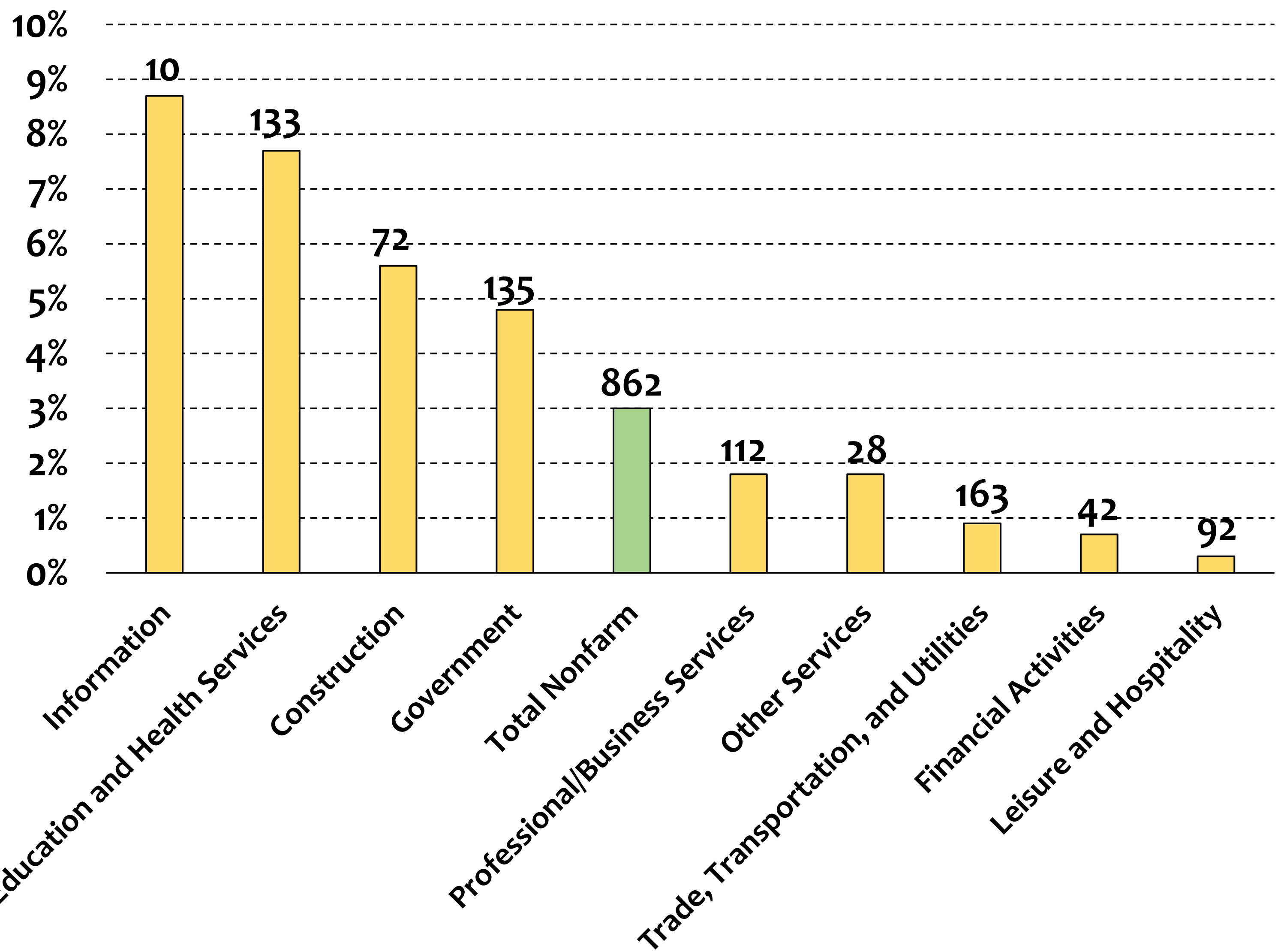
Source: Bloomberg

Idaho Unemployment Rate by County



Source: U.S. Bureau of Labor Statistics

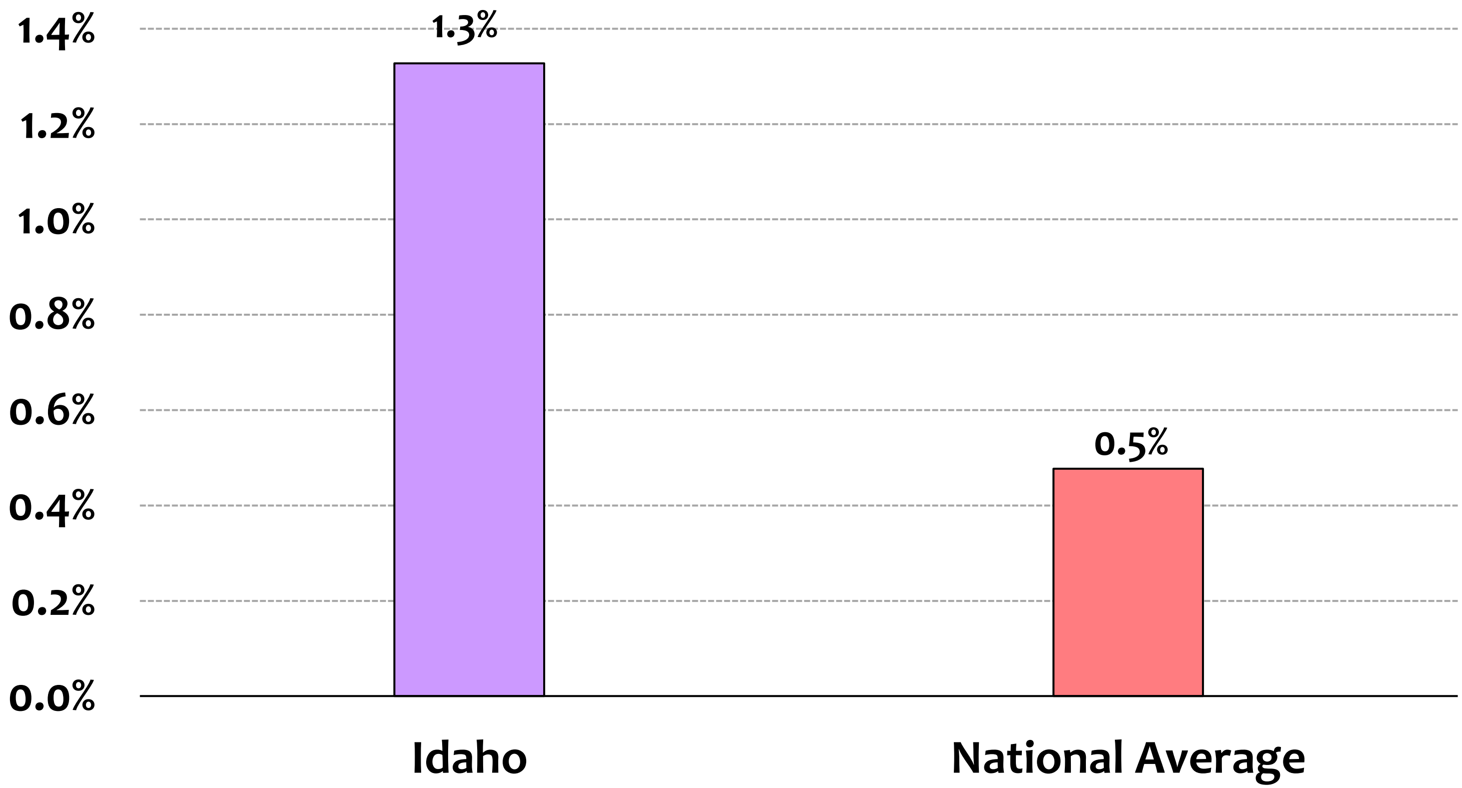
Idaho Job Growth By Sector in 2023*



**Top figure indicates number of jobs in sector at year-end (in thousands)*

Source: U.S. Bureau of Labor Statistics

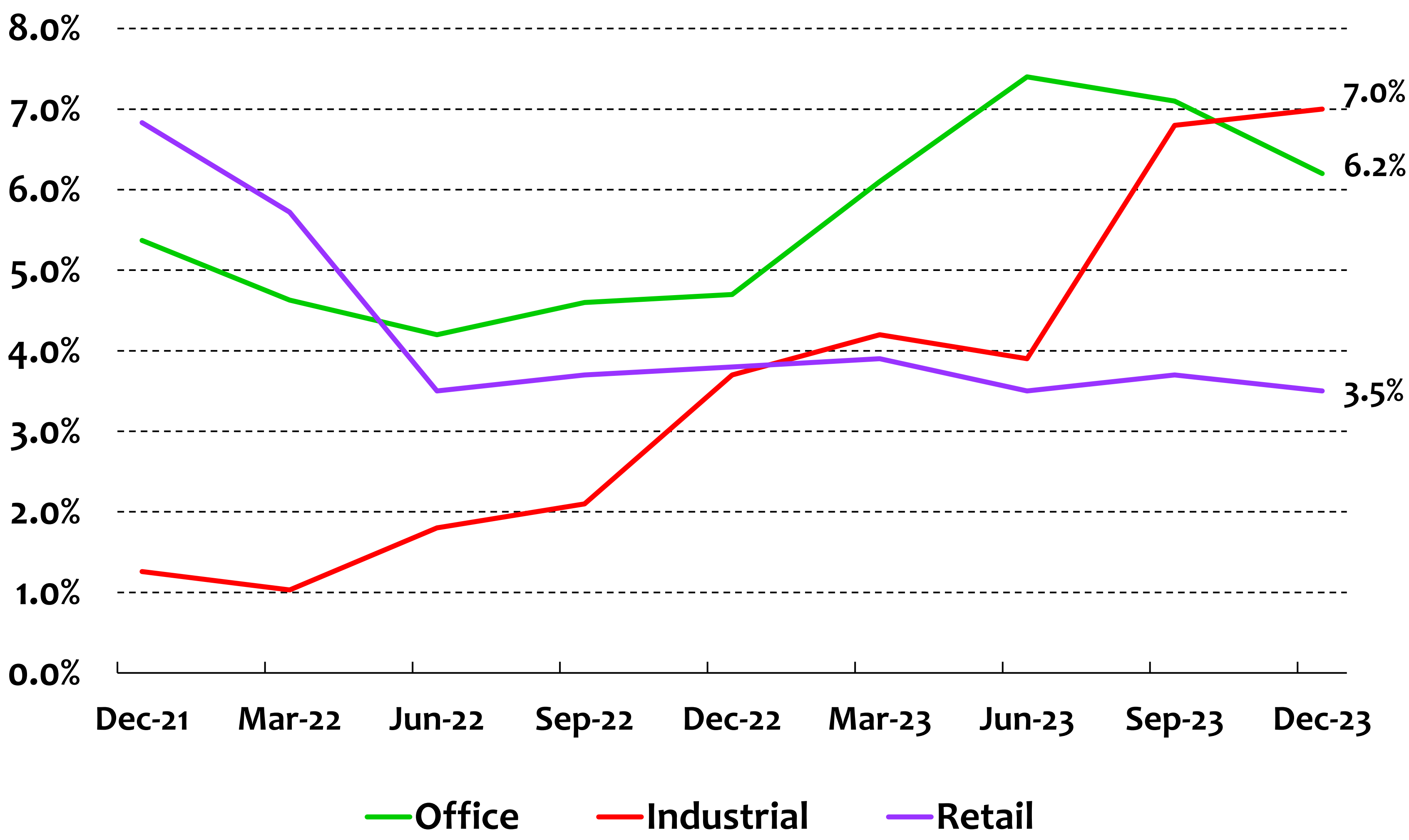
1-Year Population Growth*



Source: U.S. Census Bureau

Through July 31, 2023

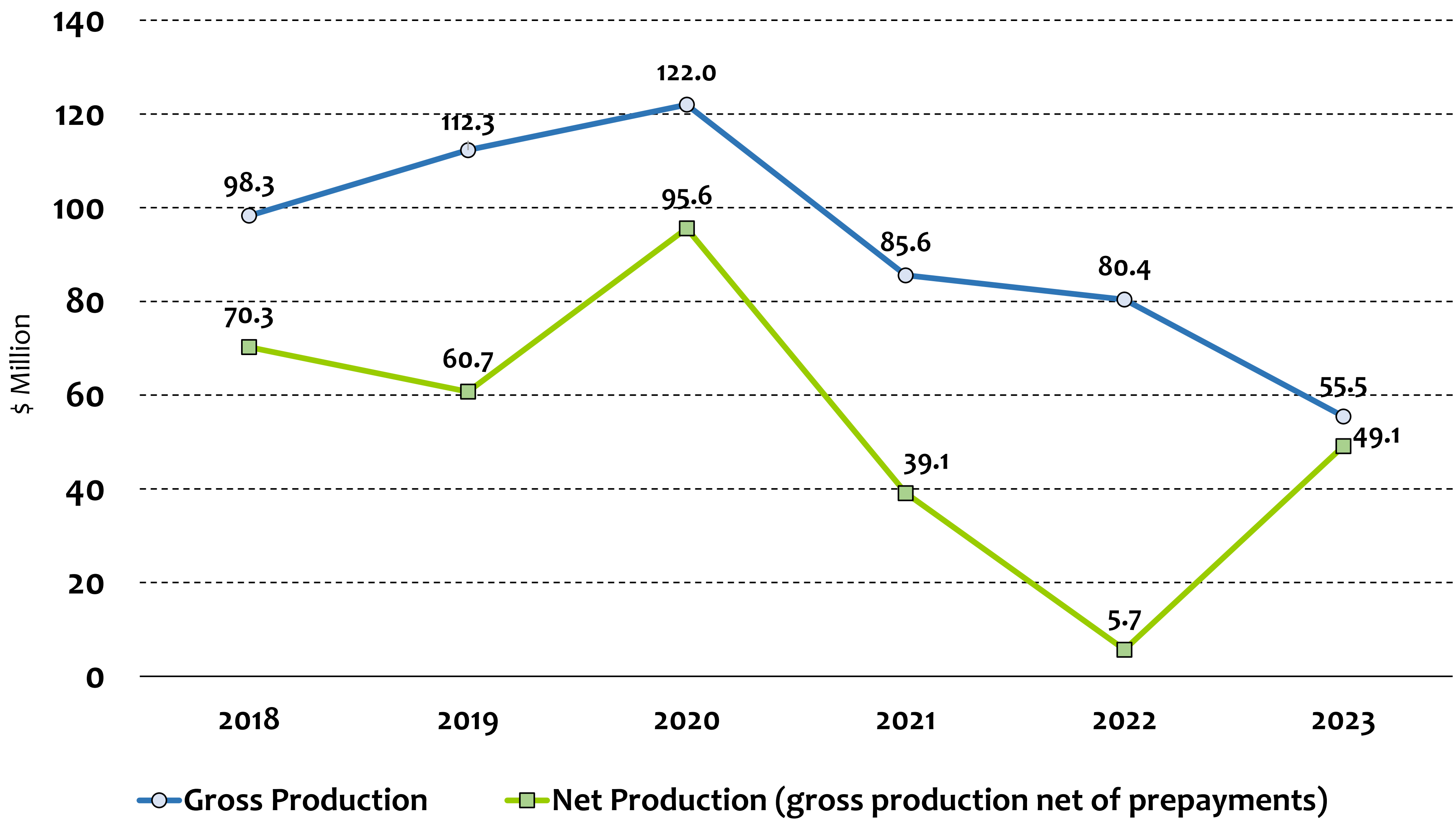
Boise Area Vacancy Rates



Through December 31, 2023

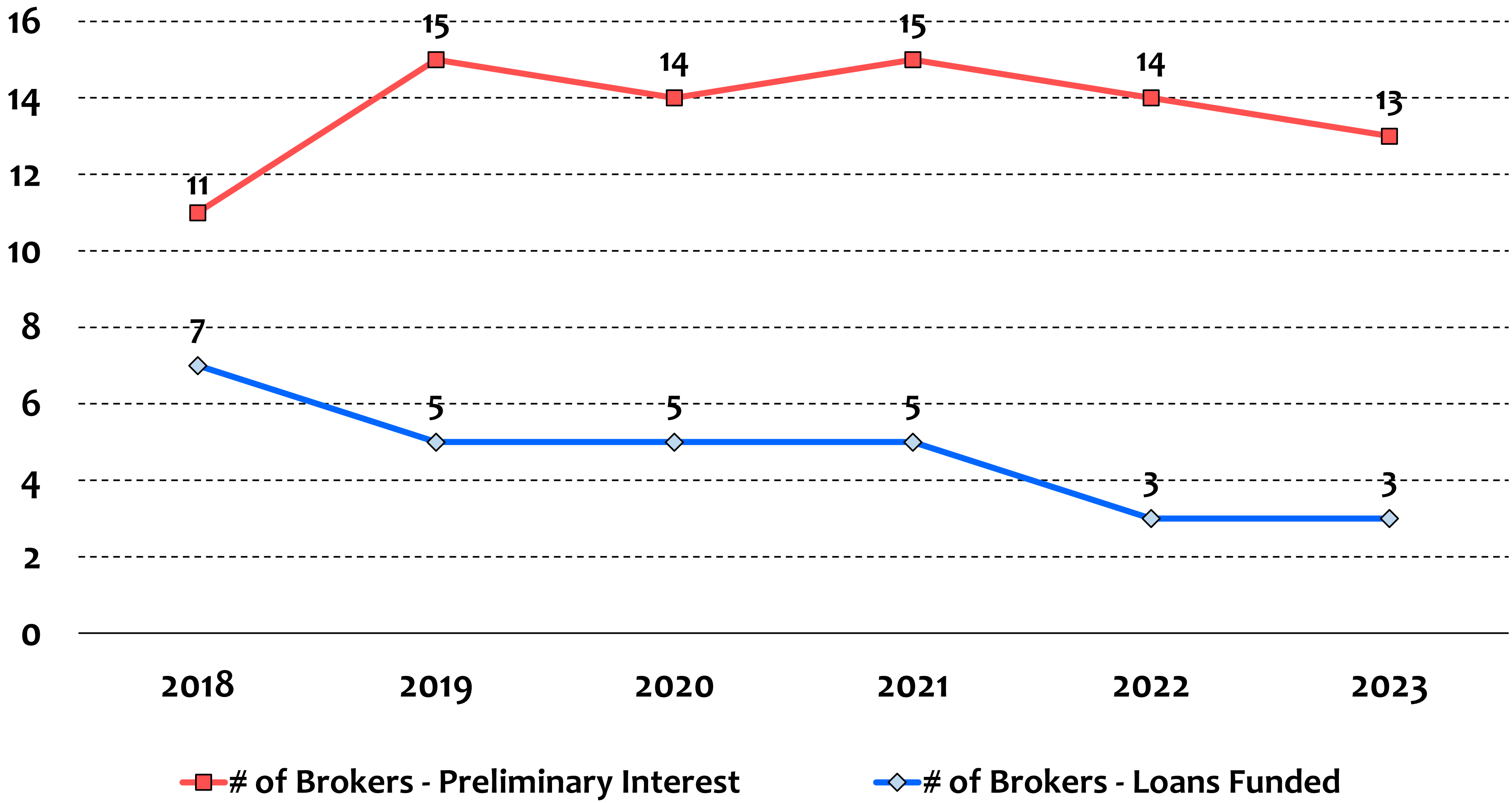
Source: Colliers

Commercial Mortgage Originations



Through December 31, 2023

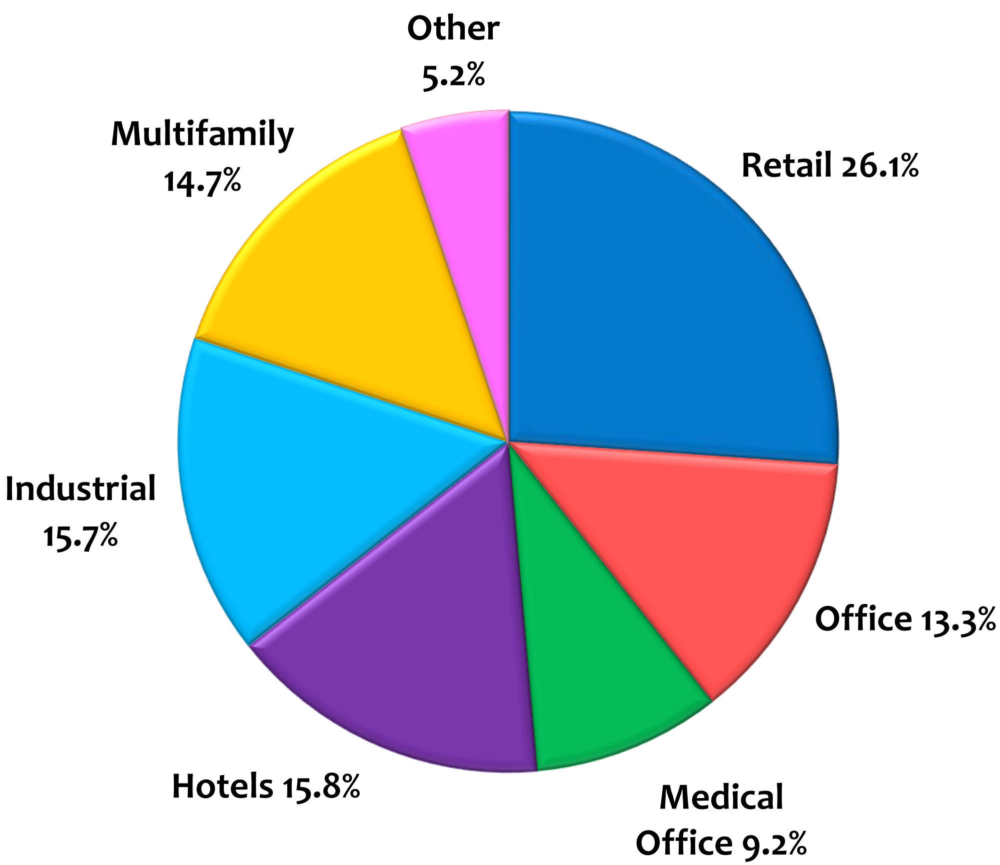
Brokers Utilized



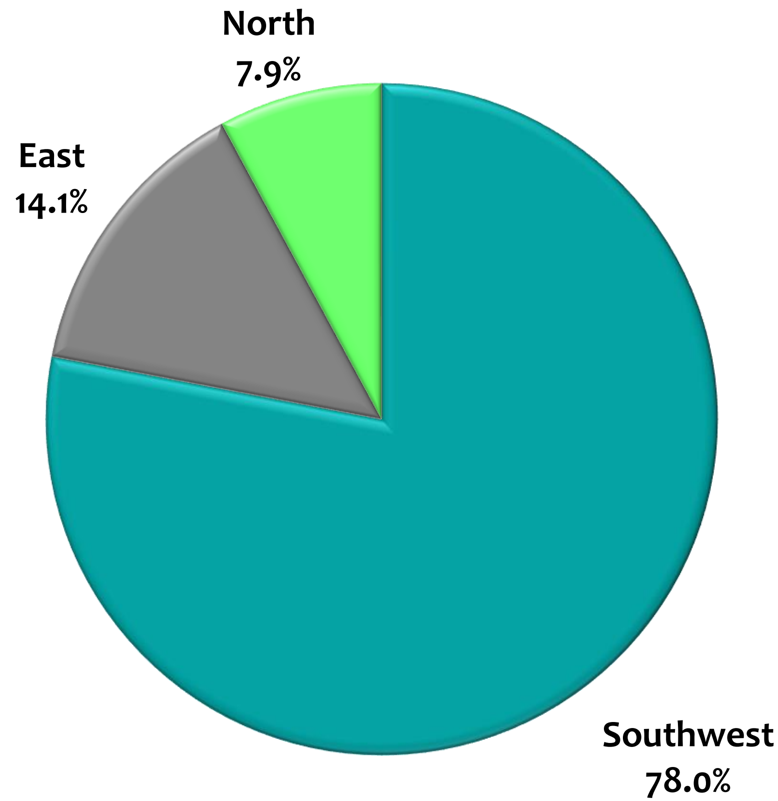
Through December 31, 2023

Commercial Mortgage Portfolio by Sector and Region*

Property Type



Region



Total Portfolio Value: $831.6m

Number of loans: 270 (all fixed rate)

**As of March 31, 2024*

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- The Bloomberg U.S. MBS Index contains exclusively agency mortgage-backed pass-through securities issued by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC). The Bloomberg U.S. Aggregate Bond Index is a broad-based benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency). Both Index returns are shown for comparison purposes only. The benchmark index returns include the reinvestment of income and dividends but do not include management fees and transaction costs. Volatility, number of issues, capitalization size, year-to-year return history, and other security attributes of the indices differ from the attributes of the DBF portfolios.

- Portfolio returns presented are through March 31, 2024, and are based on the "market value" of commercial mortgage loans in the composite. Because these are not liquid securities the firm utilizes a proprietary valuation process based on the U.S. Treasury yield curve to arrive at a hypothetical market value. Given the nature of these assets, the whole loan portfolio is valued using subjective unobservable inputs. Returns based on cost differ from returns based on market value.

- All account returns are net of transaction costs and reflect the reinvestment of dividends and other earnings. Gross returns do not reflect the deduction of the management fees or any other expenses that may be incurred in the management of the account. Net returns are net of management fees in effect for the respective time period.

- Future returns will depend on future allocation decisions. Past performance is no guarantee of future results. The investment return and principal value will fluctuate so that when redeemed, investments may be worth more or less than the original cost. Any investment, including DBF's portfolios, has the potential of generating losses as well as profits.

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