

## Self-directed Accounts and the PERSI Total Return Fund

This document includes important information concerning one investment option available for your PERSI Choice 401 (k) Plan account — the PERSI Total Return Fund. You may elect to allocate any portion of your PERSI Choice 401 (k) Plan account for investment in the PERSI Total Return Fund. The PERSI Total Return Fund is the default option under the PERSI Choice 401 (k) Plan, meaning that unless you direct your investments into other available fund options, they will automatically be invested in the PERSI Total Return Fund. This material includes information about the management of Total Return Fund assets and explains how the assets are valued for account purposes. Please read this information carefully before making investment choices, especially if you are considering leaving or reinvesting any portion of your PERSI Choice 401 (k) Plan account in the PERSI Total Return Fund.

The Public Employee Retirement System of Idaho (PERSI) administers several public trust funds, including the Public Employee Retirement Fund, the Firemen's Retirement Fund, the Judges' Retirement Fund, and the PERSI Choice 401 (k) Plan, which includes a gain sharing account and a 401 (k) account. PERSI had approximately \$18.3 billion under management as of June 30, 2019, the end of PERSI's fiscal year.

PERSI's basic mission as stated in its Investment Policy is "to provide funds to meet the obligations of PERSI while incurring the appropriate amount of risk consistent with attaining that goal." PERSI's "obligations" are the benefits accrued by the Participants in the system. The system covers all state employees, all public teachers and school district employees, and those local public employees whose employers (cities, counties, municipalities, etc.) have decided to join the system.

A Retirement Board comprised of five members appointed by the Governor and confirmed by the legislature to serve staggered 5-year terms governs PERSI. Three are business people not in public employment, and two are active public employees with at least 10 years of service in the system. The Board usually meets once a month, and considers both benefit and investment matters at each meeting. PERSI's Chief Investment Officer reports to the board monthly and informally between board meetings. Brief profiles of the members of the Retirement Board and investment staff are provided in Appendix C hereto. The composition of the Retirement Board and investment staff may change from time to time. Such changes, as well as any material changes in the biographical information relating to such persons, will be reflected in PERSI's Annual Financial Report and on PERSI's website.

With a few minor exceptions, all of PERSI's investment activities are accomplished through outside managers. The Board is responsible for investment policy and structure, portfolio strategy, asset allocation, strategic policies, the hiring of managers and other agents or consultants to carry out those policies and strategies, and the monitoring of the managers, consultants and other agents. The Board delegates various duties to the Chief Investment Officer and PERSI staff. In the event there is a material change in the policies, structure or strategy of the Board with respect to these matters, such changes will be reflected in an update of this document on PERSI's website. A *Statement of Investment Policy*, which is reproduced in the Investment Section of the Annual Report and available on the PERSI website at [www.persi.idaho.gov](http://www.persi.idaho.gov) or in hardcopy upon request, governs PERSI.

### Active and Passive Investment Management

As a result of many considerations, PERSI uses both active and passive asset management, leaning toward the use of passive management for the core, more efficient markets (i.e., U.S. equity market, and the general U.S. government and corporate bond market). PERSI tends to use more active management in the less efficient markets where there is a greater potential for added return or short-term risk reduction, and where indices or index funds have some deficiencies (i.e., small cap stocks, international equities, emerging markets, and global stock and bond management). In addition, PERSI tends to use active managers with broad, rather than specialized benchmarks (such as EAFE for international managers, the Bloomberg Barclays US Aggregate Bond Index for active bond managers, and the Russell 2500 for smaller cap managers).

### Criteria for Hiring and Terminating Managers

PERSI evaluates potential investment managers based on the managers' expertise, fees and firm characteristics, and how the potential managers complement the relevant attributes of the other investment managers. PERSI leans toward giving managers broad mandates rather than requiring managers to conform to narrow mandates.

Guidelines for investment managers that set the range of characteristics of a normal or expected portfolio are established in advance. Although a manager is granted certain latitude for exceeding such characteristics, PERSI will request explanations when the portfolio significantly wanders outside of its expected range.

PERSI expects that a manager will manage the portfolio in the expected manner and with the capabilities and expertise as when originally hired. External consultants monitor the investment activity. The result of this monitoring activity is reported to the Board. Both the investment managers and external consultants are monitored and subject to formal review and/or replacement if PERSI believes it is to the overall benefit of PERSI. Any changes or replacements will be updated in the Annual Financial Report available on the PERSI website.

### **PERSI Total Return Fund (TRF)**

The PERSI Total Return Fund is comprised of all the investments included in the Public Employee Retirement System Defined Benefit Fund. Participant investments in the PERSI Total Return Fund are made at the affirmative election of the participant, or by operation of the default provision because no effective investment decision has been made. Investment in the PERSI Total Return Fund is denominated in units. Accordingly, any allocation of a PERSI Choice 401 (k) Plan account to the PERSI Total Return Fund results in the PERSI Choice 401 (k) Plan account acquiring the number of units of the PERSI Total Return Fund determined by dividing the then applicable price of the PERSI Total Return Fund unit into the amount of the allocation. The procedures applicable to the allocation of PERSI Choice 401 (k) Plan account funds into and out of the PERSI Total Return Fund are described in other documents.

The daily unit value of the PERSI Total Return Fund is determined by the Bank of New York Mellon ("BNY Mellon") pursuant to a Global Custody Agreement in effect between BNY Mellon and PERSI. The daily unit value is determined by recalculating the net asset value (NAV) of all components of the PERSI Total Return Fund after each business day. If a new NAV cannot be determined using standard procedures, the most recent available price will be used. Some of the assets in the PERSI Total Return Fund are not revalued on a daily basis because the change in their value is generally determined on a periodic basis using industry-accepted standards such as, for example, real estate appraisals. These include private real estate holding and private equity investments. Because these types of holdings represent a small portion of the PERSI Total Return Fund, the value of these assets are included in the daily unit value based on the latest available valuation, usually performed quarterly. More detailed information regarding PERSI's real estate and private equity holdings is available in PERSI's latest Annual Financial Report.

Although BNY Mellon is responsible for determining the value of a unit, it is not responsible for a misstatement of the value of a unit if the misstatement occurs as a result of (1) utilization of a price provided by PERSI or an investment manager, (2) a breakdown in customary price feeds due to causes beyond BNY Mellon's reasonable control, (3) certain errors in a price provided to BNY Mellon, and (4) other causes beyond BNY Mellon's reasonable control. If there is a material misstatement of the price of a unit of the PERSI Total Return Fund, BNY Mellon will restate the unit price and appropriate adjustments shall be made to participant accounts.

Information concerning the investment classes and the identity of investment managers utilized by PERSI is provided in Appendix A hereto. Please be aware that while the information provided in Appendix A is current as of the date of this document, PERSI reserves the right to terminate existing investment managers and consultants, appoint new investment managers and consultants, and change the allocations among managers. Information on investment managers and consultants will be updated in the Annual Financial Report available on PERSI's website at [www.persi.idaho.gov](http://www.persi.idaho.gov).

Information concerning the allocation of assets by type of manager is provided on Appendix B hereto. Please be aware, while such information is correct as of the date of this document, PERSI may adjust such allocation, as it deems appropriate. Allocation updates also will be provided in the next subsequent Annual Report and on PERSI's website.

| Appendix A |

Effective as of December 2019  
**PERSI MANAGERS by Asset Type**

**U.S. Eq.**

**Large/All Cap**  
 Mellon S&P 500  
 Peregrine  
**Small Cap**  
 Mellon Midcap  
 Mellon R2000  
 Donald Smith  
 Mtn. Pacific

**Global Eq.**

Bernstein  
 BLS  
 Brandes  
 Fiera  
 Longview  
 Walter Scott

**Other Eq.**

**Real Estate**  
 Adelante  
 (REITs)  
 AEW  
 Prudential  
 Mellon REIT  
**Private Equity**  
 Individual  
 Limited  
 Partnerships

**International Eq.**

**Developed**  
 Mellon EAFE  
 Mondrian  
**Emerging Markets**  
 Mellon EM  
 Bernstein  
 Genesis

**Fixed Income**

**Passive**  
 SSgA Gov/Credit  
**Core**  
 IR+M (G/C)  
 Clearwater (Agg)  
 Western (Agg)  
**Mortgages**  
 DBF ID Mtgs  
 DBF MBS  
**TIPS**  
 SSgA

| Appendix B |

Strategic target allocations are as follows:

Asset Class	Strategic Normal	Strategic Ranges
U.S. Equity	55%	50% - 65%
International Equity	15%	10% - 20%
Total Equities	70%	66% - 77%
Fixed Income	30%	23% - 33%
Cash	0%	0% - 5%

More detailed information concerning allocations and managers is available on [PERSI's website.](#)

**HISTORICAL RETURNS BY FISCAL YEAR**



## Retirement Board and Key Investment Staff Profile

PERSI's Retirement Board consists of five members appointed by the Governor to fulfill 5-year terms. Two members of the Board must be active members of the system with at least 10 years of service. The other three members are selected from the private sector. Current Board members:

**Jeff Cilek:** Vice President of External/Governmental Relations, St. Luke's Health System

Chairman – Appointed: July 1, 2017

Trustee – Appointed: July 1, 2005

Term Expires: July 1, 2020

Mr. Cilek has been active in the Boise community for many years, serving on the Federal Lands Task Force Working Group and the Board of Directors for the Downtown Boise Association, the Boise Metro Chamber of Commerce, Earth Share, and Idaho Make-A-Wish Foundation. He also served on the Board of Advisors for the National Fish and Wildlife Foundation and the Governor's Task Force for the Environment. Before joining St. Luke's, Mr. Cilek was a vice president with the Peregrine Fund. He holds a bachelor's degree in finance from the University of Iowa.

**Celia R. Gould:** Director, Department of Agriculture

Appointed: January 1, 2015

Term Expires: July 1, 2023

Ms. Gould was appointed Director of the Idaho State Department of Agriculture by Governor C.L. "Butch" Otter and assumed her post on January 2, 2007. In addition to serving as the ISDA Director, Celia is an owner/operator of a third generation farming and ranching operation in southern Idaho. Celia served sixteen years as a state legislator representing the western half of Twin Falls County. During her tenure in the Idaho Legislature, Celia served on the Agricultural Affairs, Education, and Revenue and Taxation committees, in addition to serving as the Chairman of the Judiciary, Rules and Administration Committee.

**Joy Fisher:** Executive Director, University of Idaho Foundation

Appointed: July 1, 2009

Term Expires: July 1, 2019

Ms. Fisher currently serves on the Boards of Directors for the Friends of Idaho Public Television, and the University of Idaho Arboretum Associates. She also served on the Board for the Idaho Youth Ranch Foundation and Idaho Repertory Theatre. During her career she has been instrumental in managing endowment assets for the support of the University of Idaho and Idaho Public Television. She holds a bachelor's degrees in accounting and finance from the University of Idaho, and an MBA from Washington State University.

**Park Price:** Chairman of the Board of Directors of Bank of Idaho

Appointed: July 1, 2017

Term Expires: July 1, 2022

Mr. Price is currently Chairman of the Board of Directors of Bank of Idaho, an independent community bank. He holds a Bachelor's Degree in economics from Dartmouth College. His training at Dartmouth and his experience as the owner of Park Price Motor Company in Pocatello for 24 years instilled in him a passion for education and economic development. He willingly accepts invitations to join organizations that affect the economy or advance economic development. He is serving his second appointment with the Federal Reserve Bank of San Francisco. Between those stints, he was a director of the Federal Home Loan Bank of Seattle, an important source of funds for banks providing mortgages for homeowners and small businesses. Closer to home, he has been the chair of the Idaho Association of Commerce and Industry and is now the Chair of REDI, the regional economic development organization for Eastern Idaho.

**Darin DeAngeli:**

Appointed: May 1, 2019

Term Expires: July 1, 2021

Mr. DeAngeli has been an attorney and a certified public accountant for over 25 years. He has focused on all aspects of estate and wealth planning, charitable giving, charitable organizations, and business succession planning. He has served on multiple boards and committees and has volunteered for many nonprofits in the Treasure Valley including multiple boards at St. Luke's, Boise Public Schools Education Foundation, Children's Home Society of Idaho, Bronco Athletic Association, Friends of Zoo Boise and Women's and Children's Alliance.

**Chief Investment Officer:** Robert M. Maynard

Before joining PERSI in 1992, Mr. Maynard spent 16 years working as the Deputy Executive Director for the Alaska Permanent Fund and as an Assistant Attorney General for the State of Alaska. Recognized nationally and internationally for his investment expertise, Mr. Maynard frequently lectures on investment topics at conferences and institutions, and has conducted classes on Finance and Investment at the University of Alaska, Juneau, Boise State University, and the Institute for Fiduciary Education. Mr. Maynard also serves on a number of community boards and investment committees.

**Investment Officer:** Richelle A. Sugiyama

Richelle joined PERSI as the Investment Officer in 2001. In addition to her duties at PERSI, she currently serves as Vice Chair for the State of Idaho Endowment Fund Investment Board (EFIB), a member of the Institute of Electrical and Electronics Engineers (IEEE) Investment Committee, a member of the State of Idaho Treasurer's Investment Advisory Board, a member of the Idaho State Board of Education Retirement Plan Committee, a member of the Boise State University (BSU) Foundation and the BSU Bronco Athletic Association Endowment Committee, and represents PERSI on advisory boards.