



Statement of Investment Policy
for the
Defined Benefit Plan

Adopted November 2019

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I. Introduction

The Retirement Board (“Board”) of the Public Employee Retirement System of Idaho (“PERSI”, “System”) hereby establishes its Statement of Investment Policy for the investment of the trust funds (“Trust”, “Fund”, “Plan”) in accord with Idaho Code Chapter 13, Title 59.

The Board will review this Investment Policy Statement following actuarial experience studies (that review the economic and market return assumptions for the Fund), which occur at least once every four (4) years, and/or whenever any material change in investment circumstances arise.

II. Statutory Requirements

The investment of the Trust will be in accord with all applicable laws of the state of Idaho.

A. Sole Interest of Beneficiaries

Investments will be solely in the interest of the members and their beneficiaries and for the exclusive purpose of providing benefits to the members and their beneficiaries and defraying reasonable expenses of administration.

B. Prudent Investments

Investments will be made with the judgment and care under the circumstances then prevailing, which people of prudence, discretion and intelligence exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable outcome as well as the probable safety of their capital. Investments will be diversified so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly prudent not to do so.

C. Fiduciary Duties

The Board and its agents, including staff, consultants, and investment managers, will discharge their duties with respect to the Trust assets solely in the interest of the members and their beneficiaries, and with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

III. Investment Goals

A. General Objective

1. Purpose

The purpose of the investment of Trust assets is to provide funds to meet the obligations of PERSI while incurring the appropriate amount of risk consistent with attaining that goal. The Board will invest the assets of the Trust and will reduce risk through diversification of the assets of the Trust.

2. Considerations

In determining the investment returns needed by the System, the acceptable risk levels, and the allowable investments, the Board will consider:

- * the purpose of the plan,
- * the projected return of the portfolio as it relates to the funding objectives of the plan,
- * the effect of particular investments on the total portfolio,
- * the diversification of the portfolio, and
- * the liquidity needs and the current return relative to the anticipated cash flow requirements.

B. Specific PERSI return and risk objectives

1. Investment Returns

(a) Actuarial Assumptions

In projecting obligations and the returns needed to meet those obligations, the Board will consider studies performed by the System's actuaries.

The expected rate of return will consist of an expected real return and an expected inflation assumption, and will consider relevant factors, including the expected growth of the benefits over the life of the plan including assumptions for salary growth rates (and mortality), inflation, a 1% annual cost of living adjustment (COLA) and the costs of managing the Trust.

The actuary uses an investment return assumption in balancing projected obligations, projected contributions, and projected returns on assets. Assuming all of the actuarial assumptions are accurate, the required return will suffice to: (1) assure the payment of statutorily required benefits, including a 1% COLA; and (2) maintain the reduction of the level of the unfunded liability (if any) on the scheduled amortization (one year at a time). The required return will not be sufficient to fund either discretionary COLAs, retroactive COLAs, accelerate the amortization of the unfunded liability, build a stabilization reserve, or allow for gain-sharing distributions.

2. Investment Risk and Asset Allocation

(a) Diversification Among Asset Classes

In controlling the risk level that is appropriate for the Trust, assets will be diversified among various asset classes. The specific asset classes to be used will be set in conjunction with the asset allocation.

(b) Review of Asset Classes and Asset Allocation

The long term allocation will focus on the goal that expected long term returns of the Trust will meet the expected long-term obligations of the System with the appropriate level of risk sufficient to meet those objectives. Unless circumstances materially change, the long term allocation will be reviewed at least once every five (5) years to determine the appropriate asset classes for the investment of Trust assets and conduct asset allocation studies to help determine the long term allocations among desired asset classes so as to meet long term return objectives with the appropriate level of risk.

(c) Content of Asset Allocations

The asset allocation will set out:

- * the asset classes to be used,
- * the long term “normal” percentage of assets to be invested in each asset class,
- * the ranges that will be considered allowable deviations from the normal allocation,
- * the investment risk and return expectations for each asset class,
- * the numerical investment return and risk expected to be realized, and

- * the relation of the expected investment return to the real return and the actuarially assumed investment return.

(d) Strategic Allocation

In addition to the long term allocation, the Board may adopt strategic allocations. “Strategic allocations” allow investment in asset types that have not been singled out as “asset classes” in the asset allocation process, to overweight particular sectors within an asset class, or to employ particular strategies in the investment of Trust assets. The purpose of the strategic allocations are to either increase the return above the expected return and/or to reduce risk.

IV. Investment Structure

A. Overall Structure

In making specific investment policy decisions, the Board will have as an overall goal a flexible, simplified structure with clear roles and accountability.

1. Board Responsible

The Board is responsible for all investment activities. In exercising this responsibility, the Board will hire investment staff and agents and may delegate various investment functions to them. Where the Board does not delegate investment powers or duties, the Board will either satisfy itself that it is familiar with such matters, or will retain persons who are familiar with such matters to consult or assist the Board in the exercise of those responsibilities. Where the Board delegates a responsibility, it will be delegated to a person who is familiar with such matters, and the Board will monitor and review the actions of those to whom responsibilities are delegated.

2. General Roles and Responsibilities of Board and Agents

The Board will favor a structure that accommodates a citizen Board and a small investment staff. The Board and investment staff will concentrate their activities on:

- * making strategic decisions, primarily concerning asset allocation and strategic allocations;
- * adjusting the mix between passive and active managers depending on, among other considerations, near-term concerns regarding the U.S. and other capital markets;
- * delegating and monitoring all other activities, including hiring and monitoring investment managers; and

- * maintaining a reporting system that provides a clear picture of the status of the fund on a reasonably concurrent basis to both the Board and PERSI's constituencies.

The Board will delegate the implementation of its investment policy to investment staff and external investment managers and other investment agents. This responsibility includes those investment decisions with shorter-term consequences such as the selection of securities, regions, asset types, or asset classes.

B. Direct (Non-Delegated) Responsibilities of the Board

The Board is responsible for:

- * Approving investment policy;
- * Determining the investment structure of the Trust;
- * Determining the asset classes to be utilized;
- * Setting the asset allocation;
- * Determining or authorizing strategic allocations;
- * Hiring agents to implement the asset allocation;
- * Hiring agents to implement strategic allocations;
- * Monitoring the compliance of those agents with the investment policies and allocations; and
- * Monitoring the investments of the Trust through periodic reports from its staff or consultants.

C. Agents: Chief Investment Officer, Actuaries, Consultants, and Advisors to the Board

1. Chief Investment Officer

(a) Duties of Chief Investment Officer

The Board will hire a Chief Investment Officer who will be generally responsible for the oversight of the investment of Trust assets, and, as part of that overall responsibility, will:

- (1) supervise, monitor, and evaluate the performance of the investment managers and other investment agents hired by the Board to assure compliance with investment policy and individual guidelines;
- (2) recommend to the Board adjustments to the investment policy, including reviewing and modifying the asset allocation as conditions warrant;
- (3) research current market conditions, evaluate new products, and seek out new approaches to improve portfolio return, reduce risk, and reduce costs and fees;
- (4) work with the consultants, custodians, investment managers, and other agents in the performance of the assigned duties;
- (5) assist the Board with education and other efforts to promote good decision making;
- (6) hire and manage investment staff/personnel and outside investment advisors to staff;
- (7) Except in special circumstances, will not buy/sell/transact in specific securities; and
- (8) Coordinate with the Executive Director staff to implement investment actions/decisions and reporting needs.

(b) Allocation of New Net Contributions

The Chief Investment Officer shall allocate new net contributions to or withdraw net distributions from the System among investment managers in accordance with the long term and strategic ranges established in the asset allocation. The Chief Investment Officer shall report to the Board regularly on the allocation of new net contributions or the withdrawal of net distributions.

(c) Tactical Asset Allocation and Rebalancing

The Chief Investment Officer may shift assets among managers (including between passive and active managers) as long as the asset allocation is maintained within the stated ranges. When possible, net cash flows will be used to efficiently accommodate rebalancing and/or tactical asset shifts.

(d) Minimum Qualifications of Chief Investment Officer

The Chief Investment Officer shall at least: (a) have a graduate degree in finance, law, or business administration or (b) be a Chartered Financial Analyst; or (c) have three or more years of experience in the investment of trust assets.

2. Actuaries

The Board will hire an actuary. The actuary will provide studies that will assist in (1) determining the long term obligations faced by the System through annual actuarial valuations and (2) setting the expected investment return objectives or assumptions that will be sufficient to meet those obligations. The actuary will provide reviews of the actuarial valuation process at least once every four (4) years, including updating the projections and assumptions in light of the experience of the System. These studies will be considered in setting the expected investment return objective.

3. Investment Consultants

The Board will hire a qualified independent consultant, whose relationship does not impose a conflict of interest with the Board or staff, to provide investment performance measurement at least quarterly with the report available to the Board within two months of the quarter end. The report will at least compare actual investment returns of the Trust -- in total, by each asset class, and for each managed portfolio -- with both the investment objectives of the System and a composite benchmark and peer group. Independent investment consultants may be hired to assist the Board in the management of its investment responsibilities, including, but not limited to: (1) performing asset allocation studies, and reviewing and recommending modifications to the asset allocation as conditions warrant; (2) assisting in monitoring the investment managers to assure they are in compliance with the investment policy and their individual guidelines; (3) performing manager evaluations and searches as may be necessary; and (4) assisting in the development and adjustment of investment policy. Except for consultants retained solely for purposes of performance measurement, consultants will be fiduciaries of the Trust.

D. Agents: Custodian and Investment Managers with Delegated Responsibilities

1. Custodian

(a) Responsibilities

Custodians and other agents will be fiduciaries of the Trust and will assume full responsibility for the safekeeping and accounting of all assets held on behalf of the Trust. Among other duties, as may be agreed to, the custodian will be responsible for: (a) the receipt, delivery, and safekeeping of securities; (b) the transfer, exchange, or redelivery of securities; (c) the claiming, receipt, and deposit of all dividend, interest, and other corporate actions due the Trust; (d) the daily sweep of all uninvested funds into a cash management account or accounts; and, (e) the provision of reports to PERSI at agreed time intervals that will include all purchases and sales of securities, all dividend declarations on securities held by the Trust, a list of securities held by the Trust, a valuation of those securities, and a cash statement of all transactions for the account of the Trust. Unless the Board provides otherwise, the custodian will also be responsible for monitoring class action litigation, filing and collecting claims on PERSI's behalf, and reporting to PERSI on such activities.

(b) Authorization of Collective Investment Trusts

Assets of the Trust may be invested in any collective investment trust (CIT), which at the time of the investment provides for the pooling of the assets of plans described in Section 401(a) of the Internal Revenue Code of 1986, as amended, and which is exempt from Federal income tax. Assets of the Trust may be commingled with assets of other trusts if invested in any CIT authorized by this policy. The provisions of the CIT agreement, as amended by the CIT trustee thereof from time to time, of each CIT in which PERSI Trust assets are invested are by this reference incorporated as a part of the CIT estate comprising the PERSI Trust. The provisions of the CIT will govern any investment of PERSI Trust assets in that CIT.

2. Investment Managers

The Board will hire investment managers who will be fiduciaries of the Trust and who will be responsible for the investment of Trust assets in specific securities or assets within or among the asset classes.

(a) Minimum Qualifications

Investment managers shall be registered with the Securities and Exchange Commission (unless they are banks, insurance companies, or other category exempted from such registration requirements), have been in the business of investment management at least two years (or the main personnel of the investment management firm have

worked together in the business of investment management for at least two years), and usually have other United States pension fund assets under management.

(b) Guidelines

Investment managers shall manage assets in accordance with guidelines established by contract and as may be added to or modified from time to time. The guidelines will contain minimum diversification requirements that must be followed by that manager. These guidelines will also set out the investment return expected to be achieved by that manager, and shall be linked to a benchmark that represents the passive index fund that would be used to replace the manager's assignment.

(c) Responsibilities and Discretion

Subject to the restrictions set out in this policy or as may be set out in individual contracts or guidelines, an investment manager shall have full discretionary power to direct the investment, exchange, and liquidation of the assets entrusted to that manager. The manager shall place orders to buy and sell securities and, by notice to the custodian, cause the custodian to deliver and receive securities on behalf of the Trust.

(d) Voting of Proxies

The Board, unless otherwise stated, will delegate the voting of proxies to the investment managers or custodian. Proxy voting is considered to be a component of the investment decision process, therefore, the investment managers are responsible for voting all proxies in a manner consistent with the best economic interest of the System for the exclusive benefit of the System, prudent and otherwise consistent with Idaho Code section 59-1301(2), the Idaho Uniform Prudent Investor Act (Title 68, Chapter 5, Idaho Code), and applicable Federal law.

(e) Transactions and Brokerage

All securities transactions shall be executed by reputable broker/dealers or banks, and shall be on a best price and best execution basis.

3. Use of Passive and Active Managers

(a) Purpose and Use of Active Management

The Board recognizes that passive (index fund) investing has lower costs than active investing, with regard to both management fees and transaction costs. Further, the Board also recognizes that there is uncertainty concerning whether active investing can generally outperform passive investing, particularly in the large, liquid, and efficient portions of the capital markets. Also, the Board has great confidence that a passive investment of assets in an efficient asset allocation will likely meet long-term obligations.

Active managers will be hired for the purpose of providing greater stability of returns, and better returns, than would be achievable under purely passive management. Active managers will be responsible for timing of markets and the tactical allocation of assets among and within the capital markets (including between the U.S. and international markets). Some asset classes, such as private investments, do not have passive alternatives available.

In addition to providing extra returns, active managers will also be employed to smooth returns, provide higher long-term returns, provide protection in adverse markets, and to add exposure and additional diversification to the portfolio than that achievable solely through investment in passive indices representing the strategic asset allocation and strategic policies.

(b) Structure

In using external managers, a structure using a reasonable number of managers with broad mandates and benchmarks will be employed. Passive managers will be favored for the core, liquid, efficient markets (such as S&P 500 stocks and U.S. Government/Credit bonds).

Active managers will be favored for relatively inefficient markets.

Global managers will be used to provide flexibility in reacting to near-term concerns that may arise concerning any particular region or market, particularly the U.S. capital markets, and to provide an appropriate balance between efficient long-term asset allocations (which favor U.S. assets) and near-term allocations (which may have a greater preference for international assets) to meet the real (inflation adjusted) return needs of the System.

Assets under the management of global equity managers will be considered U.S. equity assets for purposes of asset allocation. Consequently, actual allocations to international equities in the overall portfolio from time to time may be above that in the stated asset allocation due to the activities of the global equity managers.

(c) Balance between Passive and Active Management

The balance between active and passive management will be managed by the Chief Investment Officer with the following considerations in mind: concentration of active investment efforts where there is the most potential for excess returns, implementation of views concerning the state of the U.S. and international capital markets, and reduction of fees and other costs.

(d) Monitoring Standards for Investment Managers

External managers are expected to maintain key personnel, a consistent style, and investment capability to successfully implement their mandate. Past performance is not a predictor of future performance, thus it is just one factor to consider in the overall evaluation of a manager.

Passive managers are expected to provide the returns of the assigned benchmark, thus they will be evaluated based on their ability to generate performance that closely tracks their benchmark index.

Active managers will be evaluated based on their ability to generate performance that exceeds, after fees, the benchmark index that represents the passive alternative to their mandate over full market cycles (typically over rolling 5-10 years). Performance evaluation will take into consideration any anomalies in a given period attributable to style cycles, interest rate cycles, sector cycles, geopolitical considerations, or any other factors that might meaningfully impact relative performance.

Other relevant information may be considered in determining whether to retain or terminate managers.

V. Asset Class Policies

A. U.S. Equities

1. Objective

The overall objective of the U.S. equity or Broad Domestic Equity asset class is to obtain, over time, a return after fees that equals or exceeds the returns of the Russell 3000 Index, both absolutely and on a risk-adjusted basis. For assets under the management of global equity managers, the objective for near-term periods will be to achieve a return after fees that is equal to or exceeds the returns of the MSCI World Index or MSCI All Country World Index (MSCI ACWI Index), both absolutely and on a risk-adjusted basis.

2. Allowable Investments

Managers may invest in stocks that do not pay dividends. Managers may invest in equity securities outside of the Russell 3000 Index, and global equity managers may invest in equity securities outside of the MSCI World Index. Managers may use derivative securities for purposes of enhancing liquidity, reducing transaction or other costs, or partially hedging an existing exposure in the portfolio.

3. Manager Styles

Managers for the U.S. equity asset class may include index funds, style managers (such as value, growth, and capitalization), “core” managers, and global managers.

4. Benchmarks

The Russell 3000 index will be the benchmark for the passive index funds, core managers, and global managers. For near term periods, the MSCI World or MSCI ACWI indexes are the benchmarks for global equity managers. Other style or capitalization indices maintained by a qualified organization may be used as the benchmark for style managers.

B. International Equities

1. Objective

The overall objective of the International Equity Asset Class is to obtain, over time, a return after fees that equals or exceeds the returns of the MSCI Europe, Australasia, and Far East (MSCI EAFE) Index (unhedged), or the MSCI ACWI ex U.S. Index, both absolutely and on a risk-adjusted basis.

2. Allowable Investments

Managers may invest in stocks that do not pay dividends. Managers may invest in American Depository Receipts or American Depository Shares. Managers may invest in equity securities of companies or in countries that are not included in the indices. Managers may use derivative securities for purposes of enhancing liquidity, reducing transaction or other costs, or partially hedging an existing exposure in the portfolio. Managers may, at their discretion, hedge the currency exposure of all or part of their portfolios. Managers may not overhedge their portfolio, although proxy hedging for purposes of liquidity and cost savings is allowed.

3. Manager Styles

Managers for the International Equity asset class may include index funds, general international managers, and regional or specialized managers (such as emerging markets). The Board may from time to time hire a currency overlay manager to hedge the currency exposure in those portfolios where managers do not actively or normally consider hedging their exposure.

4. Benchmarks

The MSCI EAFE Index (unhedged), will be the benchmark for the developed markets passive index fund. Active international developed markets managers may use as their benchmark either the MSCI EAFE index or the MSCI ACWI ex US index (unhedged). The MSCI Emerging Markets (MSCI EMF) index will be the benchmark for the emerging

markets managers, both active and passive. Regional or specialized indices (unhedged) maintained by a qualified organization may be used as the benchmark for other active managers.

C. Fixed Income

1. Objectives

The overall objective of the Fixed Income asset class is to obtain, over time, a return after fees that equals or exceeds the returns of the Bloomberg Barclays Aggregate Bond Index (Aggregate Bond Index) both absolutely and on a risk-adjusted basis.

The Fixed Income Asset Class shall consist of investments in mortgages and in both dollar and non-dollar fixed income securities. Mortgages shall consist of investments in mortgage backed securities, and direct ownership of commercial mortgages through the Idaho Commercial Mortgage Program.

The objective of the non-mortgage fixed income securities other than real return portfolios is to obtain, over time, a return after fees that equals or exceeds the returns of the Bloomberg Barclays Government/Credit Bond Index (Government/Credit Bond Index) on a risk-adjusted basis. The overall objective of the mortgage securities is to obtain, over time, a return after fees that equals or exceeds the returns of the Bloomberg Barclays Mortgage Index (Mortgage Index) on a risk-adjusted basis. The overall objective of the real return fixed income is to obtain, over time, a return after fees that equals or exceeds the returns of the Bloomberg Barclays TIPS Index (US? TIPS Index) on a risk-adjusted basis.

2. Allowable Investments

Managers may invest in debt securities that do not pay interest. Active managers may invest in securities in companies or countries that are not included in the indices. Managers may use derivative securities for purposes of enhancing liquidity, reducing transaction or other costs, or partially hedging an existing exposure in the portfolio. Fixed income managers may, at their discretion and to the extent allowed by their contracts and guidelines, use currency forward or futures markets as may be considered appropriate to implement fixed income strategies.

3. Manager Styles

Managers in the Fixed Income asset class may include index funds, domestic bond managers, specialized managers, and global managers.

4. Benchmarks

The Government/Credit Bond Index or Aggregate Bond Index will be the benchmark for all non-mortgage fixed income managers except real return fixed income managers. The TIPS index will be the benchmark for real return fixed income managers. The Mortgage Index will be the benchmark for all mortgage managers. The Aggregate Bond Index will be the benchmark for the asset class.

D. Real Estate

1. Objectives

Equity real estate investments will be considered part of the U.S. Equity asset class. The overall objective of equity real estate investments is to attain a 5% real rate of return overall, over a long-term holding period, as long as this objective is consistent with maintaining the safety of principal. The 5% real rate of return includes both income and appreciation, is net of investment management fees, and is net of inflation as measured annually by the Consumer Price Index. Over a short term basis, the objective is to earn a nominal minimum income yield of 4% at the portfolio level, allowing flexibility for individual investments to pursue select value-added and development strategies which typically provide little to no current income return.

2. Allowable Investments

Allowable equity real estate investments include open-end and closed-end commingled real estate funds, direct real estate investments, publicly traded real estate investment trusts (REITs), passive REIT index funds, and other public real estate companies, private real estate companies and real estate operating venture entities. Allowable investments must be originated and managed by real estate advisors with substantial experience originating and managing similar investments with other institutional investors. The real estate asset sector is not intended to include solely debt investments; in particular, straight mortgage interests are considered part of the fixed income asset class. The real estate asset sector may include equity-oriented debt investments, including mezzanine loans, that conform with the return targets of the sector.

3. Need for Income Component of Return

Upon closing, each real estate investment must have as a goal the expectation of an annual income return and overall holding period return measured primarily by realized return rather than expected capital appreciation. Thus, a significant portion of real estate investments made should be in existing income producing properties with measurable return expectations rather than purely development properties. However, existing properties with potential for physical enhancement, including development or redevelopment, are acceptable investments. Select development properties can be

considered so long as they don't comprise more than 20% of the total real estate portfolio at any given time.

4. Protection of the Trust

Investment vehicles should be chosen that will protect the Trust, including provision for investments that do not contain debt or liability with recourse beyond the Trust commitment to the related business entity, provision for inspection and evaluation of environmental hazards prior to the purchase of any specific property, and the provision of insurance coverage to protect against environmental and natural hazards.

5. Reporting

A comprehensive reporting system for individual investments, entities and funds will be maintained so that primary operational and economic characteristics are continually defined, and underperforming investments can be identified and remediated. Active asset and portfolio management is required for the management of all non-publicly traded real estate investments. Investment managers shall be required to present periodic operational reports within approved formats, including statements of fair market value, audited financial statements and annual business plans.

6. Benchmarks

The MSCI US REIT, Dow Jones Select REIT, NAREIT all Equity, or Wilshire REIT index will be the benchmark for the passive REIT index fund. The National Council of Real Estate Investment Fiduciaries (NCREIF) Property Index or the Open End Core Equity (NFI-ODCE) Value Weight net will be the benchmarks for the open-end and closed-end funds and private real estate. The asset class in total will be benchmarked against the Russell 3000 index.

7. Asset Allocation

For purposes of asset allocation, real estate investments will be treated as part of the U.S. equity asset class.

E. Alternative Investments

1. Definition and Board Approval

The Board may from time to time authorize the investment of Trust assets in entities or structures that do not fit the asset descriptions listed above. Examples of such investments are venture capital partnerships, private equity, leveraged buy-out funds, private debt, and direct ownership of individual assets such as oil and gas partnerships. These investments shall only be entered into upon the recommendation of a qualified consultant after due diligence and with approval by the Board or a subcommittee appointed by the Board to review the recommendation. Subsequent investments with

a previously approved alternative investment manager do not require additional specific approvals by the Board or subcommittee.

2. Objectives and Benchmarks

If the alternative investment is an equity investment, the objective for the investment will be to exceed, over time and after fees, the return achieved by the Russell 3000 Index. If the alternative investment is a debt investment, then the objective will be to exceed, over time and after fees, the returns achieved by the Government/Credit Bond Index. It is recognized that these investments may experience greater volatility than the comparable publicly traded securities and indices.

3. Asset Allocation

For purposes of asset allocation, alternative equity investments will be treated as part of the U.S. equity asset class, and alternative debt investments will be treated as part of the fixed income asset class.

VI. Asset Allocation

The tables in Appendix I summarize the asset allocation of the Trust, including the expected net return and risk of each asset class, the normal asset allocation and allowable ranges, and the expected risk and net return of the Trust as compared to the actuarial assumptions [see section III.B.1.(a)].

VII. Deposit and Investment Risk Policy - GASB 40

A. Purpose

The Governmental Accounting Standards Board (GASB) has identified that state and local governments have deposits and investments which are exposed to risks that may result in losses. GASB Statement number 40 (GASB 40) is intended to inform users of the financial statements about the risks that could affect the ability of a government entity to meet its obligations. GASB 40 has identified general deposit and investment risks as credit risk, including concentration of credit risk and custodial credit risk, interest rate risk, and foreign currency risk and requires disclosures of these risks and of policies related to these risks. This portion of the Investment Policy addresses the monitoring and reporting of those risks.

In general, the risks identified in GASB 40, while present, are diminished when the entire portfolio is viewed as whole. For example, interest rate risk experienced by fixed income instruments often react in the exact opposite direction as that experienced by equities. Thus, interest rate exposure as set out in GASB 40 will not

reflect the cross-influences of impacts across the broad range of investments that make up the PERSI portfolio. And, in fact, the general underlying measures used in GASB 40 across most of the risks identified (credit, concentration, and interest rate risk in particular) were tools that were developed primarily for portfolios dominated by fixed income investments, and are often only poorly transferred, if at all, to portfolios, like PERSI's, that are dominated by equity interests.

Consequently, it is the policy of PERSI that the risks addressed in GASB 40 are to be monitored and addressed primarily through the guidelines agreed to by those managers, and by regular disclosures in reports by managers of levels of risks that may exceed expected limits for those portfolios.

B. Specific Areas of Risk

1. Credit Risk

Summary: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to PERSI.

Policy: Managers will provide PERSI with expected credit risk exposures in their portfolio guidelines. If the actual credit risk exposure falls outside of these expectations, managers will be required to report these occurrences to Staff and these disclosures are to be made available to the Board.

2. Custodial Credit Risk

Summary: Custodial credit risk is the risk that in the event of a financial institution or bank failure, the System would not be able to recover the value of their deposits and investments that are in the possession of an outside party.

Policy: PERSI minimizes exposure to custodial credit risk by requiring that investments, to the extent possible, be clearly marked as to PERSI ownership and further to the extent possible, be held in the System's name.

3. Concentration of Credit Risk

Summary: Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government's investment in a single issue.

Policy: Managers will provide PERSI with expected concentration of credit risk exposures in their portfolio guidelines. If the concentration of credit risk exceeds expectations, managers are to be required to report these occurrences to Staff and these disclosures are to be made available to the Board. For the portfolio as

a whole, staff will report to the Board at a regular Board meeting if the exposure to a non-US government guaranteed credit instrument exceeds 5% of the total PERSI portfolio.

4. Interest Rate Risk

Summary: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Interest rate risk to PERSI's fixed income portfolio is monitored using the effective duration methodology. Effective duration measures the volatility of the price of a bond given a change in interest rates, taking into account the optionality on the underlying bond.

Policy: Managers will provide PERSI with the expected portfolio duration in their portfolio guidelines. If the duration of the portfolio differs from expectations, managers are to be required to report these occurrences to Staff and these disclosures are to be made available to the Board.

5. Foreign Currency Risk


Summary: Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. PERSI's currency risk exposures, or exchange rate risk, primarily reside within the international equity investment holdings.

Policy: International investments (equity and fixed income) will have a component of currency risk associated with it. Currency risk and hedging exposures are dependent on the underlying international exposure, which fluctuates over time. The individual manager guidelines will outline the expected currency exposures (either specifically or through ranges of security exposures to particular currency areas) of the underlying portfolio and if the actual currency exposure differs from the expected, managers are to be required to report these occurrences to Staff and these disclosures are to be made available to the Board.

ADOPTION: The Board of Trustees of the Public Employee Retirement System of Idaho (PERSI) adopts this Statement of Investment Policy dated November 2019, which supersedes the Statement adopted February 2016. We hereby certify that this statement incorporates the full and current text of adopted policies and objectives and do hereby charge the staff, consultants, and investment managers to employ good judgment in exercising the intent expressed within this Statement.



JEFF CILEK, Chairman



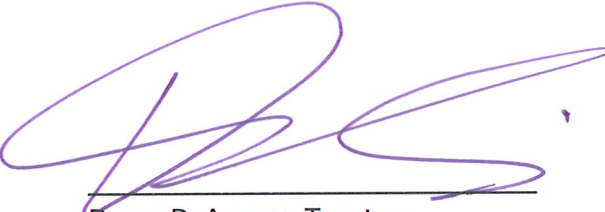
JOY FISHER, Trustee



CELIA GOULD, Trustee




PARK PRICE, Trustee

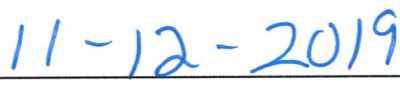


DARIN DEANGELI, Trustee

Acknowledged and Received by:

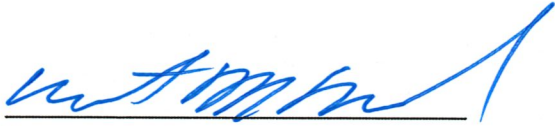


DON DRUM
Executive Director



Date

Acknowledged and Understood by:



ROBERT M. MAYNARD
Chief Investment Officer

11-12-2019

Date

Appendix I

Long Term and Strategic Asset Allocations

Asset Class	Expected Return*	Expected Risk	Normal	Ranges
Equities			70%	66% - 77%
Broad Domestic Equity	8.3%	18.3%	55%	50% - 65%
International	8.5%	19.7%	15%	10% - 20%
Fixed Income	3.1%	3.8%	30%	23% - 33%
Cash	2.3%	0.9%	0%	0% - 5%

(Expected returns are net of fees and expenses)

Total Fund	Expected Return*	Expected Inflation	Expected Real Return	Expected Risk
Actuary	7.00%	3.00%	4.00%	n/a
Portfolio	6.39%	2.25%	4.14%	14.16%

* Expected arithmetic return

Data provided by Callan & Milliman - 2018

Asset Class	Long Term Allocation Target	Strategic Allocation Target	Ranges	Benchmarks
Equities	70%	70%	66% - 77%	R3000
Broad Domestic Equity	55%	21%	50% - 65%	R3000
Global		18%		ACWI/World
Real Estate		8%		NAREIT/NFI-ODCE
Private Equity		8%		R3000/Actual
International Developed	15%	6%	10% - 20%	EAFE
International EM		9%		EM
Fixed Income	30%	30%	23% - 33%	Aggregate
U.S. Fixed		20%		Aggregate
U.S. TIPS		10%		U.S. TIPS
Cash			0% - 5%	
Total Fund	100%	100%		Composite*

* Composite returns are the target weighted returns of the asset class benchmarks