FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Retirement Board
Public Employee Retirement System of Idaho
Boise, Idaho

Report on the Financial Statements

We have audited the accompanying financial statements of the pension and other trust funds of the Public Employee Retirement System of Idaho (the System), which comprise the statement of plan net position as of June 30, 2015, and the related statement of changes in plan fiduciary net position, for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Public Employee Retirement System of Idaho, as of June 30, 2015, and the respective changes in plan fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Public Employee Retirement System of Idaho's June 30, 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 15, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages 21-28 and 54-61 and be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements as a whole. The introductory, investment, actuarial and statistical sections are presented for purposes of additional analysis and are not a required part of the financial statements

The additional supplementary information listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying financial information listed as supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory, investment, actuarial and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2015, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering System's internal control over financial reporting and compliance.

October 15, 2015
Boise, Idaho

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015

Management is pleased to provide Management's Discussion and Analysis ("MD&A") of the financial activities of the Public Employee Retirement System of Idaho (the "System" or "PERSI") as of and for the year ended June 30, 2015. The June 30, 2014 amounts are combined and are provided for comparative purposes. This overview and analysis is designed to focus on current known facts and activities and resulting changes.

The System administers seven fiduciary funds. These consist of three defined benefit pension trust funds – the PERSI Base Plan, the Firefighters' Retirement Fund (FRF) and the Judges' Retirement Fund (JRF), two defined contribution pension trust funds – the PERSI Choice Plan 401(k) and 414(k), and two Sick Leave Insurance Reserve trust funds – State and Schools.

Financial Highlights

- The net position for all pension and other funds administered by the System increased $262 million during Fiscal Year 2015 and increased over $2 billion during the Fiscal Year 2014. The increase in the defined benefit plans reflects the total of contributions received and an investment return exceeding benefits paid and administrative expenses. Changes in net position for the years ended June 30, 2015 and 2014 were as follows:

	2015	2014
PERSI Base Plan	$ 126,304,090	$ 1,785,048,627
FRF	641,556	45,217,480
JRF	76,467,630	-
PERSI Choice Plan 414(k)	(3,304,865)	5,597,974
PERSI Choice Plan 401(k)	45,142,722	117,152,538
Sick leave - state	7,519,824	24,779,936
Sick leave - schools	9,159,619	37,074,618
Total increase in plan net position	$ 261,930,576	$ 2,014,871,173

- Assets for the three defined benefit plans, the PERSI Base Plan, FRF and JRF, are pooled for investment purposes. For the Fiscal Years ended June 30, 2015 and 2014, the rate of return net of investment expenses on the investment assets are detailed below (these are plan-level returns). For the defined contribution plans, the PERSI Choice Plan 401(k) and 414(k), individual participant returns will vary depending on their specific investment choices. Returns for Choice Plan options can be found on the PERSI website under Investments/Choice Plan.

	2015	2014
PERSI Defined Benfit Plans	2.7%	16.8%
Sick Leave Insurance Reserve Fund	3.8%	18.5%

- All of the plans experienced investment gains in Fiscal Year 2015 as a result of positive market performance. Net investment income for all of the funds administered by the System for the Fiscal Years ended June 30, 2015 and 2014, was $417 million and $2.2 billion, respectively.

	2015	2014
PERSI Base Plan	$ 371,080,117	$ 2,006,540,166
FRF	9,357,909	50,966,862
JRF	2,049,895	-
PERSI Choice Plan 414(k)	1,677,651	9,470,647
PERSI Choice Plan 401(k)	18,620,191	80,991,676
Sick leave - state	5,722,685	23,097,449
Sick leave - schools	9,043,823	36,880,546
Total increase in plan net position	$ 417,552,271	$ 2,207,947,346

- As of June 30, 2015 and 2014, the funding ratio (actuarial value of assets divided by actuarial accrued liability) and amortization period (estimated time to payoff unfunded liability) for the unfunded actuarial liability for the defined benefit plans are as shown below. The amortization period for the Firefighters' Retirement Fund is N/A as the fund is fully funded.

	2015		2014	
	Funding Ratio	Amortization Period	Funding Ratio	Amortization Period
PERSI Base Plan	90.4%	17.4	93.9%	5.5
FRF	119.6%	N/A	110.9%	N/A
JRF	78.1%	28.9	N/A	N/A

The System's funding objective is to meet long-term benefit obligations through contributions and investment income and provide a reserve against market fluctuations. The funding ratio listed above gives an indication of how well this objective has been met at a specific point in time. The higher the funding ratio, the better the plan is funded. In 2015 the actuarial funding ratio for the PERSI Base Plan decreased from 2014 primarily because investment performance was less than the actuarial expected rate. The amortization period increased for the same reason.

The FRF plan funding ratio increased from 2014 primarily because the actual postretirement benefit increase during the year was significantly lower than the actuarial assumption. In addition, the FRF plan funding ratio increased as the funding policy was altered to implement a 3-year smoothing to calculate the actuarial value of assets. A 2-year smoothing was applied for 2015; subsequent years will have a 3-year smoothing.

PERSI assumed the administration for the JRF fund starting July 1, 2014 and therefore, did not report JRF data in its 2014 reports. Because the amortization period exceeds the statutory limit of 25 years, the Board will be reviewing contribution rates.

Using the Annual Financial Report

This discussion and analysis is intended to serve as an introduction to the System's financial statements. The financial section is comprised of four additional components: (1) fund financial statements, (2) notes to financial statements, (3) required supplementary information, and (4) additional supplementary schedules.

Fund Financial Statements — There are two financial statements presented for the fiduciary funds. The statements of plan net position as of June 30, 2015 and 2014 indicates the net position available to pay future benefits and gives a snapshot at a particular point in time. The statements of changes in plan net position for the years ended June 30, 2015 and 2014 provides a view of the current year's activity. It details the additions and deductions to the individual funds and supports the change to the prior year's ending net position on the statement of fiduciary net position. All pension fund statements are presented on a full accrual basis and reflect all trust activities, as incurred.

Notes to Financial Statements — The notes provide additional information essential for a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found on pages 33-52 of this report.

Required Supplementary Information — The required supplementary information consists of Schedule of Net Pension Liability, Schedule of Changes in Net Pension Liabilities, Schedule of Contributions, Schedule of Investment Returns and related notes concerning the methods and assumptions used in calculations of actuarially determined contributions.

Additional Supplementary Schedules — The additional schedules (Schedule of Investment Expenses and Schedule of Administrative Expenses) are presented for additional analysis.

Comparative Financial Statements

Defined Benefit Pension Trust Funds — The PERSI Base Plan, the Firefighters' Retirement Fund, and the Judges' Retirement Fund are qualified plans under Internal Revenue Code and provide retirement, disability and death benefits to the employees of affiliated employers. Benefits are funded by member and employer contributions and by earnings on investments. Assets for these plans are pooled only for investment purposes.

Defined Benefit Pension Trust Funds Net Position

	As of June 30, 2015	As of June 30, 2014	$ Change	% Change
Assets:				
Cash and cash equivalents	$ 3,568,905	$ 3,398,903	$ 170,002	5.0%
Investments sold receivable	111,457,406	138,022,415	(26,565,009)	-19.2%
Other receivables	51,792,373	41,408,722	10,383,651	25.1%
Investments - at fair value	14,428,374,876	14,230,441,280	197,933,596	1.4%
Prepaid retiree benefits	61,531,000	56,581,990	4,949,010	8.7%
Capital assets - net of accumulative depreciation	9,707,788	7,107,840	2,599,948	36.6%
Due from other plans	13,737	-	13,737	100.0%
Total assets	14,666,446,085	14,476,961,150	189,484,935	1.3%
Liabilities:				
Investment purchased payable	232,707,110	245,991,213	(13,284,103)	-5.4%
Benefits and refunds payable	209,765	403,145	(193,380)	-48.0%
Other liabilities	13,000,138	13,450,996	(450,858)	-3.4%
Total liabilities	245,917,013	259,845,354	(13,928,341)	-5.4%
Net Position:				
Net investment in capital assets	9,707,788	7,107,840	2,599,948	36.6%
Amounts held in trust	14,410,821,284	14,210,007,956	200,813,328	1.4%
Net Position	$14,420,529,072	$ 14,217,115,796	$ 203,413,276	1.4%

The fair market value of investments increased due to the combination of contributions received and an investment return of 2.7% (net of investment expenses) exceeding benefits and administrative expenses. Liabilities for benefits and refunds payable vary at Fiscal Year-end depending on member request and timing. Change in asset values and timing of payments can affect the balance of liabilities at the statement of fiduciary net position date.

The percent change in investments sold receivable and investments purchased payable fluctuates as the volume of trading activity by the System's professional investment managers' changes. The cash balance change was due to normal fluctuations in operating cash requirements and the timing of transfers to investment managers.

Defined Benefit Pension Trust Funds Changes in Net Position

	As of June 30, 2015	As of June 30, 2014	$ Change	% Change
Additions:				
Member contributions	$ 212,104,025	$ 203,900,049	$ 8,203,976	4.0%
Employer contributions	336,141,518	325,186,606	10,954,912	3.4%
Investment income	382,487,921	2,057,507,028	(1,675,019,107)	-81.4%
Other additions	18,830	12,690	6,140	48.4%
Total additions	930,752,294	2,586,606,373	(1,655,854,079)	-64.0%
Deductions:				
Benefits and refunds paid	796,519,404	749,552,455	46,966,949	6.3%
Adminsitrative expenses	6,683,914	6,787,811	(103,897)	-1.5%
Total deductions	803,203,318	756,340,266	46,863,052	6.2%
Special Item:				
Transfer in of Judges' Retirement Fund	75,864,300	-	75,864,300	100.0%
Changes in net position	$ 203,413,276	$ 1,830,266,107	$ (1,626,852,831)	-88.9%

Investment income for the Fiscal Year 2015 was $382 million as a result of the gross investment return of 3%. Contributions and other additions totaled $548 million. The transfer of the JRF funds to PERSI totaled $76 million. Total additions including investment income, contributions and transfers totaled $1 billion. The benefits and administrative expenses paid of $803 million were less than additions by $203 million for 2015. Investment income for the Fiscal Year 2014 was $2.1 billion, the gross investment return was 17.2%. Contributions and other additions totaled $529 million resulting in total additions of $2.6 billion. The benefits and administrative expenses paid of $756 million were less than additions by $1.8 billion for 2014.

For Fiscal Year 2015, the increase in benefits and refunds paid was a result of an increase in the number of retirees and the annual Cost of Living Adjustment (COLA) increase for benefits paid to retirees. The COLA adjustment for 2015 was 1.7% up to 4% based on date of retirement compared to 2014 which was 1%.

Defined Contribution Pension Trust Funds

During Fiscal Year 2015, the System administered two defined contribution plans. The PERSI Choice Plans, qualified plans under Internal Revenue Code, consist of a 401(k) plan and a 414(k) plan and provide another retirement benefit option to members of the Defined Benefit Pension Plans.

The PERSI Choice Plans were created during Fiscal Year 2001. The 401(k) Plan consists of employee voluntary contributions, rollover contributions, and some employer matching contributions. The 414(k) Plan represents the gain sharing allocation made to eligible PERSI members during Fiscal Year 2001. The assets of these plans are pooled for investment purposes, but the 414(k) Plan cannot be used to pay the benefits of the 401(k) Plan and vice versa.

Defined Contribution Pension Trust Funds Net Position

	As of June 30, 2015	As of June 30, 2014	$ Change	% Change
Assets:				
Cash	$ 513,130	$ 15,377	$ 497,753	3237.0%
Short-term investments	824,942	936,136	(111,194)	-11.9%
Investments-at fair value	688,598,067	647,117,262	41,480,805	6.4%
Receivables	1,798,384	1,676,095	122,289	7.3%
Total assets	691,734,523	649,744,870	41,989,653	6.5%
Liabilities				
Other liabilities	151,796	-	151,796	100.0%
Net Position	$ 691,582,727	$ 649,744,870	$ 41,837,857	6.4%

Net position increased from Fiscal Year 2014 to Fiscal Year 2015. The change reflects a positive return in the investment market and excess contributions compared to benefits paid out. The change in cash is due to the timing of a transfer of funds at the end of the month. Receivables include contributions that are not yet recorded by the record keeper at year end plus accrued interest and dividends. The change in other liabilities consists of amount due to the base plan and advanced revenue.

Defined Contribution Pension Trust Funds Changes in Net Position

	As of June 30, 2015	As of June 30, 2014	$ Change	% Change
Additions:				
Member contributions	$ 42,874,459	$ 39,062,685	$ 3,811,774	9.8%
Employer contributions	5,166,873	14,230,058	(9,063,185)	-63.7%
Transfers and rollovers in	14,575,338	10,706,301	3,869,037	36.1%
Investment income	20,297,842	90,462,323	(70,164,481)	-77.6%
Total additions	82,914,512	154,461,367	(71,546,855)	-46.3%
Deductions:				
Benefits and refunds paid	15,662,811	11,147,689	4,515,122	40.5%
Transfers and rollovers out	25,413,844	20,563,166	4,850,678	23.6%
Total deductions	41,076,655	31,710,855	9,365,800	29.5%
Change in net position	$ 41,837,857	$ 122,750,512	$ (80,912,655)	-65.9%

The change in net position was impacted for the year by a positive investment return for the fiscal year. Member contributions increased due to an increase in salary deferrals. Transfers in and transfer out represent rollovers from/to other plans. Changes in employer contributions vary up or down according to individual employers' desire to match employee contributions. Employer contributions decreased during fiscal year 2015 compared to 2014 as a result of a one-time event that occurred in 2013 and also affected 2014. The employers of some fire fighter groups who opted out of social security chose to make a one-time contribution to the Choice Plan using their social security refunds. The increase in benefits and refunds paid is a result of an increase in the number of retirees receiving benefits.

Other Trust Funds

During Fiscal Year 2015, the System administered two Sick Leave Insurance Reserve Fund (SLIRF) trusts. The PERSI SLIRF provides payment of eligible postretirement insurance premiums on behalf of retired state and public school district employees, based on accumulated unused sick leave at the time of retirement. The Fund's contributions are financed by state agency and school district employers of the System which make up the two separate trusts which are comingled for investment purposes.

Sick Leave Insurance Reserve Funds Net Position

	As of June 30, 2015	As of June 30, 2014	$ Change	% Change
Assets:				
Cash	$ 73,870	$ 74,515	$ (645)	-0.9%
Investments-at fair value	401,187,919	384,536,247	16,651,672	4.3%
Prepaid insurance premium	1,388,641	1,345,152	43,489	3.2%
Due from other funds	1,701,875	1,718,284	(16,409)	-1.0%
Total assets	404,352,305	387,674,198	16,678,107	4.3%
Liabilities:				
Other liabilities	38,190	39,526	(1,336)	-3.4%
Net Position	$ 404,314,115	$ 387,634,672	$ 16,679,443	4.3%

The net position increased in Fiscal Year 2015 from Fiscal Year 2014 because of positive investment returns and contributions exceeding benefits paid.

Sick Leave Insurance Reserve Funds Changes in Net Position

	As of June 30, 2015	As of June 30, 2014	$ Change	% Change
Additions:				
Employer contributions	$ 19,869,520	$ 19,353,135	$ 516,385	2.7%
Investment income	14,766,508	59,977,995	(45,211,487)	-75.4%
Other additions	764	1,406	(642)	-45.7%
Total additions	34,636,792	79,332,536	(44,695,744)	-56.3%
Deductions:				
Benefits and refunds paid	17,853,009	17,373,642	479,367	2.8%
Administrative expenses	104,340	104,340	-	0.0%
Total deductions	17,957,349	17,477,982	479,367	2.7%
Change in net position	$ 16,679,443	$ 61,854,554	$ (45,175,111)	-73.0%

The changes in net position reflect a net investment return of 3.8% resulting in $15 million in investment income, compared to $60 million for Fiscal Year 2014. The decrease in other additions was due to a decrease in interest earnings on the cash balance held at the Idaho State Treasurer's Office.

Plan Membership

This table reflects PERSI Base Plan and PERSI Choice Plans membership at the beginning and end of the Fiscal Year.

Changes in Plan Membership

	Base Plan 2015	Base Plan 2014	Base Plan Change
Active particiapnts	67,008	66,223	785
Vested - Base Plan	43,043	43,965	(922)
Non-vested - Base Plan	23,965	22,258	1,707
Retirees and beneficaries	42,657	40,776	1,881
Terminated and vested	11,859	11,504	355

	Choice Plan 2015	Choice Plan 2014	Choice Plan Change
Participants	41,937	42,021	(84)
Actively contributing	12,832	13,573	(741)
Periodic installment payments	144	120	24

While the above table reflects changes in active participants, the following table demonstrates the changes in Base Plan retirees and beneficiaries during the period.

Changes in Retirees and Beneficiaries (Base Plan)

	2015	2014
Beginning - July 1	40,776	38,947
New Retirements	2,889	2,852
Death of Beneficiary	(1,008)	(1,023)
Ending - June 30	42,657	40,776

Investment Activities

Long-term (20-25 year) asset growth is vital to the Defined Benefit Plans' current and continued financial stability. Therefore, trustees have a fiduciary responsibility to act with prudence and discretion when making plan investment decisions. To assist the Board in this area, a comprehensive formal investment policy is updated periodically. As managers are added, specific detailed investment guidelines are developed, adopted, and become part of that manager's agreement.

Portfolio performance is reviewed monthly by the Board and its consultants. Performance is evaluated individually, by money manager style, and collectively by investment type and for the aggregate portfolio. Investment types include both domestic and international equities, domestic and international fixed income, private equity and real estate.

Economic Factors

At July 1, 2015, PERSI's Base Plan had a funded ratio of 90.4% and an amortization period on the unfunded actuarial liability of 17.4 years. The investment return net of all expenses for 2015 was 2.65% compared to the assumed return of 7.0%. The change in funded ratio and amortization period is due in large part to this decline in the investment market. These results and decisions enable PERSI to meet the mandate set by the legislature when it created PERSI to "Provide a secure retirement for public employees in Idaho".

Since inception, the cumulative funding of the plan is 58% investment income, 26% employer contributions and 16% member contributions. PERSI is viewed as a well-run and conservatively managed pension plan compared to plans nationally. This reputation stems from sound decisions made by the legislature and the PERSI Board of Trustees.

The PERSI Board of Trustees has and will continue to make appropriate choices regarding investments, contributions, and actuarial assumptions with the goal of maintaining the long-term sustainability of the plan.

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2015 WITH COMPARATIVE FINANCIAL INFORMATION FOR JUNE 30, 2014

	Pension Trust Funds				
	PERSI Base Plan	Firefighters' Retirement Fund	Judges' Retirement Fund	PERSI Choice Plan 414(k)	PERSI Choice Plan 401(k)
ASSETS					
Cash and cash equivalents	$ 3,006,864	$ 76,228	$ 485,813	$ 44,076	$ 469,054
Investments—at fair value					
Fixed income investments					
Domestic	3,134,534,259	79,464,183	17,116,845	-	-
International	36,768,582	932,127	200,783	-	-
Idaho commercial mortgages	536,960,017	13,612,577	2,932,194	-	-
Short-term investments	337,083,226	8,545,462	1,840,720	-	824,942
Real estate equities	491,426,520	12,458,249	2,683,548	-	-
Equity securities					
Domestic	5,754,026,328	145,871,432	31,421,184	-	-
International	2,769,172,087	70,201,816	15,121,701	-	-
Private equity	937,126,370	23,757,272	5,117,394	-	-
Mutual, collective, unitized funds	-	-	-	60,258,896	628,339,171
Total investments	13,997,097,389	354,843,118	76,434,369	60,258,896	629,164,113
Receivables					
Investments sold	108,125,841	2,741,119	590,446	-	-
Contributions	5,357,382	3,708	-	-	390,723
Interest and dividends	45,043,409	1,141,904	245,970	147,241	1,260,420
Total receivables	158,526,632	3,886,731	836,416	147,241	1,651,143
Assets used in plan operations - net	9,707,788	-	-	-	-
Due from other plans	13,737	-	-	-	-
Prepaid retiree benefits	61,531,000	-	-	-	-
Total assets	14,229,883,410	358,806,077	77,756,598	60,450,213	631,284,310
LIABILITIES					
Accrued liabilities	10,974,919	267,143	56,201	-	-
Benefits and refunds payable	209,765	-	-	-	-
Due to other plans	1,701,875	-	-	1,325	12,412
Advanced revenue	-	-	-	13,551	124,508
Investments purchased	225,751,279	5,723,064	1,232,767	-	-
Total liabilities	238,637,838	5,990,207	1,288,968	14,876	136,920
NET POSITION					
Net position restricted for pensions and amounts held in trust	$ 13,991,245,572	$ 352,815,870	$ 76,467,630	$ 60,435,337	$ 631,147,390

See notes to Financial Statements

Other Trust Funds			
Sick Leave Insurance Reserve Fund		Totals	
State	Schools	2015	2014
$ 31,554	$ 42,316	$ 4,155,905	$ 3,488,795
46,637,742	63,187,172	3,340,940,201	2,827,890,122
-	-	37,901,492	73,373,641
-	-	553,504,788	494,449,586
-	-	348,294,350	407,451,910
-	-	506,568,317	424,641,351
89,085,454	146,849,249	6,167,253,647	6,197,364,830
21,099,954	34,328,348	2,909,923,906	3,177,542,677
-	-	966,001,036	1,013,199,546
-	-	688,598,067	647,117,262
156,823,150	244,364,769	15,518,985,804	15,263,030,925
-	-	111,457,406	138,022,415
-	-	5,751,813	4,744,762
-	-	47,838,944	38,340,055
-	-	165,048,163	181,107,232
-	-	9,707,788	7,107,840
515,776	1,186,099	1,715,612	1,718,284
401,110	987,531	62,919,641	57,927,142
157,771,590	246,580,715	15,762,532,913	15,514,380,218
14,801	23,389	11,336,453	11,772,238
-	-	209,765	403,145
-	-	1,715,612	1,718,284
-	-	138,059	-
-	-	232,707,110	245,991,213
14,801	23,389	246,106,999	259,884,880
$ 157,756,789	$ 246,557,326	$ 15,516,425,914	$ 15,254,495,338

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2015 WITH COMPARATIVE FINANCIAL INFORMATION
FOR JUNE 30, 2014

	Pension Trust Funds				
	PERSI Base Plan	Firefighters' Retirement Fund	Judges' Retirement Fund	PERSI Choice Plan 414(k)	PERSI Choice Plan 401(k)
ADDITIONS					
Contributions					
Members	$ 211,468,780	$ 6,168	$ 629,077	$ -	$ 42,874,459
Employers	321,240,628	11,305,473	3,595,417	-	5,166,873
Transfers and rollovers in	-	-	-	-	14,575,338
Total contributions	532,709,408	11,311,641	4,224,494	-	62,616,670
Investment income					
Net appreciation in fair value of investments	97,579,801	2,461,078	526,854	776,244	9,030,653
Interest, dividends and other investment income	320,047,709	8,070,612	1,760,913	1,108,219	9,881,947
Less investment expenses	(46,547,393)	(1,173,781)	(237,872)	(206,812)	(292,409)
Total investment income - net	371,080,117	9,357,909	2,049,895	1,677,651	18,620,191
Other- net	16,767	-	2,063	-	-
Total additions	903,806,292	20,669,550	6,276,452	1,677,651	81,236,861
DEDUCTIONS					
Benefits and refunds paid to members and beneficiaries	771,067,740	19,874,275	5,577,389	2,932,845	12,729,966
Administrative expenses	6,434,462	153,719	95,733	-	-
Transfers and rollovers out	-	-	-	2,049,671	23,364,173
Total deductions	777,502,202	20,027,994	5,673,122	4,982,516	36,094,139
SPECIAL ITEM					
Transfer in of Judges' Retirement Fund	-	-	75,864,300	-	-
INCREASE/(DECREASE) IN NET POSITION	126,304,090	641,556	76,467,630	(3,304,865)	45,142,722
NET POSITION					
Beginning of year	13,864,941,482	352,174,314	-	63,740,202	586,004,668
End of year	$ 13,991,245,572	$ 352,815,870	$ 76,467,630	$ 60,435,337	$ 631,147,390

See notes to Financial Statements

Other Trust Funds			
Sick Leave Insurance Reserve Fund		Totals	
State	Schools	2015	2014
$ -	$ -	$ 254,978,484	$ 242,962,734
6,347,903	13,521,617	361,177,911	358,769,799
-	-	14,575,338	10,706,301
6,347,903	13,521,617	630,731,733	612,438,834
5,786,851	9,144,976	125,306,457	1,907,393,052
-	-	340,869,400	349,151,184
(64,166)	(101,153)	(48,623,586)	(48,596,890)
5,722,685	9,043,823	417,552,271	2,207,947,346
600	164	19,594	14,096
12,071,188	22,565,604	1,048,303,598	2,820,400,276
4,510,989	13,342,020	830,035,224	778,073,786
40,375	63,965	6,788,254	6,892,151
-	-	25,413,844	20,563,166
4,551,364	13,405,985	862,237,322	805,529,103
-	-	75,864,300	-
7,519,824	9,159,619	261,930,576	2,014,871,173
150,236,965	237,397,707	15,254,495,338	13,239,624,165
$ 157,756,789	$ 246,557,326	$ 15,516,425,914	$ 15,254,495,338

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

NOTE 1. GENERAL DESCRIPTION OF THE FUNDS

General — The Public Employee Retirement System of Idaho (the "System" or "PERSI") is the administrator of five plans including three defined benefit retirement plans, the Public Employee Retirement Fund Base Plan ("PERSI Base Plan"), the Firefighters' Retirement Fund (FRF); and the Judges' Retirement Fund (JRF); and two defined contribution plans, the Public Employee Retirement Fund Choice Plans 401(k) and 414(k) ("PERSI Choice Plan"). PERSI also administers two Sick Leave Insurance Reserve Trust Funds, one for state employers and one for school district employers.

Reporting Entity — The System is a fiduciary fund of the State of Idaho (the "State") and is included in the State of Idaho Comprehensive Annual Financial Report. The basic financial statements of the System include the financial activities of all of the above funds. A five member retirement board (the "Board"), appointed by the Governor and confirmed by the Idaho Senate, manages the System. State law requires that two members of the Board be active PERSI members with at least ten years of service and three members who are Idaho citizens not members of the system except by reason of having served on the Board. Responsibilities of the Board include selecting the funding agents, establishing funding policy, and setting contribution rates.

Defined Benefit Retirement Plans Administration — The PERSI Base Plan and FRF are both cost-sharing, multiple-employer defined benefit retirement plans that provide benefits based on members' years of service, age, and highest average salary. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries.

Statutes governing the PERSI Base Plan are Title 59, Chapter 13 of the Idaho Code. Statutes governing FRF are Title 72, Chapter 14 of the Idaho Code.

Members become fully vested in their retirement benefits with five years of credited service (5 months for elected or appointed officials). Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance for each month of credited service is 2.0% (2.3% for police/firefighters) of the average monthly salary for the highest consecutive 42 months.

Effective July 1, 2014, by statute, PERSI assumed administration of the Judges' Retirement Fund (JRF). The JRF is a single employer defined benefit plan that provides benefits based on members' years of service, age and annual compensation. Statutes governing the Judges' Retirement Fund are Title 1, Chapter 20 of the Idaho Code.

JRF members, having left office or retired, are eligible for retirement benefits based on age and years of service (a minimum of four years) as specified in statue.

Plans Membership - State agencies, school districts, cities, counties, highway districts, water and sewer districts, and other political subdivisions contribute to the System. As of June 30, 2015 and 2014, and the number of participating employer units in the PERSI Base Plan was:

	2015	2014
Cities	150	150
School districts	163	163
Highway and water districts	130	130
State subdivisions	97	95
Counties	42	42
Other	184	183
	766	763

As of June 30, 2015 and 2014, the number of benefit recipients and members in the System consisted of the following:

	2015	2014
Members:		
Active	67,008	66,223
Terminated and vested	11,859	11,504
Retirees and beneficiaries	42,657	40,776
	121,524	118,503

FRF has 22 participating employer units all consisting of fire departments also participating in PERSI. As of June 30, 2015, there were 2 active members and 535 retired members or beneficiaries, collecting benefits from FRF. The FRF covers a closed group of firefighters who were hired before October 1, 1980, and who receive benefits in addition to those provided under the Base Plan. The cost of these additional benefits is paid by FRF member and employer contributions and receipts from a fire insurance premium tax.

JRF as of June 30, 2015 had 52 active members and 95 retired members of which 92 are beneficiaries collecting benefits from JRF.

Benefits Provided - The benefit payments for the PERSI Base Plan, FRF and JRF are calculated using a benefit formula adopted by the Idaho Legislature. The Base Plan is required to provide a 1% minimum cost of living increase per year provided the Consumer Price Index increases 1% or more. The Retirement Board has the authority to provide higher PERSI Base Plan cost of living increases to a maximum of the Consumer Price Index movement or 6%, whichever is less; however, any amount above the 1% minimum is subject to review by the Idaho Legislature.

The cost of living increase for the FRF retirees is based on the increase in the statewide average firefighter’s wage for employer units who belong to the FRF plan.

Adjustments to JRF benefits are made by either the PERSI COLA as described above or by a statutory adjustment which is based on active judge’s salaries. Whether the PERSI COLA or the statutory adjustment applies depend on the date the judge first assumed office, on or before July 1, 2012 and/or by whether the judge (if it was an option available) made an irrevocable election to use the PERSI COLA.

Contributions - The PERSI Base Plan, FRF and JRF benefits are funded by contributions from members and employers and earnings from investments. Additional FRF funding is obtained from receipts from a state fire insurance premium tax. Member and employer contributions are paid as a percentage of member compensation. PERSI Base Plan, FRF and JRF member contribution rates are determined by the Board within limitations, as defined by state law. The Board may make periodic changes to employer and employee contribution rates (expressed as percentages of annual covered payroll) that are adequate to accumulate sufficient assets to pay benefits when due. Valuations are based on actuarial assumptions, the benefit formulas, and employee groups of the System. Costs of administering the fund are financed through the contributions and investment earnings of the System.

Level percentages of payroll normal costs are determined using the Entry Age Normal Cost Method for the PERSI Base Plan, FRF and JRF. Under the Entry Age Normal Cost Method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated as a level percentage of each year's earnings of the individual between entry age and assumed exit age.

The PERSI Base Plan and the JRF Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. The maximum amortization period for the Base Plan permitted under Section 59-1322, Idaho Code, is 25 years. The maximum amortization period for JRF permitted under Section 1-2004A, Idaho Code is 25 years. The payroll for employees covered by the PERSI Base Plan and JRF Plan was $2,791,109,393 and $6,149,339 respectively for the year ended June 30, 2015.

Unfunded actuarial accrued liability for FRF is the difference between the actuarial present value of the FRF benefits not provided by the Base Plan and the FRF assets. Currently FRF assets exceed this actuarial present value; therefore there is no unfunded liability to amortize at this time. The maximum amortization period for FRF permitted under Section 59-1394, Idaho Code, is 50 years. The payroll for employees covered by the FRF Plans was $199,500.

Normal cost is 14.38% of covered payroll and the amount available to amortize the unfunded actuarial liability is 4.01% of covered payroll for the PERSI Base Plan. There is no normal cost associated with FRF, and all contributions to FRF are available to pay benefits and reduce the unfunded actuarial liability. For JRF the normal cost is 48.34% of covered payroll and the amount available to amortize the unfunded actuarial liability is 17.17% of covered payroll.

The Base Plan contribution rates for employees are set by statute at 60% of the employer rate for general employees and 72% for police and firefighters. As of June 30, 2015, the employee rate was 6.79% for general employees and 8.36% for police and firefighters. The employer contribution rate is set by the Retirement Board and was 11.32% for general employees and 11.66% for police and firefighters.

The total FRF employer contribution rate through December 31, 2014 was 37.55%. This includes the employer excess rate of 25.89% plus the PERSI class 2 firefighters rate of 11.66%. As of January 1, 2015 the total employer rate was reduced to 25.31% which includes the lower employer excess rate of 13.65% plus the PERSI class 2 firefighters rate of 11.66%. The FRF member rate for the year for class B is 11.45% which is 3.09% above the class 2 rate of 8.36%.

Idaho Statute 59-1394(1)(a) requires 50% of the gross receipts by the State of the tax on fire insurance premiums, as provided by Idaho Statute 41-402 is perpetually appropriated for the purpose of partially funding the benefit requirements of Chapter 14, Title 72 of the Idaho Code (Fireman's Retirement Fund).

The JRF employee contribution rate is 18.50% of the employer contribution rate as set by the Board. As of June 30, 2015, the employee contribution rate was 10.23% and the employer contribution rate was 55.28%. Active employees who have 20 or more years of service are exempt from employee contributions.

For PERSI Base Plan employee upon termination of employment, accumulated member contributions plus interest, accrued at 15.04% from January 1, 2015 through June 30, 2015 (7.77% from July 1, 2014 through December 31, 2014) compounded monthly per annum, are refundable. Withdrawal of such accumulated contributions results in forfeiture of the member's accrued benefit; however, state law does include provisions for reinstatement of forfeited service upon repayment of the accumulated contributions plus interest.

For JRF employees with less than four years of service are entitled to a refund of accumulated member contributions plus interest, accrued at 6.50% per annum.

Defined Contribution Retirement Plans — The PERSI Choice Plans are defined contribution retirement plans. The statute governing the PERSI Choice Plans is Idaho Code Title 59, Chapter 13.

The PERSI Choice Plans are defined contribution pension plans made up of a qualified 401(k) plan and a 414(k) plan. The assets of the two plans within the PERSI Choice Plans are commingled for investment purposes. Participants direct their investment mix with some trading frequency restrictions. Through April 30, 2015 participants had twelve investment options; two balance funds, seven equity funds and three fixed income funds. Starting in May 2015, participants have fifteen investment options: two balanced funds, four fixed income funds and eight equity funds and one specialty fund. Starting in May 2015, participants investing in the Total Return Balanced Fund and the PERSI Short-Term Investment Portfolio began paying investment management fees of .27% and .11% respectively. Since inception of the plans participants have paid investment management fees for all other options. Also in May all participants started paying record keeping fees. Prior to May 2015, these fees were paid from the PERSI Base Plan.

The 401(k) portion of the PERSI Choice Plans is open to all active PERSI members. Employees can make tax-deferred contributions up to 100% of their gross salary less deductions and subject to the Internal Revenue Service (IRS) annual contribution applicable limit for the age of the employee. The 414(k) portion of the PERSI Choice Plans was established for gain sharing allocations from the PERSI Base Plan. The gain sharing amount (if any) is based on funding levels in the Base Plan and is subject to Board approval. Eligibility for Gain Sharing requires twelve months of active PERSI Base Plan membership as defined in Idaho statutes and PERSI rules.

Participants may allocate their assets in 1% increments among the investment options; however, if no allocation preference is indicated, a default investment election to the PERSI Total Return Fund (TRF) is made. The PERSI Total Return Fund is a unitized fund comprised of investment accounts of the PERSI Base Plan.

As of June 30, 2015, there were 41,937 participants, with balances in the PERSI Choice Plans. Some of these participants are in both the 401(k) Plan and the 414(k) Plan. As of June 30, 2015, the Choice Plan 401(k) had 21,939 participants, and the Choice Plan 414(k) had 26,948.

Optional Retirement Plan – Certain junior colleges and university employees participate in an optional retirement plan (ORP) in accordance with the provisions of Idaho Code 33-107(A) and (B). For university employees who opted out of PERSI in 1993, the employer by statute pays 1.49% of ORP payroll in lieu of a withdrawal liability payment to PERSI with a payoff date of July 1, 2025. The junior colleges were paid in full as of June 30, 2011.

Other Trust Funds —The Sick Leave Insurance Reserve Fund (SLIRF) is classified as a trust fund. For state and school employers, unused sick leave benefits are subject to the guidance of Governmental Accounting Standard Board (GASB) Statement 16, *Accounting for Compensated Absences* prior to the time of retirement.

The SLIRF is made up of two trust funds administered by PERSI - a trust for payment of school district employee benefits and a trust for payment of state employee benefits. The statutes governing the SLIRF are Idaho Code, Sections 67-5333, 33-1216, 59-1365, and 33-1228.

The SLIRF is a fund that exists for the payment of unused sick leave benefits in the form of insurance premiums for state employees and school district employees who separate from service by reason of retirement. The assets of the two trusts are commingled for investment purposes. The System administers these trusts on behalf of the participating employers. Employers' contributions are a percentage of payroll collected each pay cycle and are held in trust for future benefits. The school districts and the State are responsible for any unfunded benefit obligations, respectively, through contribution rate adjustments.

School District Employees — For school district employees, the unused sick leave amount available for benefit is limited to one-half of their eligible sick leave balance and rate of compensation at retirement.

State Employees — State employees are limited to the number of allowable hours of sick leave they may use as part of the unused sick leave program as follows:

Credited Hours of State Service	Maximum Allowable Sick Leave Hours
0–10,400 (0–5 years)	420
10,401–20,800 (5–10 years)	480
20,801–31,200 (10–15 years)	540
31,201+ (15 years or more)	600

Members may use one-half of sick leave hours accrued up to the allowable maximum multiplied by their rate of compensation at retirement.

The rate for state agency contributions was 0.65% of covered salary at June 30, 2015.

Contribution percentages are based on the number of days of paid sick leave earned during the contract year for certified teachers. The sick leave contribution rates for schools are as follows:

Days Earned	Beginning - June 30, 2006
9–10 days	1.16 %
11–14 days	1.26 %
More than 14 days	Individual rate to be set by the Retirement Board based on current cost and actuarial data and reviewed biennially.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting — The System's basic financial statements are prepared utilizing the accrual basis of accounting. Employee and employer contributions are recognized as additions to net position when due and receivable, pursuant to formal commitments and statutory or contractual requirements, investment income is recognized when earned, and benefit payments and refunds and other expenses are recorded when the benefits are due and payable in accordance with the plans' terms. The pension funds are accounted for on a flow of economic resources measurement focus. The significant GASB standards affecting the System are:

- GASB Statement No. 34 *Financial Statements – and Management's Discussion and Analysis for State and Local Governments,*
- GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus,*
- GASB Statement No. 38, *Certain Financial Statement Note Disclosures,*
- GASB Statement No. 40, *Deposit and Investment risk Disclosures,*
- GASB Statement No. 44*, Economic Condition Reporting: The Statistical Section,*
- GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*
- GASB Statement No.53, *Accounting and Financial Reporting for Derivative Instruments,*
- GASB Statement No.67 *Financial Reporting for Pension Plans, and*
- GASB Statement No. 69 *Government Combinations and Disposal of Government Operations.*

Investments — The System's investments are presented at fair value. Purchases and sales are recorded at the trade date. At month end, there may be certain pending trades that were initiated by managers but not confirmed and, therefore, are not included in the fair value of investments. Investments of the PERSI Base Plan, FRF, JRF and the PERSI TRF (an option of the PERSI Choice Plan) are pooled for investment purposes as is disclosed in Note 3.

The Board utilizes and directs individual fund managers to provide whatever investment management and custodial functions the Board has determined best achieves the System's investment objectives. Each fund manager is generally granted full discretion in making investment decisions, within asset allocation policy, portfolio investment policy, specific investment guidelines and other special restrictions set by contract with the Board. The Board monitors overall investment performance and periodically evaluates the performance of each fund manager. The Board in its administration of the System and management of the investment program is guided by the Idaho Uniform Prudent Investor Act, Sections 68-501 through 68-514 of the Idaho Code and of fiduciary responsibilities in the Idaho Code, Section 59-1301, and is empowered in its sole discretion to limit, control, and designate the types and amounts of investments. The Board has adopted an investment policy including policy related to deposit and investment risks identified in GASB Statement No. 40, *Deposit and Investment Risk Disclosures*.

The fair value of investments is based on published market prices and quotations from major investment brokers, when available. Mortgages have been valued on the basis of their future principal and interest payments discounted at prevailing interest rates for similar instruments of matching duration. The fair value of real estate investments is based on industry practice. For recent acquisitions, cost closely approximates fair value. The fair value of longer term real estate holdings is estimated based on the System's consultant assessments and/or independent appraisals. Short-term investments are reported at market value, when published market prices and quotations are available, or at cost plus accrued interest, which approximate market value. The fair values of private equity limited partnership investments by their nature have no readily ascertainable market prices. Similar to real estate, cost closely approximates fair value for recent acquisitions. Thereafter, the fair values of limited partnership funds are based on the valuations as presented by the general partner, approved by the funds' advisory committee, and reviewed by consultants. Generally, the companies within a fund are valued by the general partner, taking into account many factors such as the purchase price, estimated liquidation value, significant events like initial public offerings, bankruptcies, and additional rounds of financing, and other relevant factors. Because of the lack of published market prices for these investments, the estimated fair values may differ significantly from the values that would have been used had a ready market for the investments existed. Although these differences could be material to the individual company values, private equity represents 6.9% of total investments. PERSI’s real estate and commercial mortgage investments are 4.1% and 3.9%, respectively of total investments.

Investment expenses presented within the statement of changes in plan fiduciary net position do not include fees and costs for private equity investments nor does it include fees and commissions related to public equity transactions. These fees and costs are presented, for information purposes, within the Investment Section of PERSI's Comprehensive Annual Financial Report in the Schedule of Costs for Private Equity Partnerships and the Schedule of Broker Fees and Commissions. These costs are captured within the net asset value for investments as reported in the statement of plan net position and the statement of changes in plan fiduciary net position.

The System purchases forward currency contracts for certain international investments and United States of America agency-guaranteed collateralized mortgage obligations for the purpose of enhancing liquidity, reducing transaction or other costs, or partially hedging an existing exposure. The System may incur minor recording costs for forward contracts until the settlement date. Potential future obligations for the forward contracts are not recognized until the contract expiration date.

The following is the Board’s adopted asset allocation policy (adopted June 2012) as of June 30, 2015 and 2014:

Asset Class	2015	2014
Fixed Income	30%	30%
US/Global Equity	55%	55%
International Equity	15%	15%
Cash	0%	0%
Total	100%	100%

Use of Estimates — The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of net assets and liabilities, disclosure of contingent liabilities, and the actuarial present value of accumulated plan benefits at the date of the financial statements. Actual results could differ from those estimates. The System utilizes various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the financial statements.

Assets Used in Plan Operations — These assets represent buildings, equipment, and computer software development costs used by the System and are recorded at cost. Depreciation and amortization are calculated on the straight-line method over the estimated useful lives of the assets. The estimated useful life for buildings is 30-50 years. The estimated useful life of computer software development costs is 10-15 years. Computer and technology equipment has a 3-5 year useful life.

Totals — The basic financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the System's basic financial statements for the year ended June 30, 2014, from which the summarized information was derived.

Advanced Revenues — Advanced revenue represents the difference between fees collected from the Choice Plan participants and fees paid for recordkeeping and administrative expenses.

Special Item — Special Item consist of the transfer of the Judges Retirement Fund to PERSI. Through legislative action the administration of the JRF plan was transferred to PERSI effective July 1, 2014.

NOTE 3. DEPOSITS AND INVESTMENTS

A. Deposits

Cash and cash equivalents are deposited with various financial institutions and are carried at cost plus accrued interest. Cash balances represent operating cash accounts held by various banks and on deposit with the State Treasurer. In accordance with Idaho Code Sections 67-1210 and 67-1210A, the State Treasurer invests cash not needed to meet immediate obligations in the pooled Idle Short-Term Fund. Deposits are held by its agent in the State Treasurer's name. Pooled balances are available on demand. Cash deposits in other bank accounts are covered by federal depository insurance up to $250,000. The System does not have a policy for custodial credit risk related to cash on deposit at local financial institutions.

Cash and cash equivalents		
Held by the State Treasurer	$	2,841,302
FDIC insured/collateralized		1,087,791
Uninsured and uncollateralized		226,812
Total	$	4,155,905

B. Investments

Investments of the pension trust funds are reported at fair value. See Note 2 for more details. The Board of Trustees maintains a formal Statement of Investment Policy, which addresses governing provisions and additional guidelines for the investment process. This includes policies pertaining to asset allocation. Refer to Note 2 for additional asset allocation information. In fulfilling its responsibilities, the Board of Trustees has contracted with investment managers, a master global custodian, other custodians, and a cash manager. Manager contracts include specific guidelines regarding the PERSI investments under management.

The following investments, risks disclosures and rate of return do not include assets from the SLIRF or other non TRF Choice Plan options:

- Derivatives
- Mortgage-Backed Securities
- TIPS
- Custodial Credit Risk
- Concentration of Credit Risk
- Foreign Currency Risk

Investments at fair value as of June 30, 2015 are as follows:

Investment Table

Domestic fixed income	$ 3,231,115,287
Co-mingled domestic fixed income (Sick Leave Insurance Reserve Fund)	109,824,914
International fixed income	37,901,492
Idaho commercial mortgages	553,504,788
Short-term investments	348,294,350
Real estate	506,568,317
Domestic equities	5,931,318,944
Co-mingled domestic equity (Sick Leave Insurance Reserve Fund)	235,934,703
International equities	2,854,495,604
Co-mingled international equity (Sick Leave Insurance Reserve Fund)	55,428,302
Private equity	966,001,036
Mutual, collective, and unitized funds	688,598,067
Total Investments	$ 15,518,985,804

Concentrations - In line with policy, the System does not have any investments from a single issuer (excluding explicitly guaranteed governments) that represent more than 5% of the System's net assets.

Derivatives — Derivatives are financial obligations whose value is derived from underlying debt or equity securities, commodities, or currencies. Any derivative instruments held by PERSI are for investment purposes only and all information is disclosed within the GASB 40 footnotes. The derivatives held by PERSI are reported in the US dollar denomination. They are designed, among other things, to help investors protect themselves against the risk of price changes. In accordance with its investment policy, the System, through its external investment managers, holds investments in futures, options, and forward foreign currency contracts. Only a few selected managers are permitted to use derivatives. In every case, the types of derivatives used and limits on their use are defined in manager contracts and are monitored on an ongoing basis.

Futures contracts are contracts for delayed delivery or receipt of securities in which the seller agrees to make delivery and the buyer agrees to take delivery at a specified future date, of a specified instrument, at a specified price. Market risk arises due to market price and interest rate fluctuations that may result in a decrease in the fair value of futures contracts. Futures contracts are traded on organized exchanges and require initial margin in the form of cash or marketable securities. Each day the net change in the futures contract value is settled in cash with the exchanges. Holders of futures contracts look to the exchange for performance under the contract. Accordingly, the credit risk due to the nonperformance of counterparties to futures contracts is minimal. At June 30, 2015, the System had futures contracts with a fair value of $(168,963) which is included in fixed income investments. Cash equivalents and short-term investments in amounts necessary to settle the futures contracts were held in the portfolio so that no leverage was employed, in accordance with the System's Statement of Investment Policy.

At June 30, 2015, the System had the following net futures contracts exposure:

	Exposure covered by contract
Cash and Cash Equivalents	
90 Day Eurodollar	$ (341,468,738)
Euro Foreign Currency	(418,350)
Total Cash and Cash Equivalents	(341,887,088)
Fixed Income	
US Treasury bond	61,845,938
US Ultra Bond	4,775,938
EURO BTP (Buoni del Tesora Poliennali)	2,756,520
EURO-Bund	(5,080,752)
US 10yr Treasury Note	(42,772,266)
US 5yr Treasury Note	4,054,766
US 2yr Treasury Note	(656,813)
Total Fixed Income	24,923,331
Net Futures Exposure	$ (316,963,757)

Option contracts are contractual agreements giving the purchaser the right, but not the obligation, to purchase or sell a financial instrument at a specified price within a specified time. The option's price is usually a small percentage of the underlying asset's value. Options strategies used by the System are designed to provide exposures to positive market moves and limit exposures to interest rate and currency fluctuations. At June 30, 2015, the Base Plan, TRF, JRF, and FRF had option contracts payable with a fair value of $30,328, which is included in Domestic Fixed Income and $350,170 which is included in Investments Purchased. At June 30, 2015, the System had the following options contract exposure:

	Exposure covered by contract
Fixed Income	
Fixed Income-Purchased Call Options	$ 28,500
Fixed Income-Purchased Put Options	1,828
	30,328
Investments Purchased	
Cash/Cash Equivalents-Written Call Options	(4,419)
Cash/Cash Equivalents-Written Put Options	(7,275)
Fixed Income-Written Call Options	(317,195)
Fixed Income-Written Put Options	(21,281)
	(350,170)
Net Option Exposure	$ (319,842)

Forward Foreign Currency Exchange Contracts are carried at fair value by the System. The System has entered into foreign exchange contracts to purchase or sell currency at various dates in the future at a specific price. Some of the System's international and real estate investment managers use forward contracts to hedge the exposure of investments to fluctuations in foreign currency. Forward foreign exchange contracts are negotiated between two counterparties. The System could sell the forward contract at a loss, or if it were to continue to hold the contract, the System may make a termination payment to the counterparty to cancel its obligation under the contract and then buy the currency on the open market. The System could also incur a loss if its counterparties failed to perform pursuant to the terms of their contractual obligations. Controls are established by the System and the investment managers to monitor the creditworthiness of the counterparties. The System's investment managers seek to control this risk through counterparty credit evaluations and approvals, counterparty credit limits, and exposure monitoring procedures. As of June 30, 2015, the System had entered into forward currency contracts to sell foreign currencies with a fair value of $59,430,470 and had entered into forward currency contracts to buy foreign currencies with a fair value of $59,157,383. Forward currency contracts are receivables or payables reported as investments sold or investments purchased. Net unrealized gain of $200,649 at June 30, 2015 were recorded, which represent the gain which would occur from executing these forward foreign currency contracts.

Mortgage-Backed Securities — These investments are valued based on the cash flows from interest and principal payments on the underlying mortgages. As a result, they are sensitive to prepayments, which are likely to occur in declining interest rate environments, thereby reducing the value of the securities. Details regarding interest rate risk for these investments are included in the Interest Rate Risk section F on page 45 and 46.

TIPS — Treasury Inflation Protected Securities (TIPS) are fixed income securities issued by the U.S. Treasury that pay a fixed coupon rate plus an adjustment for subsequent inflation. At June 30, 2015, the System had invested in TIPS with a fair value of $1,457,178,543.

C. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the System. The System's investment policies requires each portfolio manager to maintain a reasonable credit risk level relative to its benchmark and provided 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.

As of June 30, 2015, the System's fixed income assets that are not government guaranteed represented 43.7% of the fixed income portfolio. The System's fixed income assets are shown with current credit ratings in the table on the next page.

Credit Quality S&P Rating Level	Base Plan Domestic	Base Plan International	JRF Domestic	JRF International	Total Return Fund Domestic	Total Return Fund International	Total
Short Term							
A-1	$ 57,309,148	$ -	$ 305,213	$ -	$ 2,255,560	$ -	$ 59,869,921
Long Term							
AAA	68,407,923	7,064,011	364,321	37,621	2,692,383	278,024	78,844,283
AA*	378,299,874	2,060,854	2,014,718	10,976	14,889,041	81,111	397,356,574
A	363,633,733	17,969,162	1,936,610	95,699	14,311,814	707,226	398,654,244
BBB	285,481,967	4,221,817	1,520,396	22,484	11,235,934	166,161	302,648,759
BB	10,165,644	-	54,139	-	400,097	-	10,619,880
B	7,206,740	-	38,381	-	283,641	-	7,528,762
CCC	4,722,249	-	25,149	-	185,857	-	4,933,255
CC	2,986,041	-	15,903	-	117,524	-	3,119,468
C	10,458	-	56	-	412	-	10,926
D	1,987,527	-	10,585	-	78,225	-	2,076,337
Not rated	210,072,162	6,381,537	1,118,785	33,986	8,267,972	251,163	226,125,605
Total Credit Risk fixed income securities	1,390,283,466	37,697,381	7,404,256	200,766	54,718,460	1,483,685	1,491,788,014
U.S. Government	2,154,554,607	-	11,474,548	-	84,798,469	-	2,250,827,624
Pooled Investments (unrated)	13,505,734	-	71,928	-	531,556	-	14,109,218
Pooled Investments- SLIRF (unrated)	-	-	-	-	-	-	109,824,914
Idaho Mortgages	550,572,594	-	2,932,194	-	21,669,311	-	575,174,099
Total	$ 4,108,916,401	$ 37,697,381	$ 21,882,926	$ 200,766	$ 161,717,796	$ 1,483,685	$ 4,441,723,869

*Includes US Government Agencies implicitly guaranteed by US Government:
FFCB $52,059,588; FHLMC $65,235,237; FNMA $93,677,119

Each portfolio is managed in accordance with operational guidelines that are specific as to expected portfolio characteristics that usually, but not always, include credit quality and exposure levels. The System's investment policy requires managers to 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.

D. Custodial Credit Risk

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. The System mitigates custodial credit risk by requiring in policy, to the extent possible, that investments be clearly marked as to PERSI ownership and be registered in the System's name. All securities are required to be delivered to a third-party institution mutually agreed upon by the bank and the System.

The System's cash and deposits are swept daily by the System's custodian and cash manager into short-term investment funds. Clearwater Advisors, LLC is the System's cash manager and invests the bulk of the System's cash, approximately 93.6%, in short-term instruments held at the custodian bank. Of the remaining cash and deposits at June 30, 2015, approximately 2.2% or, $7,907,586, was held by various counterparties not in the System's name. The remainder, approximately 4.2%, is invested in custodial bank-maintained collective investment funds.

E. Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government's investment in a single issuer. The System's operational guidelines for investments in any corporate entity are stated in each individual manager's specific portfolio guideline.

Per the Systems Investment policy, managers will provide expected concentration of credit risk exposures in their portfolio guidelines. If the concentration of credit risk exceeds expectations, managers are 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 exceeds 5% of the System's invested assets.

F. Interest Rate Risk

Market or interest rate risk is the greatest risk faced by an investor in the debt securities market. The price of a debt security typically moves in the opposite direction of the change in interest rates. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. This risk is managed within the portfolio using the effective duration methodology. The methodology takes into account optionality on bonds and scales the risk of price changes on bonds depending upon the degree of change in rates and the slope of the yield curve. All of the System's fixed income portfolios are managed in accordance with operational guidelines which include an expected range of interest rate risk in the portfolio. Per the System's investment 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. The reporting of effective duration found in the tables that follow quantifies the interest rate risk of the System's fixed income assets. Some of the large durations are due to the use of options and forward foreign currency contracts. For line items below reported as "N/A," the duration calculation is not available. A negative duration can occur when floating rate securities trade at a discount.

Effective duration of domestic fixed income assets by security type:

Investment	Effective Duration in Years	Fair Value Allocations			Total
		DB Plan	Judges' Plan	Total Return Fund	
Asset-backed Securities	(0.05)	$ 5,374,869	$ 28,624	$ 211,539	$ 5,615,032
Asset-backed Securities	N/A	694,138	3,697	27,320	725,155
Mortgages	2.51	17,092,474	91,030	672,722	17,856,226
Mortgages	N/A	5,860,468	31,211	230,655	6,122,334
Commercial Paper	0.27	57,309,148	305,212	2,255,560	59,869,920
Corporate Bonds	7.25	821,181,829	4,373,381	32,319,888	857,875,098
Corporate Bonds	N/A	553,480	2,948	21,784	578,212
Fixed Income Derivatives	4.55	(198,370)	(1,056)	(7,807)	(207,233)
Fixed Income Derivatives	N/A	(301,880)	(1,608)	(11,881)	(315,369)
Government Agencies	7.44	90,521,869	482,094	3,562,739	94,566,702
Government Agencies	N/A	333,223	1,775	13,115	348,113
Government Bonds	6.41	760,702,924	4,051,289	29,939,573	794,693,786
Government MBS*	1.78	227,527,204	1,211,746	8,954,964	237,693,914
Government MBS*	N/A	23,324,353	124,219	917,995	24,366,567
Pooled Investments	0.08	13,505,735	71,928	531,556	14,109,219
Pooled Investments	N/A	N/A	N/A	N/A	109,824,914
Private Placements	4.98	38,995,592	207,679	1,534,780	40,738,051
Private Placements	N/A	101,015,050	537,978	3,975,727	105,528,755
TIPS	8.50	1,394,851,702	7,428,585	54,898,256	1,457,178,543
Idaho Mortgages	N/A	550,572,593	2,932,194	21,669,311	575,174,098
Total		$ 4,108,916,401	$21,882,926	$161,717,796	$4,402,342,037

* (MBS - Mortgage-backed Securities)

Effective duration of international fixed income assets by security type:

Asset Backed Securities	1.49	$	244,720	$	1,304	$	9,632	$	255,656
Corporate Bonds	2.96		5,330,568		28,389		209,799		5,568,756
Government Bonds	6.69		32,125,421		171,091		1,264,385		33,560,897
Government Bonds	N/A		(3,328)		(18)		(131)		(3,477)
Total		$	37,697,381	$	200,766	$	1,483,685	$	39,381,832

G. Foreign Currency Risk

Foreign currency risk is the risk that changes in currency exchange rates will adversely impact the fair value of an investment. The System’s currency risk exposures, or exchange rate risk, primarily reside within the international equity investment holdings. The System expects the managers of these holdings to maintain adequately diversified portfolios to limit foreign currency risk. Per the System’s investment policy, the individual manager guidelines will outline the expected current 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. Currency gains and losses will result from exchange rate fluctuations. The System’s exposure to foreign currency risk expressed in U.S. dollars as of June 30, 2015, is highlighted in the table that follows. Negative fair values related to variable-rate debt instruments that are highly sensitive to changes in interest rates.

CURRENCY	Short-term Investments	Equity	Fixed Income	Total USD Equivalent Fair Value
AUSTRALIAN DOLLAR	$ (4,037,671)	$ 52,528,387	$ 4,084,453	$ 52,575,169
BRAZIL REAL	128,060	104,313,181	1,467,318	105,908,559
CANADIAN DOLLAR	(754,180)	33,326,851	1,810,095	34,382,766
CHILEAN PESO	2,720	7,793,017	-	7,795,737
CHINESE YUAN RENMINBI	-	34,025	-	34,025
COLOMBIAN PESO	35,670	3,390,372	-	3,426,042
CZECH KORUNA	1,442	5,459,971	-	5,461,413
DANISH KRONE	(15,520)	24,540,293	-	24,524,773
EGYPTIAN POUND	142,671	2,165,087	-	2,307,758
EURO CURRENCY UNIT	(13,663,866)	580,967,397	9,176,884	576,480,415
HONG KONG DOLLAR	2,169,520	422,464,755	-	424,634,275
HUNGARIAN FORINT	299	3,130,947	-	3,131,246
INDONESIAN RUPIAH	26,013	15,760,400	-	15,786,413
ISRAELI SHEKEL	53,062	11,974,197	-	12,027,259
JAPANESE YEN	1,496,308	389,058,133	-	390,554,441
KENYAN SHILLING	(1,213,748)	1,749,733	-	535,985
MALAYSIAN RINGGIT	136,045	29,707,934	-	29,843,979
MEXICAN NEW PESO	(7,267,993)	40,500,119	12,296,071	45,528,197
MOROCCAN DIRHAM	-	349,064	-	349,064
NEW TAIWAN DOLLAR	280,556	136,758,324	-	137,038,880
NEW TURKISH LIRA	66,873	29,334,872	-	29,401,745
NEW ZEALAND DOLLAR	6,364	656,988	-	663,352
NORWEGIAN KRONE	48,234	4,766,397	-	4,814,631
PHILIPPINES PESO	20,168	11,180,230	-	11,200,398
POLISH ZLOTY	(5,161,799)	10,584,792	5,249,249	10,672,242
POUND STERLING	(5,163,883)	501,982,290	5,670,351	502,488,758
RUSSIAN RUBLE (NEW)	6,379	18,050,051	-	18,056,430
S AFRICAN COMM RAND	187,773	94,911,023	-	95,098,796
SINGAPORE DOLLAR	5,095	35,337,754	-	35,342,849
SOUTH KOREAN WON	(117,231)	216,841,517	-	216,724,286
SRI LANKA RUPEE	-	388,450	-	388,450
SWEDISH KRONA	12,097	45,291,001	-	45,303,098
SWISS FRANC	1,800,378	155,596,932	-	157,397,310
THAILAND BAHT	(23,867)	30,845,311	-	30,821,444
Total value of investments subject to foreign currency risk	$ (30,794,031)	$ 3,021,739,795	$ 39,754,421	$ 3,030,700,185

H. Rate of Return

For the years ended June 30, 2015 and 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 2.75 percent and 16.89 percent, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE 4. NET PENSION LIABILITY

The components of the net pension liability of the participating employers as of June 30, 2015 is as follows:

	PERSI Base Plan 2015	FRF 2015	JRF 2015
Total pension liability	$ 15,273,500,000	$ 298,805,178	$ 96,851,839
Plan fiduciary net position	13,956,662,675	352,815,870	76,467,630
Employers' net pension liability (asset)	$ 1,316,837,325	$ (54,010,692)	$ 20,384,209
Plan fiduciary net position as a percentage of total pension liability	91.38%	118.08%	78.95%

	PERSI Base Plan 2014	FRF 2014	JRF 2014
Total pension liability	$ 14,569,300,000	$ 314,400,000	$ -
Plan fiduciary net position	13,833,143,496	352,174,314	-
Employers' net pension liability (asset)	$ 736,156,504	$ (37,774,314)	$ -
Plan fiduciary net position as a percentage of total pension liability	94.95%	112.01%	-

The net pension liability is calculated using a discount rate of 7.1%, which is the expected rate of return on investments reduced by investment expenses. The unfunded liability as reported in Management's Discussion and Analysis is calculated using 7.0%, which is the expected rate of return on investments reduced by investment and administrative costs. The net pension liability was determined by an actuarial valuation as of July 1, 2015, applied to all prior periods included in the measurement. Actuarial valuation involves estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. An experience study was performed in 2012 for the period July 1, 2007 through June 30, 2011 which reviewed all economic and demographic assumptions other than mortality. Mortality and all economic assumptions were studied in 2014 for the period from July 1, 2009 through June 30, 2013.

The Schedule of Employers' Net Pension Liability presents information about whether the plan fiduciary net positions are increasing or decreasing over time relative to the total pension liability. These schedules are presented in the Required Supplementary Information section. The Total Pension Liability as of June 30, 2015 is based on the results of an actuarial valuation date of July 1, 2015.

Actuarial Assumptions – The following are the actuarial assumptions and the entry age normal cost method, applied to all periods included in the measurement:

Actuarial Assumptions	PERSI Base Plan	FRF	JRF
Inflation	3.25 percent	3.25 percent	3.25 percent
Salary increases	4.25-10.00 percent	3.75 percent	3.75 percent
Salary inflation	3.75 percent	3.75 percent	3.75 percent
Investment rate of return *	7.10 percent	7.10 percent	7.10 percent
Cost of Living (COLA) adjustments	1.00 percent	3.75 percent	**

*net of pension plan investment expense

**3.75 percent or 1.00 percent depending on whether the member was hired on or before July 1, 2012 and by whether the judge (if it was an option available) made an irrevocable election to use the PERSI COLA

Mortality rates were based on the RP – 2000 combined table for healthy males or females as appropriate with the following offsets:

- Set back 3 years for teachers
- No offset for male fire and police
- Forward one year for female fire and police
- Set back one year for all general employees and all beneficiaries

The long-term expected rate of return on pension plan investments was determined using the building block approach and a forward-looking model in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Even though history provides a valuable perspective for setting the investment return assumption, we rely primarily on an approach which builds upon the latest capital market assumptions. Specifically, the Retirement Board uses Callan Associates capital market assumptions in analyzing the System's asset allocation. The assumptions and the System's formal policy for asset allocation are shown below. The formal asset allocation policy is somewhat more conservative than the current allocation of PERSI's assets.

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per Callan Associates investment consulting as of January 1, 2014.

Capital Market Assumptions

Asset Class	Index	Target Allocation	Long-term expected real rate of return *
Core Fixed Income	Barclays Aggregate	30.00%	0.80%
Broad US Equities	Russell 3000	55.00%	6.90%
Developed Foreign Equities	MSCI ACWI ex USA	15.00%	7.55%

* Arithmetic return

Actuarial Assumptions

Assumed Inflation - Mean	3.25%
Assumed Inflation - Standard Deviation	2.00%
Portfolio Arithmetic Mean Return	8.42%
Portfolio Long-Term Expected Geometric Rate of Return	7.50%
Assumed Investment Expenses	0.40%
Long-Term Expected Geometric Rate of Return, Net of Investment Expenses	**7.10%**

Discount rate – The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the pension plans' net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

Sensitivity of the net pension liability (asset) to changes in the discount rate – The following presents the net pension liability (asset) of PERSI, FRF and JRF employers calculated using the discount rate of 7.10% as well as what the employers' liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Employers' net pension liability (asset) - PERSI	$ 3,207,337,325	$ 1,316,837,325	$ (254,862,675)
Employers' net pension (asset) - FRF	(20,891,772)	(54,010,692)	(81,927,166)
Employers' net pension liability - JRF	30,368,284	20,384,209	11,861,183

NOTE 5. ASSETS USED IN PLAN OPERATIONS

Assets used in plan operations at June 30, 2015, consist of the following:

	2015	2014
Buildings and improvements	$ 5,515,888	$ 5,515,888
Less accumulated depreciation	(4,124,276)	(3,963,581)
Total buildings and improvements	1,391,612	1,552,307
Computer software development - Galena	6,331,360	6,331,360
Less accumulated amortization	(6,331,360)	(6,331,360)
Total computer software development - Galena	-	-
Equipment	524,044	481,849
Less accumulated depreciation	(469,480)	(443,544)
Total equipment	54,564	38,305
Computer software development - IRIS	1,077,517	1,077,517
Less accumulated amortization	(307,398)	(165,522)
Total computer software development - IRIS	770,119	911,995
Equipment - IRIS	254,114	254,114
Less accumulated depreciation	(108,354)	(57,532)
Total equipment	145,760	196,582
Computer software development-in progress - IRIS	7,345,733	4,408,651
Total assets used in plan operations	$ 9,707,788	$ 7,107,840

Depreciation expense is a component of administrative expense. For the year ended June 30, 2015, depreciation expense on the buildings and improvements was $160,695. The equipment had a total depreciation expense of $76,758 for 2015. In January 2012 development began on the Idaho Retirement Information System (IRIS) system. Costs of the IRIS system are being capitalized and are amortized as each phase is implemented. Beginning May 2013, the Employer Reporting component of IRIS began being amortized over 10 years. Amortization for 2015 was $141,876. Equipment purchased for IRIS began being depreciated in May 2013 over 5 years. The balance on contracts pertaining to the completion of the IRIS project at June 30, 2015 was $4.3 million.

NOTE 6. OTHER POST EMPLOYMENT BENEFITS

The State funds, or partially funds, postemployment benefits relating to health, disability, and life insurance. Employees of PERSI participate in the State of Idaho's postemployment benefit programs. The State administers the retiree healthcare plan which allows eligible retirees to purchase healthcare insurance coverage for themselves and eligible dependents. The State provides long-term disability income benefits for active employees who become disabled, generally up to a maximum age of 70. The State provides basic life and dependent life coverage for disabled employees, generally up to a maximum age of 70. For up to 30 months following the date of disability, an employee is entitled to continue healthcare coverage. Benefits costs are paid by PERSI through a rate charged by the State. The primary government (State of Idaho) is reporting the liability for the retiree healthcare and long term disability benefits. Specific details of these other postemployment benefits are available in the Comprehensive Annual Financial Report of the State of Idaho which may be accessed at www.sco.idaho.gov.

NOTE 7. COMMITMENTS

The System had unfunded private equity commitments as of June 30, 2015 of $652,809,629 and €70,223,219.

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PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2015

PUBLIC EMPLOYEE RETIREMENT FUND, FIREFIGHTERS' RETIREMENT FUND AND JUDGES' RETIREMENT FUND

SCHEDULE OF CHANGES IN NET PENSION LIABILITY
FISCAL YEAR ENDING JUNE 30

PERSI Base Plan

	2015	2014
Total pension liability changes for the year		
Service cost	$ 384,419,252	$ 376,800,000
Interest	1,045,505,462	992,942,358
Effect of plan changes	150,400,000	(1,300,000)
Effect of ecomonic/demographic gains or losses	(105,531,304)	(111,248,209)
Effect of assumptions changes or inputs	-	74,600,000
Benefit payments, including refunds of member contributions	(770,593,410)	(729,094,149)
Net change in total pension liabilities	704,200,000	602,700,000
Total pension liability - beginning	14,569,300,000	13,966,600,000
Total pension liability - ending	15,273,500,000	14,569,300,000
Plan net position		
Contributions - employer	321,240,628	310,986,283
Contributions - employee	211,468,780	203,890,954
Net investment income	367,820,877	2,000,619,926
Other	16,767	-
Benefit payments, including refunds of member contributions	(770,593,410)	(729,094,149)
Administrative expense	(6,434,462)	(6,787,811)
Net change in plan net position	123,519,180	1,779,615,203
Plan net position - beginning	13,833,143,496	12,053,528,293
Plan net position - ending	13,956,662,675	13,833,143,496
Plan net pension liability - ending	$ 1,316,837,325	$ 736,156,504

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

PUBLIC EMPLOYEE RETIREMENT FUND, FIREFIGHTERS' RETIREMENT FUND AND JUDGES' RETIREMENT FUND

SCHEDULES OF CHANGES IN NET PENSION LIABILITY
FISCAL YEAR ENDING JUNE 30

Firefighters' Retirement Fund

	2015	2014
Total pension liability changes for the year		
Service cost	$ -	$ -
Interest	21,479,861	21,888,712
Effect of plan changes	(2,100,000)	-
Effect of ecomonic/demographic gains or losses	(15,100,408)	(5,629,912)
Effect of assumptions changes or inputs	-	-
Benefit payments, including refunds of member contributions	(19,874,275)	(19,958,800)
Net change in total pension liabilities	(15,594,822)	(3,700,000)
Total pension liability - beginning	314,400,000	318,100,000
Total pension liability - ending	298,805,178	314,400,000
Plan net position		
Contributions - employer	11,305,473	14,200,323
Contributions - employee	6,168	9,095
Net investment income	9,357,909	50,966,862
Benefit payments, including refunds of member contributions	(19,874,275)	(19,958,800)
Administrative expense	(153,719)	-
Net change in plan net position	641,556	45,217,480
Plan net position - beginning	352,174,314	306,956,837
Plan net position - ending	352,815,870	352,174,314
Plan net pension liability - ending	$ (54,010,692)	$ (37,774,314)

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

PUBLIC EMPLOYEE RETIREMENT FUND, FIREFIGHTERS' RETIREMENT FUND AND JUDGES' RETIREMENT FUND

SCHEDULES OF CHANGES IN NET PENSION LIABILITY
FISCAL YEAR ENDING JUNE 30

Judges' Retirement Fund

	2015	2014
Total pension liability changes for the year		
Transfer in from JRF	$ 92,302,982	$ -
Service cost	3,251,679	-
Interest	6,589,779	-
Effect of ecomonic/demographic gains or losses	284,788	-
Benefit payments, including refunds of member contributions	(5,577,389)	-
Net change in total pension liabilities	96,851,839	-
Total pension liability - beginning	-	-
Total pension liability - ending	96,851,839	-
Plan net position		
Contributions - employer	3,595,417	-
Contributions - employee	629,077	-
Net investment income	2,049,895	-
Transfer in	75,864,300	-
Other	2,063	-
Benefit payments, including refunds of member contributions	(5,577,389)	-
Administrative expense	(95,733)	-
Net change in plan net position	76,467,630	-
Plan net position - beginning	-	-
Plan net position - ending	76,467,630	-
Plan net pension liability - ending	$ 20,384,209	$ -

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

PUBLIC EMPLOYEE RETIREMENT FUND, FIREFIGHTERS' RETIREMENT FUND AND JUDGES' RETIREMENT FUND

SCHEDULE OF NET PENSION LIABILITY
FISCAL YEAR ENDING JUNE 30

PERSI Base Plan	2015	2014
Total Pension Liability	$ 15,273,500,000	$ 14,569,300,000
Plan net position	13,956,662,675	13,833,143,496
Net pension liability (asset)	$ 1,316,837,325	$ 736,156,504
Plan net position as a percentage of total pension liability	91.38%	94.95%
Covered employee payroll	$ 2,791,109,393	$ 2,702,945,352
Net pension liability as a percentage of covered employee payroll	47.18%	27.24%

Firefighters' Retirement Fund	2015	2014
Total Pension Liability	$ 298,805,178	$ 314,400,000
Plan net position	352,815,870	352,174,314
Net pension liability (asset)	$ (54,010,692)	$ (37,774,314)
Plan net position as a percentage of total pension liability	118.08%	112.01%
Covered employee payroll	$ 63,780,545	$ 63,017,405
Net pension liability (asset) as a percentage of covered employee payroll	-84.68%	-59.94%

Judges' Retirement Fund	2015	2014
Total Pension Liability	$ 96,851,839	$ -
Plan net position	76,467,630	-
Net pension liability (asset)	$ 20,384,209	$ -
Plan net position as a percentage of total pension liability	78.95%	0.00%
Covered employee payroll	$ 6,149,339	$ -
Net pension liability as a percentage of covered employee payroll	331.49%	0.00%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

PUBLIC EMPLOYEE RETIREMENT FUND, FIREFIGHTERS' RETIREMENT FUND AND JUDGES' RETIREMENT FUND

SCHEDULE OF CONTRIBUTIONS
FISCAL YEARS 2006-2015

PERSI BASE PLAN

Fiscal Year	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
2006	$ 238,044,423	$ 250,816,313	$ (12,771,890)	$ 2,343,466,009	10.70%
2007	235,473,617	259,489,787	(24,016,170)	2,420,984,935	10.72%
2008	251,362,544	273,335,059	(21,972,515)	2,578,933,669	10.60%
2009	232,091,865	284,608,663	(52,516,798)	2,683,535,923	10.61%
2010	260,316,830	284,932,419	(24,615,589)	2,684,360,943	10.61%
2011	326,554,992	279,174,844	47,380,148	2,627,850,654	10.62%
2012	327,832,536	277,143,887	50,688,649	2,619,568,411	10.58%
2013	295,502,818	285,440,860	10,061,958	2,697,575,738	10.58%
2014	325,041,599	310,986,283	14,055,316	2,702,945,352	11.51%
2015	327,101,958	321,240,628	5,861,330	2,791,109,393	11.51%

Firefighters' Retirement Fund

Fiscal Year	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
2006	$ 6,455,083	$ 12,022,203	$ (5,567,120)	$ 45,012,038	26.71%
2007	5,033,291	12,119,173	(7,085,882)	47,638,976	25.44%
2008	1,826,307	12,870,406	(11,044,099)	52,097,173	24.70%
2009	1,826,307	13,215,989	(11,389,682)	55,747,655	23.71%
2010	7,959,283	13,542,331	(5,583,048)	58,360,452	23.20%
2011	7,959,238	13,313,715	(5,354,477)	59,337,447	22.44%
2012	1,666,127	13,486,309	(11,820,182)	59,883,692	22.52%
2013	1,666,127	14,227,314	(12,561,187)	62,969,139	22.59%
2014	1,119,619	14,200,323	(13,080,704)	63,017,405	22.53%
2015	-	11,305,473	(11,305,473)	63,780,545	17.73%

Judges' Retirement Fund

Fiscal Year	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
2015	$ 3,492,825	$ 3,595,417	$ (102,592)	$ 6,149,339	58.47%

PUBLIC EMPLOYEE RETIREMENT FUND, FIREFIGHTERS' RETIREMENT FUND AND JUDGES' RETIREMENT FUND

SCHEDULE OF INVESTMENT RETURNS
YEAR ENDED JUNE 30, 2015

	2015	2014	2013
Annual money weighted rate of return, net of investment expenses	2.75%	16.89%	8.76%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

PUBLIC EMPLOYEE RETIREMENT FUND, FIREFIGHTERS' RETIREMENT FUND AND JUDGES' RETIREMENT FUND

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2015

Methods and assumptions used in calculations of actuarially determined contributions. The actuarially determined contribution rates in the employers' contributions are calculated as of June 30, 2013 for PERSI, as of June 30, 2014 for FRF and as of June 30, 2015 for JRF. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule.

	PERSI Base Plan	FRF	JRF
Valuation date	July 1, 2013	July 1, 2014	July 1, 2015
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Amortization method	Level percentage of projected payroll open	Level dollar amount - open	Level percentage of projected payroll open
Remaining amortization period	25 years	N/A	25 years
Asset valuation method	Market Value	Market Value	Market Value
Actuarial assumptions:			
Investment Rate of Return - Gross	7.50%	7.50%	7.50%
Projected salary increases	4.25%-10.00%	3.75%	3.75%
Includes salary inflation	3.75%	3.75%	3.75%
Postretirement benefit increase	1.00%	3.75%	1.00% or 3.75%
Implied price inflation rate	3.25%	3.25%	3.25%
Discount Rate - Actuarial Accrued Liability	7.00%	7.00%	7.00%

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

ADDITIONAL SUPPLEMENTARY SCHEDULES
June 30, 2015

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

SCHEDULE OF INVESTMENT EXPENSES
YEAR ENDED JUNE 30, 2015

INVESTMENT AND RELATED SERVICES:	
Adelante Capital	$ 3,836,071
AEW Capital Management LP	4,316,006
Baring Asset Management, Inc.	1,816,063
BCA Publication, Inc.	7,500
Bernstein, Sanford C.	5,003,777
Bloomberg, LP	63,253
Brandes Investment Partners, LP	1,894,264
Capital Guardian Trust Company	1,776,332
Clearwater Advisors, LLC	750,587
D.B. Fitzpatrick & Co., Inc.	2,328,596
Donald Smith & Company	3,711,525
Genesis Asset Managers, Ltd.	2,216,624
Hamilton Lane	50,867
Longview Partners	2,880,834
Mellon Capital Management	1,602,566
Mellon Trust	3,300,616
Mondrian Investment Partners	1,384,757
Mountain Pacific Investment Advisors, Inc.	1,506,997
Peregrine Capital Management	1,922,511
Prudential Investments	387,047
State Street Global Advisors	635,053
Tukman Grossman Capital Management, Inc.	2,429,429
Wells Fargo Bank	73,770
Western Asset	1,047,327
Yardarni Research	7,500
Zesiger Capital Group-Public	917,818
	45,867,690
CONSULTING AND OTHER SERVICES:	
Alban Row LLC	80,236
Berkadia Commercial Mortgage LLC	23,658
Callan Associates	353,395
Chartwell Consulting LLC	75,000
Choice Plan Fees (paid by members)	244,603
Eide Bailly	78,500
Foster, Pepper PLLC	345,012
Hamilton Lane Advisors, Inc.	245,000
Ice Miller LLP	4,630
Milliman, Inc.	426,477
Robert Storer	79,708
Whiteford, Taylor & Preston LLP	855
Xerox HR Solutions LLC	798,822
	2,755,896
TOTAL	$ 48,623,586

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

SCHEDULE OF ADMINISTRATIVE EXPENSES
YEAR ENDED JUNE 30, 2015

PORTFOLIO-RELATED EXPENSES:	
Personnel expenses	$ 668,228
Operating expenses	176,111
	844,339
OTHER ADMINISTRATIVE EXPENSES:	
Personnel expenses	3,206,100
Operating expenses	2,158,414
Building depreciation expense	160,695
Equipment depreciation expense	76,757
Software amortization expense	141,876
	5,743,842
SICK LEAVE FUND EXPENSES — Administrative expenses	104,340
JUDGES' FUND EXPENSES -- Operating expenses	95,733
Total	$ 6,788,254

EideBailly
CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Retirement Board
Public Employee Retirement System of Idaho
Boise, Idaho

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the pension and other trust funds of the Public Employee Retirement System of Idaho (the System), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Public Employee Retirement System of Idaho's basic financial statements, and have issued our report thereon dated October 15, 2015

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the PERSI's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Boise, Idaho
October 15, 2015