

Self Directed Accounts and the PERSI Total Return Fund

This document includes important information concerning one investment option available for your PERSI Choice 401(k) Plan account – the PERSI Total Return Fund. You may elect to allocate any portion of your PERSI Choice 401 (k) Plan account for investment in the PERSI Total Return Fund. The PERSI Total Return Fund is the default option under the PERSI Choice 401(k) Plan. This material includes information about the management of Total Return Fund assets and explains how the assets are valued for account purposes. Please read this information carefully before making investment choices, especially if you are considering leaving or reinvesting any portion of your PERSI Choice 401(k) Plan account in the PERSI Total Return Fund.

The Public Employee Retirement System of Idaho (PERSI) administers several public trust funds, including the Public Employee Retirement Fund, the Firemen’s Retirement Fund, and the PERSI Choice 401 (k) Plan, which includes a gain sharing account and a 401(k) account. PERSI had approximately \$14.7 billion under management as of June 30, 2014, the end of PERSI’s fiscal year.

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

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

A Statement of Investment Policy, which is reproduced in the Investment Section of the Annual Report and available on the PERSI website at www.persi.idaho.gov or in hardcopy upon request, governs PERSI.

With a few minor exceptions, all of PERSI’s investment activities are accomplished through outside managers. The Board is responsible for investment policy and structure, portfolio strategy, asset allocation, strategic policies, the hiring of managers and other agents or consultants to carry out those policies and strategies, and the monitoring of the managers, consultants and other agents. The Board delegates various duties to the Chief Investment Officer and PERSI staff. In the event there is a material change in the policies, structure or strategy of the Board with respect to these matters, such changes will be reflected in an update of this document on PERSI’s website.

Active and Passive Investment Management

As a result of many considerations, PERSI uses both active and passive asset management, leaning toward the use of passive management for the core, more efficient markets (i.e., U.S. equity market, and the general U.S. government and corporate bond market). PERSI tends to use more active management in the less efficient markets where there is a greater potential for added return or short-term risk reduction, and where indices or index funds have some deficiencies (i.e., small cap stocks, international equities, emerging markets, and global stock and bond management). In addition, PERSI tends to use active managers with broad, rather than specialized benchmarks (such as EAFE for international managers, the Barclays US Aggregate Bond Index for active bond managers, and the Russell 2000 for small cap managers). PERSI also employs global managers to provide exposure to asset types not included in the assigned asset classes and to provide ongoing adjustments to PERSI’s long-term asset allocations as necessary and appropriate to attain periodic goals.

Criteria for Hiring and Firing Managers

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

Guidelines for investment managers that set the range of characteristics of a normal or expected portfolio are established in advance. Although a manager is granted certain latitude for exceeding such characteristics, PERSI will request explanations when the portfolio significantly wanders outside of its expected range. The explanations provided and PERSI's analysis of the relevant circumstances will determine PERSI's response. Such response could include a formal review of the manager's status with PERSI.

PERSI expects that a manager will manage the portfolio in the expected manner and with the capabilities and personnel as when originally hired. Although short-term performance is tracked, only longer-term poor performance (rolling 3-5 year performance against both benchmarks and peers) triggers a formal review.

External consultants monitor the investment activity. The result of this monitoring activity is reported to the Board. Both the investment managers and external consultants are monitored and subject to formal review and/or replacement if PERSI believes it is to the overall benefit of PERSI. Any changes or replacements will be updated in the Annual Financial Report available on the PERSI website.

PERSI Total Return Fund (TRF)

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

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

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

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

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

Effective as of June 2014

PERSI MANAGERS
by Asset Type

Appendix A

U.S. Eq.	Global Eq.	Other Eq.	International Eq.	Fixed Income
Large /All Cap	Barings	Real Estate	Developed	Passive
Mellon S&P 500	Bernstein	Adelante	Mellon EAFE	SSgA Gov/Credit
Peregrine	Brandes	(Public REITs)	Mondrian	Core
Tukman	Capital Grp	Cascade	Emerging Markets	Clearwater
Small Cap	Longview	Koll-PER	Mellon EM	Western
Mellon Midcap	Zesiger	Mellon REIT	Bernstein	Global
Mellon R2000		Olympic IDA	Genesis	Barings
Donald Smith		Prudential	Currency Hedge	Mortgages
Mtn. Pacific		Private Equity	Pareto	DBF ID Mtgs
		Individual		DBF MBS
		Limited		TIPS
		Partnerships		SSgA
				Western

TOTAL RETURN FUND

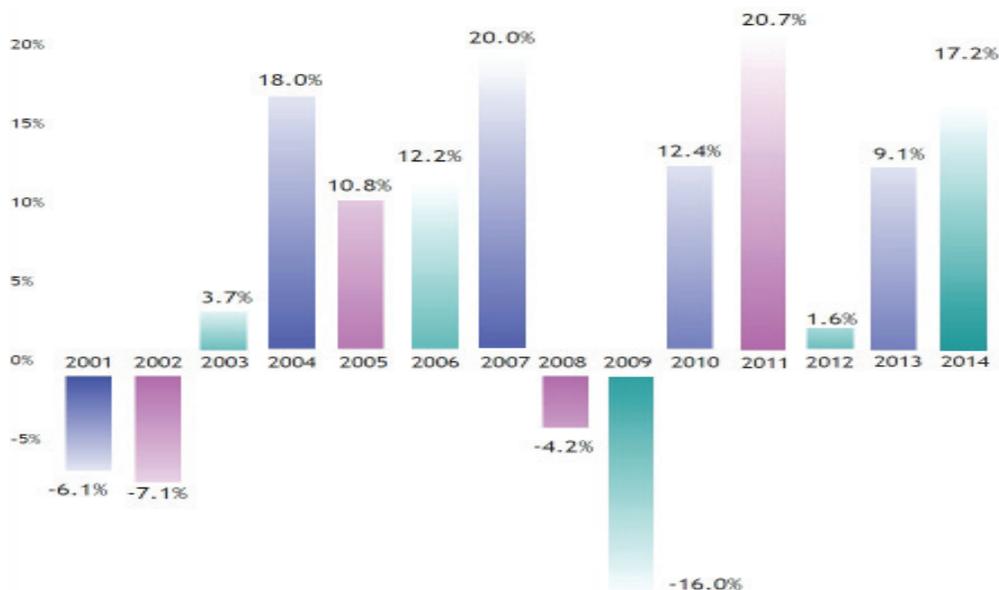
Appendix B

The table below shows both actual and target allocations.

Asset Class	Strategic Normal	Strategic Ranges	Allocation Year Ended June 30, 2014
U.S. Equity	55%	50% - 65%	62.2%
International Equity	15%	10% - 20%	15.0%
Total Equities	70%	66% - 77%	77.2%
Fixed Income	30%	23% - 33%	22.6%
Cash	0%	0% - 5%	0.2%

More detailed information concerning allocations and managers is available in PERSI's latest Annual Financial Report.

HISTORICAL RETURNS BY FISCAL YEAR



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

Jody B. Olson: Of Counsel, Hawley Troxell Ennis & Hawley

Chairman - Appointed: July 1, 1987 Term expires: July 1, 2017

In his many years on the Board, Chairman Olson has led PERSI through a period of tremendous growth. Mr. Olson is of Counsel at Idaho's oldest and largest law firm, Hawley Troxell Ennis & Hawley. He has held corporate leadership and Board positions with Trus Joist International and Norco Windows. He has served on numerous other Boards including the Bishop Kelly Foundation, the University of Idaho College of Business, and the St. Alphonsus Hospital Foundation. He holds a Juris Doctorate and is also a CPA.

J. Kirk Sullivan, Ph.D.

Appointed: July 1, 1996 Term Expires: July 1, 2016

Dr. Sullivan has more than 40 years of experience in general management, contract negotiations, public affairs, and philanthropic fund raising. After serving as Director of Marketing for the Phosphorous Chemical Division of FMC Corporation, Mr. Sullivan left New York City to join Boise Cascade as Vice President of Governmental and Environmental Affairs. Upon retirement, he formed a public affairs company, Veritas Advisors, LLC.

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

Appointed: July 1, 2005 Term Expires: July 1, 2015

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

William "Bill" Deal: Director, Department of Insurance

Appointed: July 1, 2006 Term Expires: July 1, 2018

Mr. Deal spent 45 years in the insurance industry as an independent agent. He served as a past board member of the Idaho Endowment Investment Board, past Chairman of the Board of the Idaho State Insurance Fund, and was a board member of the High Risk Insurance Pool Board. Mr. Deal also served 9 years as Co-Chair Legislative Healthcare Task Force and 8 terms as a State Legislator from Idaho District 13. He has extensive involvement in community and local affairs and holds a B.A. University of Idaho.

Joy Fisher: Director of Finance, University of Idaho Foundation

Appointed: July 1, 2009 Term Expires: July 1, 2019

Ms. Fisher is a CPA in the State of Idaho and currently serves on the Boards of Directors for the Friends of Idaho Public Television, University of Idaho Arboretum Associates, and the Idaho Youth Ranch Foundation. She has also served on numerous University committees including the Retiree Benefits Task Force, Administrative Computing Committee, Chart of Accounts Committee, and the Leadership and Training Task Force. She holds a bachelor's degree in accounting and finance from the University of Idaho, and an MBA from Washington State University.

Chief Investment Officer: Robert M. Maynard

Before joining PERSI in 1992, Mr. Maynard spent 16 years working as the Deputy Executive Director for the Alaska Permanent Fund and as the Assistant Attorney General for the State of Alaska. Other related activities include:

- Board of Directors - Boise State University Foundation
- Board of Directors - College of Western Idaho Foundation
- Investment Advisor - Alaska Permanent Fund Corporation
- Investment Committee - Idaho Community Foundation

In 2010, Mr. Maynard received a Lifetime Achievement Award for Public Fund Investing (collectively awarded by Institutional Investor Press, Information Management Network, and the Money Management Letter). Recognized nationally and internationally for his investment expertise, Mr. Maynard frequently lectures on investment topics at conferences and institutions, and has conducted classes on Finance and Investment at the University of Alaska, Juneau, Boise State University, and the Institute for Fiduciary Education.