



Financial Statements  
June 30, 2020

# Public Employee Retirement System of Idaho

## **PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO**

### Table of Contents

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	<b>Page</b>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	4
<b>FINANCIAL STATEMENTS</b>	
Statements of Fiduciary Net Position	13
Statements of Changes in Fiduciary Net Position	15
Notes to Financial Statements	17
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of Changes in Net Pension Liability (Asset)	44
Schedule of Net Pension Liability (Asset)	47
Schedule of Contributions	48
Schedule of Investment Returns	50
Schedule of Changes in Net OPEB Liability (Asset)	51
Schedule of Net OPEB Liability (Asset)	53
Schedule of Contributions - OPEB	54
Schedule of Investment Returns – Sick Leave Insurance Reserve Fund	55
Notes to Required Supplementary Information	56
<b>ADDITIONAL SUPPLEMENTARY SCHEDULES</b>	
Schedule of Investment Expenses	57
Schedule of Administrative Expenses	59
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 <i>Government Auditing Standards</i>	60



## **INDEPENDENT AUDITOR'S REPORT**

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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 statements of fiduciary net position as of June 30, 2020, and the related statements of changes in 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 opinions 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 opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the System as of June 30, 2020, and the changes in fiduciary net position of the Plan 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, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 16, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 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 4-12 and 44-56 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 additional supplementary information accompanying financial information listed as additional supplementary schedules 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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2020, 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 solely 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 the effectiveness of the System's 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 the System's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

October 15, 2020  
Boise, Idaho

## FINANCIAL SECTION

### PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

#### MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2020

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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, 2020. The June 30, 2019 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 change in net position for all pension and other funds administered by the System increased \$0.2 billion and \$1.1 billion in Fiscal Year 2020 and Fiscal Year 2019, respectively. The change in the defined benefit plans reflects the total of contributions received and an investment return less than benefits paid and administrative expenses. Changes in net position for the years ended June 30, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
PERSI Base Plan	\$ 151,957,417	\$ 965,532,534
FRF	607,506	21,277,270
JRF	506,239	5,127,941
PERSI Choice Plan 414(k)	(2,079,624)	242,992
PERSI Choice Plan 401(k)	71,569,156	105,231,189
Sick leave - state	9,263,835	18,925,404
Sick leave - schools	11,526,573	29,119,354
Total increase (decrease) in plan net position	<u>\$ 243,351,102</u>	<u>\$1,145,456,683</u>

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, 2020 and 2019, 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.

	<u>2020</u>	<u>2019</u>
PERSI Defined Benefit Plans	2.7%	8.1%
Sick Leave Insurance Reserve Fund	4.2%	7.8%

- All of the plans experienced investment gains in Fiscal Year 2020 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, 2020 and 2019, was \$0.5 billion and \$1.5 billion, respectively.

## FINANCIAL SECTION

	2020	2019
PERSI Base Plan	\$ 462,845,507	\$1,302,570,927
FRF	11,090,094	32,009,454
JRF	2,535,628	6,936,823
PERSI Choice Plan 414(k)	1,586,499	4,425,898
PERSI Choice Plan 401(k)	28,442,165	70,228,713
Sick leave - state	9,554,069	16,084,184
Sick leave - schools	14,515,013	24,687,356
 Total net investment income	 \$ 530,568,975	 \$1,456,943,356

- As of June 30, 2020 and 2019, the net pension liability (asset) was as follows:

	PERSI Base Plan 2020	FRF 2020	JRF 2020
Total pension liability	\$ 19,714,192,796	\$ 268,034,167	\$ 115,567,087
Plan fiduciary net position	17,392,060,576	416,933,329	93,705,674
 Employers' net pension liability (asset)	 \$ 2,322,132,220	 \$ (148,899,162)	 \$ 21,861,413
 Plan fiduciary net position as a percentage of total pension liability	 88.22 %	 155.55 %	 81.08 %
	PERSI Base Plan 2019	FRF 2019	JRF 2019
Total pension liability	\$ 18,380,933,618	\$ 272,572,198	\$ 112,895,161
Plan fiduciary net position	17,239,461,492	416,325,823	93,199,434
 Employers' net pension liability (asset)	 \$ 1,141,472,126	 \$ (143,753,625)	 \$ 19,695,727
 Plan fiduciary net position as a percentage of total pension liability	 93.79 %	 152.74 %	 82.55 %

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 ratio listed above gives an indication of how well this objective has been met at a specific point in time. The higher the ratio, the better the Plan is funded.

## FINANCIAL SECTION

### SICK LEAVE INSURANCE RESERVE FUND

#### State Members

	2020	2019
Total OPEB liability	\$ 93,296,577	\$ 99,213,537
Plan fiduciary net position	234,449,486	225,185,651
Employers' net OPEB liability (asset)	\$ (141,152,909)	\$ (125,972,114)
Plan fiduciary net position as a percentage of total OPEB liability (asset)	251.0 %	227.0 %

#### School Members

	2020	2019
Total OPEB liability	\$ 232,878,651	\$ 248,702,273
Plan fiduciary net position	356,009,237	344,482,664
Employers' net OPEB liability (asset)	\$ (123,130,586)	\$ (95,780,391)
Plan fiduciary net position as a percentage of total OPEB liability (asset)	153.0 %	138.5 %

### 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 fiduciary net position as of June 30, 2020 with comparable 2019 totals indicates the fiduciary net position available to pay future benefits and gives a snapshot at a particular point in time. The statements of changes in fiduciary net position for the years ended June 30, 2020 with comparable 2019 totals 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 statements 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 17-43 of this report.

*Required Supplementary Information* — The required supplementary information consists of the Schedule of Net Pension Liability (Asset), Schedule of Changes in Net Pension Liability (Asset), Schedule of Contributions, Schedule of Investment Returns and related notes concerning the methods and assumptions used in calculations of actuarially determined contributions. In addition, required supplementary information includes Schedule of Changes in Net Other Post Employment Benefit (OPEB) Liability (Asset), Schedule of Net OPEB Liability (Asset), Schedule of Contributions – OPEB, Schedule of Investment Returns – Sick Leave Insurance Reserve Fund as well as related notes concerning the methods and assumptions used in the calculation of the OPEB Liability (Asset).



## FINANCIAL SECTION

*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 the 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, 2020	As of June 30, 2019	\$ Change	% Change
<b>Assets:</b>				
Cash and cash equivalents	\$ 11,514,233	\$ 10,605,185	\$ 909,048	8.6 %
Investments sold receivable	111,207,114	107,873,496	3,333,618	3.1 %
Other receivables	52,675,794	72,085,259	(19,409,465)	-26.9 %
Investments - at fair value	17,836,493,364	17,717,507,082	118,986,282	0.7 %
Prepaid retiree benefits	83,140,123	75,996,230	7,143,893	9.4 %
Capital assets - net of accumulative depreciation	8,551,431	10,017,553	(1,466,122)	-14.6 %
Due from other plans	—	10,616	(10,616)	-100.0 %
<b>Total assets</b>	<b>18,103,582,060</b>	<b>17,994,095,421</b>	<b>109,486,639</b>	<b>0.6 %</b>
<b>Liabilities:</b>				
Investment purchased payable	144,387,352	187,720,214	(43,332,862)	-23.1 %
Benefits and refunds payable	548,552	448,183	100,369	22.4 %
Other liabilities	14,616,738	14,968,768	(352,030)	-2.4 %
<b>Total liabilities</b>	<b>159,552,642</b>	<b>203,137,165</b>	<b>(43,584,523)</b>	<b>-21.5 %</b>
<b>Net Position:</b>				
Assets used in plan operation	8,551,431	10,017,553	(1,466,122)	-14.6 %
Amounts held in trust	17,935,477,987	17,780,940,703	154,537,284	0.9 %
<b>Net Position</b>	<b>\$17,944,029,418</b>	<b>\$17,790,958,256</b>	<b>\$ 153,071,162</b>	<b>0.9 %</b>

The fair value of investments increased due to the combination of contributions received exceeding benefits and administrative expenses and an investment return of 2.71% (net of investment 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 statements 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.

## FINANCIAL SECTION

### Defined Benefit Pension Trust Funds Changes in Net Position

Investment income for the Fiscal Year 2020 was \$0.5 billion as a result of the gross investment return of 3.01%. Contributions and other additions totaled \$0.7 billion. Total additions including investment income and contributions totaled \$1.2 billion. Additions were more than benefits and administrative expenses paid of \$1.0 billion by \$0.2 billion for 2020. Investment income for the Fiscal Year 2019 was \$1.3 billion; the gross investment return was 8.40%. Contributions and other additions totaled \$0.7 billion resulting in total additions of \$2.0 billion. The benefits and administrative expenses paid of \$1.01 billion were more than additions by \$0.99 billion for 2019.

For Fiscal Year 2020, 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 2020 was 1.7% (4.8% retroactive) based on date of retirement compared to 2019 which was 1.0% based on date of retirement.

	As of June 30, 2020	As of June 30, 2019	\$ Change	% Change
<b>Additions:</b>				
Member contributions	\$ 281,641,019	\$ 257,843,915	\$ 23,797,104	9.2 %
Employer contributions	444,177,084	403,017,491	41,159,593	10.2 %
Investment income	476,471,229	1,341,517,204	(865,045,975)	-64.5 %
Other additions	434,027	342,910	91,117	26.6 %
Total additions	<u>1,202,723,359</u>	<u>2,002,721,520</u>	<u>(799,998,161)</u>	<u>-39.9 %</u>
<b>Deductions:</b>				
Benefits and refunds paid	1,039,271,714	1,001,330,797	37,940,917	3.8 %
Administrative expenses	10,380,483	9,452,978	927,505	9.8 %
Total deductions	<u>1,049,652,197</u>	<u>1,010,783,775</u>	<u>38,868,422</u>	<u>3.8 %</u>
Changes in net position	<u>\$ 153,071,162</u>	<u>\$ 991,937,745</u>	<u>\$ (838,866,583)</u>	<u>-84.6 %</u>

### Defined Contribution Pension Trust Funds

During Fiscal Year 2020, 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 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.

## FINANCIAL SECTION

### Defined Contribution Pension Trust Funds Net Position

	As of June 30, 2020	As of June 30, 2019	\$ Change	% Change
<b>Assets:</b>				
Cash	\$ 1,103,497	\$ 922,566	\$ 180,931	19.6 %
Short-term investments	1,463,875	1,761,564	(297,689)	-16.9 %
Investments-at fair value	1,107,541,019	1,036,852,779	70,688,240	6.8 %
Receivables	3,499,580	4,583,584	(1,084,004)	-23.6 %
Total assets	<u>1,113,607,972</u>	<u>1,044,120,492</u>	<u>69,487,478</u>	<u>6.7 %</u>
<b>Liabilities</b>				
Other liabilities	<u>292,742</u>	<u>294,795</u>	<u>(2,053)</u>	<u>-0.7 %</u>
Net Position	<u>\$ 1,113,315,229</u>	<u>\$ 1,043,825,697</u>	<u>\$ 69,489,532</u>	<u>6.7 %</u>

Net position increased from Fiscal Year 2019 to Fiscal Year 2020. 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, administrative expenses payable and stale dated checks payable.

### Defined Contribution Pension Trust Funds Changes in Net Position

	As of June 30, 2020	As of June 30, 2019	\$ Change	% Change
<b>Additions:</b>				
Member contributions	\$ 63,949,419	\$ 59,426,695	\$ 4,522,724	7.6 %
Employer contributions	7,027,305	6,517,244	510,061	7.8 %
Transfers and rollovers in	21,341,826	13,948,722	7,393,104	53.0 %
Investment income	30,028,664	74,654,611	(44,625,947)	-59.8 %
Total additions	<u>122,347,214</u>	<u>154,547,271</u>	<u>(32,200,057)</u>	<u>-20.8 %</u>
<b>Deductions:</b>				
Benefits and refunds paid	50,676,261	47,158,236	3,518,025	7.5 %
Administrative expenses	<u>2,181,420</u>	<u>1,914,854</u>	<u>266,566</u>	<u>13.9 %</u>
Total deductions	<u>52,857,681</u>	<u>49,073,090</u>	<u>3,784,591</u>	<u>7.7 %</u>
Change in net position	<u>\$ 69,489,532</u>	<u>\$ 105,474,181</u>	<u>\$ (35,984,649)</u>	<u>-34.1 %</u>

The current fiscal year saw a lower investment return than the prior fiscal year. Member contributions increased due to an increase in salary deferrals as well as an increase in the number of members actively contributing. Transfers and rollovers in represent rollovers from other plans. Changes in employer contributions vary up or down according to individual employers' desire to match employee contributions.

## FINANCIAL SECTION

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 2020, the System administered two Sick Leave Insurance Reserve Fund trusts. The PERSI Sick Leave Insurance Retirement Fund 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 commingled for investment purposes.

### **Sick Leave Insurance Reserve Funds Net Position**

	As of June 30, 2020	As of June 30, 2019	\$ Change	% Change
<b>Assets:</b>				
Cash	\$ 190,823	\$ 74,673	\$ 116,150	155.5 %
Investments-at fair value	589,031,834	566,280,802	22,751,032	4.0 %
Prepaid insurance premium	1,283,300	1,261,434	21,866	1.7 %
Due from other funds	1,798	2,102,030	(2,100,232)	-99.9 %
<b>Total assets</b>	<b>590,507,755</b>	<b>569,718,940</b>	<b>20,788,816</b>	<b>3.6 %</b>
<b>Liabilities:</b>				
Other liabilities	49,033	50,624	(1,591)	-3.1 %
<b>Net Position</b>	<b>\$ 590,458,722</b>	<b>\$ 569,668,315</b>	<b>\$ 20,790,408</b>	<b>3.6 %</b>

The net position increased in Fiscal Year 2020 from Fiscal Year 2019 because of positive investment returns and contributions exceeding benefits paid.

### **Sick Leave Insurance Reserve Funds Changes in Net Position**

	As of June 30, 2020	As of June 30, 2019	\$ Change	% Change
<b>Additions:</b>				
Employer contributions	\$ 13,461,325	\$ 23,930,224	\$ (10,468,899)	-43.7 %
Investment income	24,069,082	40,771,540	(16,702,458)	-41.0 %
Other additions	4,957	4,502	455	10.1 %
<b>Total additions</b>	<b>37,535,365</b>	<b>64,706,266</b>	<b>(27,170,901)</b>	<b>-42.0 %</b>
<b>Deductions:</b>				
Benefits and refunds paid	16,625,362	16,541,873	83,489	0.5 %
Administrative expenses	119,594	119,636	(42)	0.0 %
<b>Total deductions</b>	<b>16,744,956</b>	<b>16,661,509</b>	<b>83,447</b>	<b>0.5 %</b>
<b>Change in net position</b>	<b>\$ 20,790,408</b>	<b>\$ 48,044,758</b>	<b>\$ (27,254,349)</b>	<b>-56.7 %</b>

## FINANCIAL SECTION

The changes in net position reflect a net investment return of 4.2% resulting in \$24 million in investment income, compared to \$41 million for Fiscal Year 2019. The increase in other additions was due to an increase 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 as of June 30, 2020 and 2019.

Base Plan	2020	2019
Active participants	73,657	72,502
Vested - Base Plan	43,911	43,264
Non-vested - Base Plan	29,746	29,238
Retirees and beneficiaries	49,573	48,120
Terminated and vested	13,788	13,536
Choice Plan	2020	2019
Participants	32,379	39,041
Actively contributing	16,999	16,382
Periodic installment payments	2,977	2,704

### Retirees and Beneficiaries (Base Plan)

While the above table reflects changes in active participants, the following table demonstrates the changes in Base Plan retirees and beneficiaries for the Fiscal Year 2020 and 2019.

	2020	2019
Beginning - July 1	48,120	46,907
New Retirements	2,509	2,269
Death of Beneficiary	(1,056)	(1,056)
Ending - June 30	49,573	48,120

### 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, 2020, PERSI's Base Plan had a net pension liability of \$2.3 billion, an increase compared to the July 1, 2019 liability of \$1.1 billion. The investment return net of all expenses for 2020 was 2.65% compared to the assumed return of 7.0%. The difference between the assumed rate and the actual rate

## FINANCIAL SECTION

of return resulted in the increase in the net pension liability. In the third quarter of the fiscal year the COVID-19 pandemic caused market volatility that resulted in the fund going from a +9.1% in February to a -14.8% in March. The fund recovered through the end of the fiscal year to finish at 3.01% gross before expenses investment rate of return. The result enabled PERSI to meet the mandate set by the legislature when it created PERSI to “Provide a secure retirement for public employees in Idaho”. The amortization period of the unfunded liability for Fiscal Year 2020 is 20.5 years which is less than the 25-year maximum allowed by statute.

Since inception, the cumulative funding of the Plan is 60% investment income, 25% employer contributions and 15% 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 Board.

The Board 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.

**FINANCIAL SECTION**

**PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO**

**STATEMENTS OF FIDUCIARY NET POSITION**

**JUNE 30, 2020 WITH COMPARATIVE FINANCIAL INFORMATION FOR JUNE 30, 2019**

	Pension Trust Funds				
	PERSI Base Plan	Firefighters' Retirement Fund	Judges' Retirement Fund	PERSI Choice Plan	
				414(k)	401(k)
<b>ASSETS</b>					
Cash and cash equivalents	\$ 10,721,732	\$ 257,816	\$ 534,685	\$ 70,492	\$ 1,033,006
Investments—at fair value					
Fixed income investments					
Domestic	3,867,723,607	93,003,713	20,794,698	—	—
International	16,019,813	385,214	86,130	—	—
Idaho commercial mortgages	850,185,239	20,443,649	4,570,995	—	—
Short-term investments	334,823,512	8,051,204	1,800,168	—	1,463,875
Real estate equities	911,894,204	21,927,510	4,902,771	—	—
Equity securities					
Domestic	7,875,346,991	189,371,472	42,341,563	—	—
International	2,466,584,479	59,311,766	13,261,516	—	—
Private equity	1,004,119,366	24,145,166	5,398,617	—	—
Mutual, collective, unitized funds	—	—	—	56,158,967	1,051,382,052
Total investments	17,326,697,211	416,639,694	93,156,458	56,158,967	1,052,845,927
Receivables					
Investments sold	108,037,646	2,588,655	580,813	—	—
Administrative Fee	—	—	—	10,805	164,029
Contributions	4,174,967	26,003	—	—	975,228
Interest and dividends	47,093,264	1,128,387	253,174	147,241	2,202,279
Total receivables	159,305,877	3,743,045	833,987	158,046	3,341,536
Assets used in plan operations	8,551,431	—	—	—	—
Due from other plans	—	—	—	—	—
Prepaid retiree benefits	83,140,123	—	—	—	—
Total assets	17,588,416,374	420,640,555	94,525,132	56,387,504	1,057,220,468
<b>LIABILITIES</b>					
Accrued liabilities	14,251,468	298,120	65,352	7,473	285,270
Benefits and refunds payable	535,582	12,970	—	—	—
Due to other plans	1,755	43	—	—	—
Investments purchased	140,237,153	3,396,093	754,106	—	—
Total liabilities	155,025,958	3,707,226	819,458	7,473	285,270
<b>NET POSITION</b>					
Net position restricted for OPEB	—	—	—	—	—
Net position restricted for pensions	17,433,390,415	416,933,329	93,705,674	56,380,031	1,056,935,198
Total net position	\$17,433,390,415	\$ 416,933,329	\$ 93,705,674	\$ 56,380,031	\$ 1,056,935,198

Continued

See Notes to Financial Statements

## FINANCIAL SECTION

Other Trust Funds			
Sick Leave Insurance Reserve Fund		Totals	
State	Schools	2020	2019
\$ 75,615	\$ 115,208	\$ 12,808,554	\$ 11,602,423
71,527,587	95,734,882	4,148,784,487	4,176,323,696
—	—	16,491,157	14,488,135
—	—	875,199,883	787,246,608
—	—	346,138,759	319,544,221
—	—	938,724,485	811,205,407
127,218,648	203,518,113	8,437,796,787	8,043,801,143
35,248,032	55,784,572	2,630,190,365	3,097,357,318
—	—	1,033,663,149	1,035,582,920
—	—	1,107,541,019	1,036,852,779
233,994,267	355,037,567	19,534,530,091	19,322,402,226
—	—	111,207,114	107,873,496
—	—	174,833	167,485
—	—	5,176,197	10,272,459
—	—	50,824,345	66,228,898
—	—	167,382,489	184,542,338
—	—	8,551,431	10,017,553
(305)	2,103	1,798	2,112,646
399,378	883,922	84,423,423	77,257,664
234,468,955	356,038,800	19,807,697,787	19,067,934,851
19,469	29,564	14,956,715	13,201,541
—	—	548,552	448,183
—	—	1,798	2,112,646
—	—	144,387,352	187,720,214
19,469	29,564	159,894,417	203,482,584
234,449,486	356,009,237	590,458,723	569,668,315
—	—	19,057,344,647	18,834,783,953
\$ 234,449,486	\$ 356,009,237	\$ 19,647,803,370	\$ 19,404,452,267



**FINANCIAL SECTION**

**PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO**

**STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION**

**YEAR ENDED JUNE 30, 2020 WITH COMPARATIVE FINANCIAL INFORMATION FOR JUNE 30, 2019**

	Pension Trust Funds				
	PERSI Base Plan	Firefighters' Retirement Fund	Judges' Retirement Fund	PERSI Choice Plan	
				414(k)	401(k)
<b>ADDITIONS</b>					
Contributions					
Members	\$ 280,790,591	\$ 4,503	\$ 845,925	\$ —	\$ 63,949,419
Employers	430,638,154	8,660,397	4,878,534	—	7,027,305
Rollovers in	—	—	—	—	21,341,826
<b>Total contributions</b>	<b>711,428,745</b>	<b>8,664,900</b>	<b>5,724,459</b>	<b>—</b>	<b>92,318,549</b>
Investment income					
Net appreciation in fair value of investments	173,079,424	4,147,101	975,063	1,508,108	12,034,995
Interest, dividends and other investment income	341,008,215	8,170,789	1,832,556	100,441	19,033,485
Less investment expenses	(51,242,131)	(1,227,796)	(271,991)	(22,050)	(2,626,315)
<b>Total investment income - net</b>	<b>462,845,508</b>	<b>11,090,094</b>	<b>2,535,628</b>	<b>1,586,499</b>	<b>28,442,165</b>
Other- net	421,066	—	12,960	—	—
<b>Total additions</b>	<b>1,174,695,319</b>	<b>19,754,994</b>	<b>8,273,047</b>	<b>1,586,499</b>	<b>120,760,715</b>
<b>DEDUCTIONS</b>					
Benefits and refunds paid to members and beneficiaries	1,012,558,071	19,073,931	7,639,712	3,330,570	47,345,691
Administrative expenses	10,179,831	73,557	127,095	335,552	1,845,868
<b>Total deductions</b>	<b>1,022,737,902</b>	<b>19,147,488</b>	<b>7,766,807</b>	<b>3,666,122</b>	<b>49,191,559</b>
<b>INCREASE/(DECREASE) IN NET POSITION</b>	<b>151,957,417</b>	<b>607,506</b>	<b>506,239</b>	<b>(2,079,624)</b>	<b>71,569,156</b>
<b>NET POSITION</b>					
Beginning of year	17,281,432,999	416,325,823	93,199,434	58,459,654	985,366,043
End of year	<u>\$17,433,390,415</u>	<u>\$ 416,933,329</u>	<u>\$ 93,705,674</u>	<u>\$ 56,380,031</u>	<u>\$ 1,056,935,198</u>

Continued

See Notes to Financial Statements

## FINANCIAL SECTION

Other Trust Funds			
Sick Leave Insurance Reserve Fund		Totals	
State	Schools	2020	2019
\$ —	\$ —	\$ 345,590,438	\$ 317,270,610
4,494,217	8,967,109	464,665,715	433,464,959
—	—	21,341,826	13,948,722
4,494,217	8,967,109	831,597,978	764,684,290
9,679,284	14,706,326	216,130,301	1,139,316,426
—	—	370,145,486	370,815,363
(125,216)	(191,313)	(55,706,812)	(53,188,434)
9,554,067	14,515,013	530,568,976	1,456,943,356
1,957	3,000	438,984	347,412
14,050,243	23,485,122	1,362,605,938	2,221,975,057
4,739,183	11,886,179	1,106,573,338	1,065,030,906
47,225	72,369	12,681,498	11,487,469
4,786,408	11,958,548	1,119,254,836	1,076,518,375
9,263,835	11,526,573	243,351,102	1,145,456,683
225,185,651	344,482,664	19,404,452,267	18,258,995,584
<u>\$ 234,449,486</u>	<u>\$ 356,009,237</u>	<u>\$19,647,803,370</u>	<u>\$19,404,452,267</u>

## FINANCIAL SECTION

# PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

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### NOTE 1. GENERAL DESCRIPTION OF THE FUNDS

**General** — The Public Employee Retirement System of Idaho (the “System” or “PERSI”) is the administrator of seven 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, which qualify as other postemployment benefits plans (OPEB), 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 statute.

**Plans Membership** - State agencies, school districts, cities, counties, highway districts, water and sewer districts, and other political subdivisions contribute to the System.

## FINANCIAL SECTION

As of June 30, 2020 and 2019, the number of participating employer units in the PERSI Base Plan was:

	2020	2019
Cities	159	158
School districts	176	172
Highway and water districts	136	135
State subdivisions	99	99
Counties	44	44
Other	205	200
Total	819	808

As of June 30, 2020 and 2019, the number of benefit recipients and members in the PERSI Base Plan consisted of the following:

	2020	2019
Members:		
Active	73,657	72,502
Terminated and vested	13,788	13,536
Retirees and beneficiaries	49,573	48,120
Total	137,018	134,158

FRF has 22 participating employer units all consisting of fire departments that also participate in PERSI. As of June 30, 2020, there was 1 active member and 472 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.

As of June 30, 2020, JRF had 55 active members and 105 retired members or 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

## FINANCIAL SECTION

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. Contributions 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 net pension liability based on a level percentage of payroll. The payroll for employees covered by the PERSI Base Plan and JRF Plan was \$3,546,033,069 and \$7,801,909, respectively for the year ended June 30, 2020.

Net pension liability (asset) for FRF is the difference between the pension liability of the FRF benefits not provided by the Base Plan and the FRF assets. The payroll for the active employee covered by the FRF Plans was \$177,502 for the year ended June 30, 2020.

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, 2020, the employee rate was 7.16% for general employees and 8.81% for police and firefighters. The employer contribution rate is set by the Retirement Board and was 11.94% for general employees and 12.28% for police and firefighters.

The total FRF employer contribution rate as of June 30, 2020, was 25.93% which includes the employer excess rate of 13.65% plus the PERSI class 2 firefighter's rate of 12.28%. The FRF member rate for the year for class B is 11.45% which is 2.64% above the class 2 rate of 8.81%.

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, 2020, the employee contribution rate was 11.57% and the employer contribution rate was 62.53%. Active employees who have 20 or more years of service are exempt from employee contributions.

Upon termination of employment, PERSI Base Plan participants are entitled to accumulated member contributions plus interest, accrued at 7.22% from January 1, 2020 through June 30, 2020 (7.57% from July 1, 2019 through December 31, 2019) compounded monthly per annum, and 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.

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.

## FINANCIAL SECTION

**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 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 can direct their investment mix with some trading frequency restrictions. Participants have fifteen investment options: two balanced funds, four fixed income funds and eight equity funds and one specialty fund. Participants investing in the Total Return Balanced Fund and the PERSI Short-Term Investment Portfolio pay investment management fees of .27% and .10%, respectively. Since inception of the plans, participants have paid investment management fees for all other options.

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 TRF is a unitized fund comprised of investment accounts of the PERSI Base Plan.

As of June 30, 2020, there were 41,258 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, 2020, there were 10,642 participants with both Choice Plan 401(k) and 414(k) plans. There were 21,737 participants with only Choice Plan 401(k), and 9,293 participants with only Choice Plan 414(k).

**Optional Retirement Plan** – Certain community 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 community colleges were paid in full as of June 30, 2011.

**Sick Leave Insurance Reserve Trust Funds (OPEB)** - PERSI administers the Sick Leave Insurance Reserve Fund cost sharing, multiple-employer defined benefit OPEB plans that 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 Sick Leave Insurance Retirement Fund 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 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.

The Sick Leave Insurance Retirement Fund 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 Sick Leave Insurance Retirement Fund are Idaho Code, Sections 67-5333, 33-1216, 59-1365, and 33-1228.

The Sick Leave Insurance Retirement Fund is a fund that exists for the payment of unused sick leave benefits in the form of insurance premiums for state and school district employees who separate from service by reason of retirement. The assets of the two trusts are commingled for investment purposes.

## FINANCIAL SECTION

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 OPEB liability, respectively, through contribution rate adjustments.

### Membership in the Sick Leave Insurance Fund as of June 30, 2020 valuation.

	State	School
Members:		
Active	17,171	33,744
Retirees and beneficiaries	5,534	6,523
Total	22,705	40,267

*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 Services	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% and the rate for schools was 1.16% or 1.26% depending on the amount of sick leave days provided by the district of covered salary from July 01, 2019 to December 31, 2019.

The PERSI Board approved an 18 month Sick Leave employer contribution holiday effective January 1, 2020 with an end date of June 30, 2021. The holiday results in no contributions from employers until July 1, 2021.



## FINANCIAL SECTION

### 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*,
- GASB Statement No. 68, *Financial Reporting for Pensions as amendment of GASB Statement No. 27*,
- GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*,
- GASB Statement No. 72, *Fair Value Measurement and Application*,
- GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*,
- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Other Than Pension Plans*,
- GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Government*,
- GASB Statement No. 82, *Pension Issues*,
- GASB Statement No. 85, *Omnibus 2017*

**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*.



## FINANCIAL SECTION

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 fair value, when published market prices and quotations are available, or at cost plus accrued interest, which approximate fair 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 5.8% of total investments. PERSI's real estate and commercial mortgage investments are 5.3% and 4.9%, respectively of total investments.

Investment expenses presented within the statements 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 Statements of Fiduciary Net Position and the Statements of Changes in 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 February 2017) as of June 30, 2020:

<u>Asset Class</u>	
Fixed Income	30%
US/Global Equity	55%
International Equity	15%
Cash	0%
Total	<u>100%</u>

## FINANCIAL SECTION

**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 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, 2019, from which the summarized information was derived.

### 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	\$ 10,142,202
FDIC insured/collateralized	2,666,352
Uninsured and uncollateralized	—
	<hr/>
Total	<u><u>\$ 12,808,554</u></u>

## FINANCIAL SECTION

### **B. Investments**

Investments of the pension trust funds are reported at fair value. See Note 2 for more details. The Board 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 and risk described in subsequent sections. Refer to Note 2 for additional asset allocation information. In fulfilling its responsibilities, the Board 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 Sick Leave Insurance Retirement Fund or other non-TRF Choice Plan options. Based on the assets that are being excluded, they do not apply to these disclosures thus is appropriate to exclude.

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

Investments at fair value as of June 30, 2020, are as follows:

Domestic Fixed Income	\$ 3,981,522,018
Co-mingled domestic fixed income (Sick Leave Insurance Reserve Fund)	167,262,469
International fixed income	16,491,157
Idaho commercial mortgages	875,199,883
Short-term investments	346,138,759
Real estate	938,724,485
Domestic Equities	8,107,060,026
Co-mingled domestic equity (Sick Leave Insurance Reserve Fund)	330,736,761
International equities	2,539,157,761
Co-mingled international equity (Sick Leave Insurance Reserve Fund)	91,032,604
Private equity	1,033,663,149
Mutual, collective, and unitized funds	1,107,541,019
Total Investments	<u><u>\$19,534,530,091</u></u>

**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 position.

**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 investment 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.

## FINANCIAL SECTION

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, 2020 the System had futures contracts with a fair value of \$(309,994), 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.

As of June 30, 2020, the System had the following net futures contracts exposure:

	<b>Exposure covered</b>
<b>FUTURES</b>	
Euro Foreign Currency	\$ 844,013
Mexican Peso Foreign Currency	2,218,620
90 Day Eurodollar	(124,288,800)
Japanese Yen Foreign Currency	1,506,538
Canadian Dollar Foreign Currency	2,944,800
British Pound Foreign Currency	2,789,325
Australian Dollar Foreign Currency	4,692,000
Russian Rubble Foreign Currency	452,400
<b>Total Cash and Cash Equivalents</b>	<b>(108,841,104)</b>
<b>Fixed Income</b>	
US 5yr Treasury Note	305,805,001
US 2yr Treasury Note	47,036,391
US Ultra Bond	43,194,938
US Long Bond	35,712,500
Euro-BTP	15,836,685
Euro-Oat	2,447,849
Euro BOBL	454,808
Australian 10yr Bond	(204,882)
Euro-BUXL 30yr Bond	(1,729,337)
Japan 10yr Bond	(7,042,221)
UK Long Gilt	(11,394,555)
Euro-Bond	(25,575,338)
US 10yr Treasury Note	(311,884,172)
<b>Total Fixed Income</b>	<b>92,657,667</b>
<b>Net Futures Exposure</b>	<b>\$ (16,183,437)</b>

## FINANCIAL SECTION

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, 2020, the Base Plan, TRF, JRF, and FRF had option contracts payable with a fair value of \$140,990, which is included in Domestic Fixed Income and \$(461,689) which is included in Investments Purchased.

At June 30, 2020, the System had the following net options exposure:

<b>OPTIONS</b>	<b>Exposure covered by contract</b>
<b>Fixed Income</b>	
Cash/Cash Equivalents-Purchased Call Options	\$ 7,665
Cash/Cash Equivalents-Purchased Put Options	30,262
Fixed Income-Purchased Call Options	60,875
Fixed Income-Purchased Put Options	42,188
	140,990
<b>Investments Purchased</b>	
Cash/Cash Equivalents-Written Call Options	(15,450)
Cash/Cash Equivalents-Written Put Options	(349,442)
Fixed Income-Written Call Options	(79,492)
Fixed Income-Written Put Options	(17,305)
	(461,689)
<b>Total Investments Purchased</b>	<b>(461,689)</b>
<b>Net Option Exposure</b>	<b>\$ (320,699)</b>

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, 2020, the System had entered into forward currency contracts to sell foreign currencies with a fair value of \$69,048,038 and had entered into forward currency contracts to buy foreign currencies with a fair value of \$69,461,121. Forward currency contracts are receivables or payables reported as investments sold or investments purchased. A net unrealized loss of \$(413,083) at June 30, 2020 was recorded, which represent the loss which would occur from executing these forward foreign currency contracts.

## FINANCIAL SECTION

**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 on pages 29-30.

**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, 2020, the System had invested in TIPS with a fair value of \$1,777,443,908.

### 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, 2020, the System's fixed income assets that are not government guaranteed represented 51.13% of the fixed income portfolio. The System's fixed income assets are shown with current credit ratings in the following table:

Credit Quality S&P Rating Level	PERSI/FRF Base Plans		JRF		Total Return Fund		Total
	Domestic	International	Domestic	International	Domestic	International	
<b>Short-Term</b>							
A-1+	\$ 8,433,261	\$ —	\$ 44,277	\$ —	\$ 410,897	\$ —	\$ 8,888,435
A-1	54,000,845	—	283,517	—	2,631,102	—	56,915,464
A-2	56,690,450	—	297,638	—	2,762,148	—	59,750,236
<b>Long-Term</b>							
AAA	72,890,053	—	382,689	—	3,551,447	—	76,824,189
AA*	287,766,893	—	1,510,840	—	14,020,966	—	303,298,699
A	390,599,409	—	2,050,734	—	19,031,310	—	411,681,453
BBB	535,429,602	5,661,554	2,811,124	29,725	26,087,921	275,850	570,295,776
BB	28,034,586	2,246,244	147,185	11,793	1,365,939	109,445	31,915,192
B	2,903,726	—	15,246	—	141,478	—	3,060,450
CCC	4,865,103	—	25,543	—	237,044	—	5,127,690
CC	1,274,272	—	6,690	—	62,087	—	1,343,049
D	194,077	—	1,019	—	9,456	—	204,552
Not rated	167,921,439	8,634,392	881,625	45,332	8,181,695	420,696	186,085,179
<b>Total Credit Risk fixed income securities</b>	<b>1,611,003,716</b>	<b>16,542,190</b>	<b>8,458,127</b>	<b>86,850</b>	<b>78,493,490</b>	<b>805,991</b>	<b>1,715,390,364</b>
U.S. Government	2,627,635,210	—	13,795,668	—	128,027,177	—	2,769,458,055
Pooled Investments- (unrated)	92,560,155	—	485,962	—	4,509,840	—	97,555,957
Pooled Investments- SLIRF (unrated)	N/A	N/A	N/A	N/A	N/A	N/A	167,262,469
Idaho Mortgages	870,628,888	—	4,570,995	—	42,419,952	—	917,619,835
<b>Total</b>	<b>\$5,201,827,969</b>	<b>\$16,542,190</b>	<b>\$27,310,752</b>	<b>\$ 86,850</b>	<b>\$253,450,459</b>	<b>\$ 805,991</b>	<b>\$5,667,286,680</b>

\*Includes US Government Agencies implicitly guaranteed by US Government:

FHLB \$10,994,651; FHLMC \$77,997,400; FNMA \$79,260,378



## FINANCIAL SECTION

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 71.8%, in short-term instruments held at the custodian bank. Of the remaining cash and deposits at June 30, 2020 approximately 2.8% or, \$9,935,791, was held by various counterparties not in the System's name. The remainder, approximately 25.4%, 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.

## FINANCIAL SECTION

Effective duration of domestic fixed income assets by security type:

Investment	Effective Duration in Years	Fair Value allocations			Total
		PERSI/FRF DB Plans	Judges' Plan	Total Return Fund	
<b>Domestic</b>					
Asset-backed Securities	2.85	\$ 30,423,931	\$ 159,732	\$ 1,482,356	\$ 32,066,019
Asset-backed Securities	N/A	6,021,269	31,613	293,376	6,346,258
Mortgages	2.92	30,672,366	161,037	1,494,460	32,327,863
Mortgages	N/A	1,099,877	5,775	53,590	1,159,242
Commercial Paper	0.20	122,088,377	640,991	5,948,554	128,677,922
Commercial Paper	N/A	18,975	100	925	20,000
Corporate Bonds	8.25	993,363,580	5,215,379	48,399,996	1,046,978,955
Fixed Income Derivatives	N/A	698,196	3,666	34,018	735,880
Fixed Income Derivatives	8.78	(167,560)	(880)	(8,164)	(176,604)
Government Agencies	N/A	(567,998)	(2,982)	(27,675)	(598,655)
Government Bonds	9.23	83,969,193	440,857	4,091,260	88,501,310
Government Mortgage-backed Securities	7.70	934,251,005	4,905,025	45,519,834	984,675,864
Government Mortgage-backed Securities	2.53	196,249,501	1,030,353	9,561,932	206,841,786
Pooled Investments	—	98,793,006	518,685	4,813,526	104,125,217
Pooled Investments-SLIRF Domestic Fixed	N/A	N/A	N/A	N/A	167,262,469
Private Placements	5.26	139,561,089	732,727	6,799,883	147,093,699
Private Placements	N/A	8,302,562	43,590	404,529	8,750,681
TIPS	11.30	1,686,421,712	8,854,089	82,168,107	1,777,443,908
Idaho Mortgages	—	870,628,888	4,570,995	42,419,952	917,619,835
<b>Total</b>		<b>\$5,201,827,969</b>	<b>\$ 27,310,752</b>	<b>\$ 253,450,459</b>	<b>\$5,649,851,649</b>

Effective duration of international fixed income assets by security type:

Investment	Effective Duration in Years	Fair Value Allocations			Total
		PERSI/FRF DB Plans	Judges' Plan	Total Return Fund	
<b>International</b>					
Government Bonds	9.23	\$ 16,542,190	\$ 86,850	\$ 805,991	\$ 17,435,031
<b>Total</b>		<b>\$ 16,542,190</b>	<b>\$ 86,850</b>	<b>\$ 805,991</b>	<b>\$ 17,435,031</b>

### 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, 2020, 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.



## FINANCIAL SECTION

Currency	Short-term Investments	Equity	Fixed Income	Total USD Equivalent Fair Value
Argentina Peso	\$ —	\$ —	\$ 161,095	\$ 161,095
Australian Dollar	(629,204)	72,249,002	(472)	71,619,326
Brazil Real	(552,193)	14,658,893	2,349,916	16,456,616
Canadian Dollar	4,637,640	22,297,736	—	26,935,376
Chilean Peso	1,239	—	—	1,239
Chinese R Yuan HK	(628,899)	—	—	(628,899)
Chinese Yuan	71,031	—	557,619	628,650
Danish Krone	2,364,836	109,996,482	—	112,361,318
Egyptian Pound	—	444,259	—	444,259
Euro Currency Unit	3,436,949	767,490,101	155,742	771,082,792
Hong Kong Dollar	369,891	243,003,708	—	243,373,599
Hungarian Forint	2,343	7,031,326	—	7,033,669
Indian Rupee	638,928	—	—	638,928
Indonesian Rupiah	2,701,195	11,161,287	1,419,772	15,282,254
Israeli Shekel	25,928	8,530,486	—	8,556,414
Japanese Yen	783,182	414,877,603	980,810	416,641,595
Malaysian Ringgit	17	6,868,616	—	6,868,633
Mexican Peso	4,762,609	21,793,418	5,957,965	32,513,992
Moroccan Dirham	181,743	62,583	—	244,326
New Taiwan Dollar	44,024	22,807,024	—	22,851,048
New Zealand Dollar	1,977	2,202,802	—	2,204,779
Norwegian Krone	115,787	7,085,863	—	7,201,650
Philippines Peso	—	6,525,462	—	6,525,462
Polish Zloty	660	—	—	660
Pound Sterling	3,180,892	482,892,520	(13,271)	486,060,141
Romanian Leu	—	2,698,251	—	2,698,251
Russian Ruble (New)	467,089	—	5,193,215	5,660,304
Singapore Dollar	98,092	26,388,719	—	26,486,811
South African Rand	43	24,046,544	—	24,046,587
South Korean Won	1,196,812	68,734,629	—	69,931,441
Swedish Krona	148,945	31,195,130	—	31,344,075
Swiss Franc	5,331,920	249,493,645	—	254,825,565
Thailand Baht	(1)	13,700,357	—	13,700,356
Turkish Lira	2,232	3,694,440	—	3,696,672
Total value of investments to foreign currency risk	\$ 28,755,707	\$ 2,641,930,886	\$ 16,762,391	\$ 2,687,448,984

### **H. Rate of Return**

For the years ended June 30, 2020 and 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 2.79% and 8.02% respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

## FINANCIAL SECTION

### NOTE 4. FAIR VALUE

GASB Statement No. 72, *Fair Value Measurement and Application*, (Statement 72) specifies a hierarchy of valuation classifications based on whether the inputs to the valuation techniques used in each valuation classification are observable or unobservable. These classifications are summarized in the three broad levels listed below:

Level 1-Unadjusted quoted prices for identical instruments in active markets, that the reporting entity has the ability to access at the measurement date.

Level 2-Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are directly or indirectly observable. Examples would be matrix pricing, market corroborated pricing and inputs such as yield curves and indices.

Level 3-Valuations derived from valuation techniques in which significant inputs or significant value drivers are unobservable and may rely on the reporting entity's own assumptions, but the market participant's assumptions that may be used in pricing the asset or liability.

Inputs used to measure fair value might fall in different levels of the fair value hierarchy, in which case the Plan defaults to the lowest level input that is significant to the fair value measurement in its entirety. These levels are not necessarily an indication of the risk or liquidity associated with the investments. In determining the appropriate levels, the Plan performed a detailed analysis of the assets and liabilities that are subject to Statement 72.

## FINANCIAL SECTION

The following table presents fair value measurements as of June 30, 2020:

Instruments by Fair Value Level	Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<b>Fixed Income Securities:</b>				
U.S. Government	\$ 2,741,991,401	\$ 2,717,636,406	\$ 24,354,995	\$ —
Asset backed-Securitized	452,011,993	—	436,236,706	15,775,287
Corporate	872,284,190	—	872,034,935	249,255
Idaho Mortgages	917,619,835	—	917,619,835	—
Non-U.S. Government	121,700,177	—	121,700,177	—
<b>Total Fixed Income Securities</b>	<b>5,105,607,596</b>	<b>2,717,636,406</b>	<b>2,371,946,648</b>	<b>16,024,542</b>
<b>Equities:</b>				
Domestic	6,523,751,105	6,523,751,105	—	—
Developed Markets	2,791,638,278	2,788,359,507	—	3,278,771
Emerging Markets	487,012,115	487,012,115	—	—
<b>Total Equities</b>	<b>9,802,401,498</b>	<b>9,799,122,727</b>	<b>—</b>	<b>3,278,771</b>
Preferred Securities	39,235,251	33,572,270	1,974,344	3,688,637
Convertible or Exchangeable Securities	150,880	—	—	150,880
Mutual Funds-Defined Contribution investment options	91,405,859	91,405,859	—	—
<b>Total investments by fair value level*</b>	<b>15,038,801,084</b>	<b>\$ 12,641,737,262</b>	<b>\$ 2,373,920,992</b>	<b>\$ 23,142,830</b>

\* The Total Return Fund and Short Term Investment Portfolio are unitized Defined Contribution investment options included with the Equity and Fixed Income totals above and the Private Equity Partnerships and Private Real Estate totals below.

## FINANCIAL SECTION

Investments measured at the net asset value	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice
<b>Private Equity Partnerships:</b>				
Growth Equity	23,838,433	30,553,537	N/A	N/A
Corporate Finance/Buyout	892,359,759	670,891,011	N/A	N/A
Distressed Debt	14,569,785	54,659,649	N/A	N/A
Co/Direct Investment	65,022,835	28,558,659	N/A	N/A
Secondaries	53,317,843	69,109,931	N/A	N/A
Venture Capital	34,654,981	7,623,108	N/A	N/A
<b>Private Real Estate:</b>				
Open End Co-mingle Ins. Co. Sep Acct	72,970,696	N/A	N/A	N/A
Multifamily properties (Olympic)	80,880,387	N/A	N/A	N/A
Value added apartments	221,737,069	N/A	N/A	N/A
Value added offices	30,758,751	N/A	N/A	N/A
Value added retail	46,345,911	N/A	N/A	N/A
Office/Industrial properties	139,504,629	N/A	N/A	N/A
Core Office	191,743,771	N/A	N/A	N/A
Industrial	122,685,474	N/A	N/A	N/A
Development properties	77,596,716	N/A	N/A	N/A
<u>Collective Funds:</u>				
REIT Index Collective Fund	3,411,469	N/A	Daily	Daily
TIPS Index Collective Fund	4,716,411	N/A	Daily	Daily
US Broad Equity Market Index Collective Fund	14,346,327	N/A	Daily	Daily
Emerging Equity Market Index Fund	2,270,631	N/A	Daily	Daily
US Large Cap Equity Market Index Collective Fund	39,110,050	N/A	Daily	Daily
US Bond Market Index Collective Fund	16,819,297	N/A	Daily	Daily
Intl Equity Index Collective	7,563,431	N/A	Daily	Daily
US Small/Mid cap Equity Index Collective Fund	20,884,536	N/A	Daily	Daily
BNYM DB NSL Emerging Market Stock Index Fund Non-	1,001,574,554	N/A	Daily	TD - 2 days by 5:00 PM EST
Bernstein Emerging MV Delaware Fund	317,064,158	N/A	Weekly	TD - 5 days by 5:00 PM EST
<u>Unitized Fund</u>				
Short-Term Investment Portfolio account	34,004,816	N/A	Daily	4pm EST
<u>Sick Leave Insurance Reserve Trust Fund</u>				
Russell 3000 Index Co-Mingled Fund	330,736,761	N/A	Daily	TD 5:00 PM EST
Government Credit Bond Index Co-Mingled Fund	167,262,469	N/A	Daily	TD + 1 day by 05:00 PM EST
MSCI ACWI Ex-US Strategy Co-mingled Fund	91,032,604	N/A	Daily	TD + 1 day by 7:30 PM EST
Total investments measured at the NAV	5,202,548,190			
<b>Total investments measured at fair value</b>	<b>\$ 20,241,349,274</b>			

## FINANCIAL SECTION

### Fair Value Measurements Using

Investment derivative instruments		Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)
Foreign Exchange Contracts- Receivable	\$	69,048,038	\$	—	\$	69,048,038
Foreign Exchange Contracts- Payable		(69,461,121)		—	(69,461,121)	—
Futures		(310,919)		(317,178)	—	6,259
Swap Collateral		(230,310)		—	(230,310)	—
<b>Total Investment derivative instruments</b>	<b>\$</b>	<b>(954,312)</b>	<b>\$</b>	<b>(317,178)</b>	<b>\$</b>	<b>(643,393)</b>
				<b>\$</b>		<b>6,259</b>

The Plan uses a Fair Value Hierarchy (FVH) report within the custodial reporting system that is based on asset class and utilizing a proprietary matrix. The custodian uses several third party vendors to establish pricing. When possible, secondary vendor pricing is used to check for accuracy against the primary vendor's price. The pricing vendors provide detailed pricing and reference data outlining their inputs, pricing applications, models, and methodologies. FVH reporting is reviewed and researched if inconsistencies are observed.

**Short-Term Securities:** These items were removed from leveling table due to the nature of securities. These are cash equivalents and highly liquid investments that are readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value.

**Equities:** Equities at Level 1 are using quoted prices for identical securities in an active market. Level 3 equities have very limited trading volume and use the last quoted price available on the trade data.

**Fixed Income:** These securities are primarily in Level 1 and 2. Information such as sector groupings, benchmark curves, like security benchmarking, reported trades, broker/dealer quotes and other reference data are all used to assist with pricing of all types securities. Specifically, these categories used the following methodologies.

*US Government* Electronic fixed income trade platform and broker feeds are used and reviewed for consistency and outliers.

*Asset backed/ Securitized* Uses volatility-driven multi-dimensional spread tables and Option Adjusted Spread and prepayment model.

*Corporate and Non US Government* Multi-dimensional relational models are used along with option adjusted spread.

*Idaho Mortgages* The fair value of the commercial mortgage portfolio is calculated daily. Expected cash flows for loans are discounted with rates that are based on the U.S. Treasury yield curve. The relevant discount rates include a spread above Treasury yields that accounts for credit and liquidity risk.

## FINANCIAL SECTION

**Mutual Funds:** Valued at the daily closing price as reported by the fund and reported as Level 1. Mutual funds held by the Plan are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

**Private Equity Partnerships:** These are reported at the NAV and includes limited partnerships invested in the following strategies: Growth Equity, Corporate Finance/Buyout, Distressed Debt, Co/Direct Investments, Secondaries, and Venture Capital. Fair value is obtained by using a valuation provided by the General Partner, adjusting for interim cash flows and rolling forward to the measurement date of the Plan. A gatekeeper is used to monitor values, cash flows, and provide due diligence for new investments. The fair values presented may differ from actual amounts realized from these investments.

**Real Estate:** *Real Estate Investment Trusts (REITs)* are publicly traded securities and are included with Equities: Domestic, level 1, as those securities are traded in an active market. *Private Real Estate* These are investments owned directly or with other partnership interests and are in several general categories to include Affordable Housing, Multifamily properties, Value added apartments, Office/Industrial Properties, and Development Properties and are listed with investments measured at the NAV. Each property in the Portfolio is externally appraised at a minimum every year. Appraisals are completed by third-party MAI certified appraisers. For properties not subject to an external appraisal during a quarter, internal valuations are completed by AEW (the Plan's private real estate consultant) (or Pinnacle and reviewed by AEW), based on updated operational performance at the subject property and any relevant sale comparable. A discounted cash flow analysis is utilized to determine asset value. Prior to finalizing the values, Altus (an independent professional advisory with expertise in appraisals) reviews every valuation quarterly and communicates its questions/findings to AEW before approval. The valuation of the Affordable Housing properties is calculated by a third party valuation and accounting specialist in the affordable housing industry once a year at December 31st. Development properties are initially valued at their accumulated cost amounts until completion, upon which an appraisal is done. *Prudential* This is an open ended co-mingled insurance company separate account comprised primarily of real estate investments either directly owned or through partnership interests and mortgage and other loans on income producing real estate. Fair value is generally determined through an appraisal process that is conducted by independent appraisers within a reasonable amount of time following acquisition and no less frequently than annual thereafter.

**Collective Trust Funds:** There are eight collective trust funds offered as investment options in the Defined Contribution Plan and one Defined Benefit Plan. This fiscal year there was an additional converted collective fund again in the Defined Benefit, reported as Net Asset Value. The NAV is based on the value of the underlying investments. Collective Trusts are regulated, but not registered investment vehicles.

**Co-Mingled Funds:** These are the investment vehicles used for the Plan's Sick Leave Insurance Reserve Trust Fund where funds are pooled from numerous plans. They are valued at net asset value of units held at the end of the period based upon the fair value of the underlying investments.

**Derivatives:** *Foreign Currency Forward Contracts* use a market approach with foreign exchange rates. Futures are standardized legal contracts to buy or sell something at a predetermined price at a specified time in the future. *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. *Swap Collaterals* are based on a certain value; priced at \$1.00. It is collateral at the broker to hold for those derivatives that require collateral.

## FINANCIAL SECTION

### NOTE 5. NET PENSION LIABILITY (ASSET)

The components of the net pension liability (asset) of the participating employers as of June 30, 2020 and 2019 are as follows:

	PERSI Base Plan 2020	FRF 2020	JRF 2020
Total pension liability	\$ 19,714,192,796	\$ 268,034,167	\$ 115,567,087
Plan fiduciary net position	17,392,060,576	416,933,329	93,705,674
Employers' net pension liability (asset)	<u>\$ 2,322,132,220</u>	<u>\$ (148,899,162)</u>	<u>\$ 21,861,413</u>
Plan fiduciary net position as a percentage of total pension liability	<u>88.22%</u>	<u>155.55%</u>	<u>81.08%</u>
	PERSI Base Plan 2019	FRF 2019	JRF 2019
Total pension liability	\$ 18,380,933,618	\$ 272,572,198	\$ 112,895,161
Plan fiduciary net position	17,239,461,492	416,325,823	93,199,434
Employers' net pension liability (asset)	<u>\$ 1,141,472,126</u>	<u>\$ (143,753,625)</u>	<u>\$ 19,695,727</u>
Plan fiduciary net position as a percentage of total pension liability	<u>93.79%</u>	<u>152.74%</u>	<u>82.55%</u>

The net pension liability is calculated using a discount rate of 7.05%, 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 7.00%, 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, 2020, 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. Economic assumptions for the Base Plan, FRF, and JRF were studied in an experience study performed for the period 2011 through 2017. Demographic assumptions, including mortality, for the Base Plan and FRF were studied for the period 2011 through 2017. Demographic assumptions, including mortality, for JRF were studied for the period 2013 and 2018.

*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	3.00 percent	3.00 percent	3.00 percent
Salary increases **	3.75 percent	3.75 percent	3.75 percent
Salary inflation	3.75 percent	3.75 percent	3.75 percent
Investment rate of return-net of investment fees	7.05 percent	7.05 percent	7.05 percent
Cost of Living (COLA) adjustments	1.00 percent	3.18 percent	*

\*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

## FINANCIAL SECTION

\*\*there is an additional component of assumed salary grown (on top of the 3.75%) that varies for each individual member based on years of service

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, the System relies primarily on an approach which builds upon the latest capital market assumptions. 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.

### Capital Market Assumptions from Callan 2020

Asset Class	Target Allocation	Long-Term Expected Nominal Rate of Return (Arithmetic)	Long-Term Expected Real Rate of Return (Arithmetic)
Core Fixed Income	30.00%	2.80%	0.55%
Broad US Equities	55.00%	8.55%	6.30%
Developed Foreign Equities	15.00%	8.70%	6.45%
Assumed Inflation - Mean		2.25%	2.25%
Assumed Inflation - Standard Deviation		1.50%	1.50%
Portfolio Arithmetic Mean Return		6.85%	4.60%
Portfolio Standard Deviation		12.33%	12.33%
Portfolio Long-Term (Geometric) Expected Rate of Return		6.25%	3.89%
Assumed Investment Expenses		0.40%	0.40%
Portfolio Long-Term (Geometric) Expected Rate of Return, Net of Investment Expenses		5.85%	3.49%

### Investment Policy Assumptions from PERSI Board Nov 2019

Portfolio Long-Term Expected Real Rate of Return, Net of Investment Expenses	4.14%
Portfolio Standard Deviation	14.16%



## FINANCIAL SECTION

### Economic/Demographic Assumptions from Milliman 2018

#### Valuation Assumptions Chosen by PERSI Board

Long-Term Expected Real Rate of Return, Net of Investment Expenses	4.05%
Assumed Inflation	3.00%

<b>Long-Term Expected Geometric Rate of Return, Net of Investment Expenses</b>	<b>7.05%</b>
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*Discount rate* – The discount rate used to measure the total pension liability was 7.05%. 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 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 7.05% 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 6.05%	Current Discount Rate 7.05%	1% Increase 8.05%
Employers' net pension liability - PERSI	\$4,762,057,009	\$2,322,132,220	\$ 304,712,037
Employers' net pension (asset) - FRF	(122,406,207)	(148,899,162)	(171,595,227)
Employers' net pension liability - JRF	33,497,896	21,861,413	11,906,081

#### NOTE 6. NET OPEB ASSET

The components of the net OPEB asset associated with the Sick Leave Insurance Reserve Fund of the participating employers as of June 30, 2020 and 2019 is as follows.

##### State Members

	2020	2019
Total OPEB liability	\$ 93,296,577	\$ 99,213,537
Plan fiduciary net position	234,449,486	225,185,651
Employers' net OPEB liability (asset)	\$ (141,152,909)	\$ (125,972,114)
Plan fiduciary net position as a percentage of total OPEB liability (asset)	251.0 %	227.0 %

## FINANCIAL SECTION

### School Members

	2020	2019
Total OPEB liability	\$ 232,878,651	\$ 248,702,273
Plan fiduciary net position	356,009,237	344,482,664
Employers' net OPEB liability (asset)	\$ (123,130,586)	\$ (95,780,391)
Plan fiduciary net position as a percentage of total OPEB liability (asset)	153.0 %	138.5 %

The OPEB asset is calculated using a discount rate of 7.05% which is the expected rate of return on investments reduced by investment expenses. The net OPEB asset was determined by an actuarial valuation as of July 1, 2020. 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 OPEB asset are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The Board's adopted asset allocation policy for the Sick Leave Insurance Retirement Fund as of June 30, 2020 was 30% Fixed income, 55% US/Global equity, and 15% International equity.

<b>Actuarial Assumptions</b>	<b>Sick Leave Insurance Reserve Fund</b>
Inflation	3.00 percent
Salary increases	3.75 percent
Salary inflation	3.75 percent
Investment rate of return-net of investment fees	7.05 percent

The long-term expected rate of return on OPEB 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. 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. Capital market assumptions as defined in Note 5 apply here.

## FINANCIAL SECTION

### Investment Policy Assumptions from PERSI Board Nov 2019

Portfolio Long-Term Expected Real Rate of Return, Net of Investment Expenses	4.14%
Portfolio Standard Deviation	14.16%

### Economic/Demographic Study from Milliman 2018

Long-Term Expected Real Rate of Return, Net of Investment Expenses	4.05%
Assumed Inflation	3.00%
<b>Long-Term Expected Geometric Rate of Return, Net of Investment Expenses</b>	<b>7.05%</b>

*Discount rate* – The discount rate used to measure the total OPEB liability was 7.05%. 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The long-term expected rate of return was determined net of OPEB plan investment expense but without reduction for OPEB plan administrative expense.

*Sensitivity of the net OPEB liability (asset) to changes in the discount rate* – The following presents the net OPEB liability (asset) calculated using the discount rate of 7.05% 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:

<b>State &amp; School Members</b>	<b>1% Decrease 6.05%</b>	<b>Discount Rate 7.05%</b>	<b>1% Increase 8.05%</b>
State Members-Net OPEB Liability/(Asset)	\$ (134,484,450)	\$ (141,152,909)	\$ (147,219,951)
School Members-Net OPEB Liability/(Asset)	\$ (107,053,453)	\$ (123,130,586)	\$ (138,008,393)

## FINANCIAL SECTION

### NOTE 7. ASSETS USED IN PLAN OPERATIONS

Assets used in plan operations at June 30, 2020 and 2019, consist of the following:

	2020	2019
Buildings and improvements	\$ 5,954,523	\$ 6,778,474
Less accumulated depreciation	(4,493,561)	(5,012,575)
Total buildings and improvements	1,460,962	1,765,899
Equipment	631,252	749,678
Less accumulated depreciation	(450,897)	(604,760)
Total equipment	180,355	144,918
Computer software development - Arrivos	11,968,297	11,968,297
Less accumulated amortization	(5,058,184)	(3,861,561)
Total computer software development - Arrivos	6,910,113	8,106,736
Equipment - Arrivos	254,114	254,114
Less accumulated depreciation	(254,114)	(254,114)
Total equipment	—	—
Total assets used in plan operations	\$ 8,551,431	\$ 10,017,553

Depreciation expense is a component of administrative expense. For the year ended June 30, 2020, depreciation expense on the buildings and improvements was \$362,230. The equipment had a total depreciation expense of \$47,127 for 2020.

## FINANCIAL SECTION

### NOTE 8. OTHER POST EMPLOYMENT BENEFITS

The State funds, or partially funds, post employment benefits relating to health, disability, and life insurance. Employees of PERSI participate in the State of Idaho's post employment 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 post employment benefits are available in the Comprehensive Annual Financial Report of the State of Idaho which may be accessed at [www.sco.idaho.gov](http://www.sco.idaho.gov).

### NOTE 9. COMMITMENTS

The System had unfunded private equity commitments as of June 30, 2020 of \$861,395,895.

**FINANCIAL SECTION**

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**FINANCIAL SECTION**

**PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO**

***REQUIRED SUPPLEMENTARY INFORMATION***

***JUNE 30, 2020***

## FINANCIAL SECTION

### PUBLIC EMPLOYEE RETIREMENT FUND, FIREFIGHTERS' RETIREMENT FUND AND PERSI BASE PLAN

#### SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) FISCAL YEARS ENDING JUNE 30

##### PERSI Base Plan

	2020	2019	2018	2017	2016	2015	2014
<b>Total pension liability changes for the year</b>							
Service cost	\$ 484,964,767	\$ 461,646,272	\$ 437,257,407	\$ 406,910,895	\$ 397,283,921	\$ 384,419,252	\$ 376,800,000
Interest	1,321,253,945	1,250,119,942	1,202,947,872	1,129,286,928	1,088,670,726	1,045,505,462	992,942,358
Effect of plan changes	372,935,449	—	84,200,000	12,200,000	67,800,000	150,400,000	(1,300,000)
Effect of economic/demographic gains or losses	166,634,457	105,480,176	(38,113,799)	273,580,592	(104,512,779)	(105,531,304)	(111,248,209)
Effect of assumptions changes or inputs	—	—	104,724,103	—	13,100,000	—	74,600,000
Benefit payments, including refunds of member contributions	(1,012,529,440)	(975,200,330)	(909,678,264)	(864,785,159)	(824,524,533)	(770,593,410)	(729,094,149)
<b>Net change in total pension liabilities</b>	<b>1,333,259,178</b>	<b>631,085,708</b>	<b>881,337,319</b>	<b>957,193,256</b>	<b>637,817,335</b>	<b>704,200,000</b>	<b>602,700,000</b>
Total pension liability - beginning	18,380,933,618	17,749,847,910	16,868,510,591	15,911,317,335	15,273,500,000	14,569,300,000	13,966,600,000
Total pension liability - ending	19,714,192,796	18,380,933,618	17,749,847,910	16,868,510,591	15,911,317,335	15,273,500,000	14,567,300,000
<b>Plan net position</b>							
Contributions - employer	430,638,154	390,080,902	369,139,113	356,367,389	335,610,100	321,240,628	310,986,283
Contributions - employee	280,790,591	257,060,511	243,950,654	237,032,668	220,866,936	211,468,780	203,890,954
Net investment income	463,879,610	1,301,966,592	1,283,658,926	1,692,713,855	202,329,942	367,820,877	2,000,619,926
Other	—	—	—	—	25,283	16,767	—
Benefit payments, including refunds of member contributions	(1,012,529,440)	(975,200,330)	(909,678,264)	(864,785,159)	(824,524,533)	(770,593,410)	(729,094,149)
Administrative expense	(10,179,831)	(9,276,642)	(8,922,335)	(8,810,136)	(6,806,655)	(6,434,462)	(6,787,811)
<b>Net change in plan net position</b>	<b>152,599,084</b>	<b>964,631,033</b>	<b>978,148,094</b>	<b>1,412,518,617</b>	<b>(72,498,927)</b>	<b>123,519,180</b>	<b>1,779,615,203</b>
Plan net position - beginning	17,239,461,492	16,274,830,459	15,296,682,365	13,884,163,748	13,956,662,675	13,833,143,496	12,053,528,293
Plan net position - ending	17,392,060,576	17,239,461,492	16,274,830,459	15,296,682,365	13,884,163,748	13,956,662,675	13,833,143,496
<b>Plan net pension liability - ending</b>	<b>\$2,322,132,220</b>	<b>\$1,141,472,126</b>	<b>\$1,475,017,451</b>	<b>\$1,571,828,226</b>	<b>\$2,027,153,587</b>	<b>\$1,316,837,325</b>	<b>\$736,156,504</b>

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



## FINANCIAL SECTION

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

#### SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) FISCAL YEARS ENDING JUNE 30

Firefighters' Retirement Fund	2020	2019	2018	2017	2016	2015	2014
<b>Total pension liability changes for the year</b>							
Service cost	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Interest	18,555,434	19,216,525	19,841,800	20,041,184	20,496,009	21,479,861	21,888,712
Effect of plan changes	—	—	(615,405)	(68,748)	(557,863)	(2,100,000)	—
Effect of economic/demographic gains or losses	(4,019,534)	(9,593,204)	(9,182,411)	(3,116,488)	(7,446,350)	(15,100,408)	(5,629,912)
Effect of assumptions changes or inputs	—	—	1,386,562	—	—	—	—
Benefit payments, including refunds of member contributions	(19,073,931)	(18,929,519)	(18,934,403)	(19,294,441)	(19,476,228)	(19,874,275)	(19,958,800)
<b>Net change in total pension liabilities</b>	<b>(4,538,031)</b>	<b>(9,306,198)</b>	<b>(7,503,857)</b>	<b>(2,438,493)</b>	<b>(6,984,432)</b>	<b>(15,594,822)</b>	<b>(3,700,000)</b>
Total pension liability - beginning	272,572,198	281,878,396	289,382,253	291,820,746	298,805,178	314,400,000	318,100,000
Total pension liability - ending	268,034,167	272,572,198	281,878,396	289,382,253	291,820,746	298,805,178	314,400,000
<b>Plan net position</b>							
Contributions - employer	8,660,397	3,926,915	7,706,226	7,452,987	7,198,597	11,305,473	14,200,323
Contributions - employee	4,503	4,540	4,368	4,385	6,329	6,168	9,095
Net investment income	11,090,094	36,330,366	31,124,311	41,488,825	5,083,454	9,357,909	50,966,862
Benefit payments, including refunds of member contributions	(19,073,931)	(18,929,519)	(18,934,403)	(19,294,441)	(19,476,228)	(19,874,275)	(19,958,800)
Administrative expense	(73,557)	(55,031)	(29,833)	(43,022)	(58,873)	(153,719)	—
<b>Net change in plan net position</b>	<b>607,506</b>	<b>21,277,271</b>	<b>19,870,669</b>	<b>29,608,734</b>	<b>(7,246,721)</b>	<b>641,556</b>	<b>45,217,480</b>
Plan net position - beginning	416,325,823	395,048,552	375,177,883	345,569,149	352,815,870	352,174,314	306,956,837
Plan net position - ending	416,933,329	416,325,823	395,048,552	375,177,883	345,569,149	352,815,870	352,174,314
<b>Plan net pension liability (asset) - ending</b>	<b>\$(148,899,162)</b>	<b>\$(143,753,625)</b>	<b>\$(113,170,156)</b>	<b>\$(85,795,630)</b>	<b>\$(53,748,403)</b>	<b>\$(54,010,692)</b>	<b>\$(37,774,314)</b>

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

See Notes To Required Supplementary Information

## FINANCIAL SECTION

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

#### SCHEDULES OF CHANGES IN NET PENSION LIABILITY (ASSET) FISCAL YEARS ENDING JUNE 30

##### Judges' Retirement Fund

	2020	2019	2018	2017	2016	2015
<b>Total pension liability changes for the year</b>						
Transfer in from JRF	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 92,302,982
Service cost	3,343,947	3,177,846	2,962,939	3,179,411	3,110,818	3,251,679
Interest	7,930,143	7,502,002	7,329,407	7,055,599	6,888,876	6,589,779
Effect of economic/demographic gains or losses	(962,452)	2,627,021	(400,640)	265,945	(1,647,589)	284,788
Benefit payments, including refunds of member contributions	(7,639,712)	(7,168,403)	(6,691,558)	(6,173,415)	(5,974,937)	(5,577,389)
<b>Net change in total pension liabilities</b>	<b>2,671,926</b>	<b>6,138,466</b>	<b>3,200,148</b>	<b>4,327,540</b>	<b>2,377,168</b>	<b>96,851,839</b>
Total pension liability - beginning	112,895,161	106,756,695	103,556,547	99,229,007	96,851,839	—
Total pension liability - ending	115,567,087	112,895,161	106,756,695	103,556,547	99,229,007	96,851,839
<b>Plan net position</b>						
Contributions - employer	4,878,534	4,688,762	4,278,996	3,946,599	3,370,587	3,595,417
Contributions - employee	845,925	778,864	714,804	630,392	623,754	629,077
Net investment income	2,535,628	6,936,823	6,938,171	9,157,849	1,092,130	2,049,895
Transfer in	—	—	—	—	—	75,864,300
Other	12,960	—	—	—	2,571	2,063
Benefit payments, including refunds of member contributions	(7,639,712)	(7,168,403)	(6,691,558)	(6,173,415)	(5,974,937)	(5,577,389)
Administrative expense	(127,095)	(121,305)	(104,949)	(74,035)	(133,096)	(95,733)
<b>Net change in plan net position</b>	<b>506,240</b>	<b>5,114,741</b>	<b>5,135,464</b>	<b>7,487,390</b>	<b>(1,018,991)</b>	<b>76,467,630</b>
Plan net position - beginning	93,199,434	88,071,493	82,936,029	75,448,639	76,467,630	—
Plan net position - ending	93,705,674	93,199,434	88,071,493	82,936,029	75,448,639	76,467,630
<b>Plan net pension liability - ending</b>	<b>\$ 21,861,413</b>	<b>\$ 19,695,727</b>	<b>\$ 18,685,202</b>	<b>\$ 20,620,518</b>	<b>\$ 23,780,368</b>	<b>\$ 20,384,209</b>

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

See Notes to Required Supplementary Information

## FINANCIAL SECTION

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

#### SCHEDULE OF NET IN PENSION LIABILITY (ASSET) FISCAL YEARS ENDING JUNE 30

PERSI Base Plan	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability	\$19,714,192,796	\$18,380,933,618	\$17,749,847,910	\$16,868,510,591	\$15,911,317,335	\$15,273,500,000	\$14,569,300,000
Plan net position	17,392,060,576	17,239,461,492	16,274,830,459	15,296,682,365	13,884,163,748	13,956,662,675	13,833,143,496
Net pension liability (asset)	\$ 2,322,132,220	\$ 1,141,472,126	\$ 1,475,017,451	\$ 1,571,828,226	\$ 2,027,153,587	\$ 1,316,837,325	\$ 736,156,504
Plan net position as a percentage of total pension liability	88.22 %	93.79 %	91.69 %	90.68 %	87.26 %	91.38 %	94.95 %
Covered payroll	\$ 3,546,033,069	\$ 3,382,051,785	\$ 3,200,396,203	\$ 3,089,555,264	\$ 2,895,430,105	\$ 2,791,109,393	\$ 2,702,945,314
Net pension liability as a percentage of covered payroll	65.49 %	33.75 %	46.09 %	50.88 %	70.01 %	47.18 %	27.24 %
<b>Firefighters' Retirement Fund</b>							
	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability	\$ 268,034,167	\$ 272,572,198	\$ 281,878,396	\$ 289,382,253	\$ 291,820,746	\$ 298,805,178	\$ 314,400,000
Plan net position	416,933,329	416,325,823	395,048,552	375,177,883	345,569,149	352,815,870	352,174,314
Net pension liability (asset)	\$ (148,899,162)	\$ (143,753,625)	\$ (113,170,156)	\$ (85,795,630)	\$ (53,748,403)	\$ (54,010,692)	\$ (37,774,314)
Plan net position as a percentage of total pension liability	155.55 %	152.74 %	140.15 %	129.65 %	118.42 %	118.08 %	112.01 %
Covered payroll	\$ 78,657,631	\$ 78,284,032	\$ 74,848,287	\$ 70,568,501	\$ 68,017,833	\$ 63,780,545	\$ 63,017,405
Net pension liability (asset) as a percentage of covered payroll	-189.30 %	-183.63 %	-151.20 %	-121.58 %	-79.02 %	-84.68 %	-59.94 %
<b>Judges' Retirement Fund</b>							
	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability	\$ 115,567,087	\$ 112,895,161	\$ 106,756,695	\$ 103,556,547	\$ 99,229,007	\$ 96,851,839	\$ —
Plan net position	93,705,674	93,199,434	88,071,493	82,936,029	75,448,639	76,467,630	—
Net pension liability (asset)	\$ 21,861,413	\$ 19,695,727	\$ 18,685,202	\$ 20,620,518	\$ 23,780,368	\$ 20,384,209	\$ —
Plan net position as a percentage of total pension liability	81.08 %	82.55 %	82.50 %	80.09 %	76.03 %	78.95 %	0.00 %
Covered payroll	\$ 7,801,909	\$ 6,731,755	\$ 6,178,081	\$ 6,162,190	\$ 6,097,302	\$ 6,149,339	\$ —
Net pension liability as a percentage covered of payroll	280.21 %	292.58 %	302.44 %	334.63 %	390.01 %	331.49 %	0.00 %

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

See Notes to Required Supplementary Information

## FINANCIAL SECTION

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

#### SCHEDULE OF CONTRIBUTIONS FISCAL YEARS 2011-2020

#### PERSI BASE PLAN

Fiscal Year	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
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	335,610,100	(8,508,142)	2,791,109,393	12.02 %
2016	297,262,331	334,034,293	(36,771,962)	2,895,430,105	11.54 %
2017	337,212,145	356,367,389	(19,155,244)	3,089,555,264	11.53 %
2018	388,341,490	369,139,113	19,202,377	3,200,396,203	11.53 %
2019	382,640,388	390,080,902	(7,440,514)	3,382,051,785	11.53 %
2020	392,340,997	430,638,154	(38,297,157)	3,546,033,069	12.14 %

#### Firefighters' Retirement Fund

Fiscal Year	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
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 %
2016	—	7,198,597	(7,198,597)	68,017,833	10.58 %
2017	—	7,452,987	(7,452,987)	70,568,501	10.56 %
2018	—	7,706,226	(7,706,226)	74,848,287	10.30 %
2019	—	8,247,827	(8,247,827)	78,284,032	10.54 %
2020	—	8,660,397	(8,660,397)	78,657,631	11.01 %

See Notes to Required Supplementary Information

## FINANCIAL SECTION

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

#### SCHEDULE OF CONTRIBUTIONS FISCAL YEARS 2011-2020

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 %
2016	3,463,268	3,370,587	92,681	6,097,302	55.28 %
2017	3,604,265	3,946,599	(342,334)	6,162,190	64.05 %
2018	3,273,147	4,278,996	(1,005,849)	6,178,081	69.26 %
2019	3,307,311	4,688,762	(1,381,451)	6,731,755	69.65 %
2020	3,897,054	4,878,534	(981,480)	7,801,909	62.53 %

See Notes to Required Supplementary Information

## FINANCIAL SECTION

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

#### SCHEDULE OF INVESTMENT RETURNS YEAR ENDED JUNE 30, 2020

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**Investment Returns**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money weighted rate of return, net of investment expenses	2.8 %	8.0 %	8.5 %	12.4 %	1.5 %	2.7 %	16.9 %

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

See Notes to Required Supplementary Information

## FINANCIAL SECTION

### PUBLIC EMPLOYEE RETIREMENT SICK LEAVE INSURANCE RESERVE FUND

#### SCHEDULE OF CHANGES IN NET OPEB LIABILITY (ASSET) YEAR ENDED JUNE 30, 2020

<b>Sick Leave Insurance Reserve Fund - State</b>	2020	2019	2018	2017
<b>Total OPEB liability changes for the year</b>				
Service cost	\$ 3,939,068	\$ 4,326,780	\$ 4,170,390	\$ 4,043,479
Interest	7,105,202	6,592,557	6,207,620	6,223,171
Effect of plan changes	—	—	(5,771,416)	—
Effect of economic/demographic gains or losses	(2,161,468)	1,415,058	—	—
Effect of assumptions changes or inputs	(10,060,579)	—	186,986	—
Benefit payments, including refunds of member contributions	(4,739,183)	(4,611,044)	(4,671,380)	(5,010,974)
<b>Net change in total OPEB liabilities</b>	<b>\$ (5,916,960)</b>	<b>\$ 7,723,351</b>	<b>\$ 122,200</b>	<b>\$ 5,255,676</b>
Net OPEB liability - beginning	\$ 99,213,537	\$ 91,490,186	\$ 91,367,986	\$ 86,112,310
Total OPEB liability - ending	<u>\$ 93,296,577</u>	<u>\$ 99,213,537</u>	<u>\$ 91,490,186</u>	<u>\$ 91,367,986</u>
<b>Plan net position</b>				
Contributions - employer	\$ 4,494,217	\$ 7,497,670	\$ 7,161,239	\$ 7,136,693
Net investment income	9,556,026	16,085,961	17,316,960	12,294,424
Other	—	—	—	—
Benefit payments, including refunds of member contributions	(4,739,183)	(4,611,044)	(4,671,380)	(5,010,974)
Administrative expense	(47,225)	(47,183)	(44,182)	(41,148)
<b>Net change in plan net position</b>	<b>\$ 9,263,835</b>	<b>\$ 18,925,404</b>	<b>\$ 19,762,637</b>	<b>\$ 14,378,995</b>
Plan net position - beginning	\$225,185,651	\$206,260,247	\$186,497,610	\$172,118,615
Plan net position - ending	<u>\$234,449,486</u>	<u>\$225,185,651</u>	<u>\$206,260,247</u>	<u>\$186,497,610</u>

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

## FINANCIAL SECTION

### PUBLIC EMPLOYEE RETIREMENT SICK LEAVE INSURANCE RESERVE FUND

#### SCHEDULE OF CHANGES IN NET OPEB LIABILITY (ASSET) YEAR ENDED JUNE 30, 2020

Sick Leave Insurance Reserve Fund - School	2020	2019	2018	2017
<b>Total OPEB liability changes for the year</b>				
Service cost	\$ 8,694,499	\$ 9,108,050	\$ 8,778,843	\$ 7,692,471
Interest	17,727,484	16,607,049	15,779,480	14,272,064
Effect of plan changes	—	—	—	—
Effect of economic/demographic gains or losses	5,125,806	2,499,644	10,851,176	—
Effect of assumptions changes or inputs	(35,485,232)	—	486,017	—
Benefit payments, including refunds of member contributions	(11,886,179)	(11,930,829)	(12,186,675)	(13,155,040)
<b>Net change in total OPEB liabilities</b>	<b>\$ (15,823,622)</b>	<b>\$ 16,283,914</b>	<b>\$ 23,708,841</b>	<b>\$ 8,809,495</b>
Net OPEB liability - beginning	\$ 248,702,273	\$232,418,359	\$208,709,518	\$ 200
Total OPEB liability - ending	<u>\$ 232,878,651</u>	<u>\$248,702,273</u>	<u>\$232,418,359</u>	<u>\$ 8,809,695</u>
<b>Plan net position</b>				
Contributions - employer	\$ 8,967,109	\$ 16,432,554	\$ 15,599,238	\$ 14,763,323
Net investment income	14,518,013	24,690,082	26,546,106	18,873,664
Other	—	—	—	—
Benefit payments, including refunds of member contributions	(11,886,179)	(11,930,829)	(12,186,675)	(13,155,040)
Administrative expense	(72,369)	(72,453)	(67,805)	(63,192)
<b>Net change in plan net position</b>	<b>\$11,526,573.14</b>	<b>\$ 29,119,354</b>	<b>\$ 29,890,864</b>	<b>\$ 20,418,755</b>
Plan net position - beginning	\$ 344,482,664	\$315,363,310	\$285,472,446	\$265,053,691
Plan net position - ending	<u>\$ 356,009,237</u>	<u>\$344,482,664</u>	<u>\$315,363,310</u>	<u>\$285,472,446</u>

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

See Notes to Required Supplementary Information



## FINANCIAL SECTION

### PUBLIC EMPLOYEE RETIREMENT SICK LEAVE INSURANCE RESERVE FUND

#### SCHEDULE OF NET OPEB LIABILITY (ASSET) YEAR ENDED JUNE 30, 2020

<b>State Members</b>	2020	2019	2018	2017
Total OPEB liability	\$ 93,296,577	\$ 99,213,537	\$ 91,490,186	\$ 91,367,986
Plan fiduciary net position	234,449,486	225,185,651	206,260,247	186,497,610
Employers' net OPEB liability (asset)	<u>\$ (141,152,909)</u>	<u>\$ (125,972,114)</u>	<u>\$ (114,770,061)</u>	<u>\$ (95,129,624)</u>
Plan fiduciary net position as a percentage of total OPEB liability (asset)	<u>251.0 %</u>	<u>227.0 %</u>	<u>225.4 %</u>	<u>201.1 %</u>
 <b>School Members</b>				
	2020	2019	2018	2017
Total OPEB liability	\$ 232,878,651	\$ 248,702,273	\$ 232,418,359	\$ 208,709,518
Plan fiduciary net position	356,009,237	344,482,664	315,363,310	285,472,446
Employers' net OPEB liability (asset)	<u>\$ (123,130,586)</u>	<u>\$ (95,780,391)</u>	<u>\$ (82,944,951)</u>	<u>\$ (76,762,928)</u>
Plan fiduciary net position as a percentage of total OPEB liability (asset)	<u>153.0 %</u>	<u>138.5 %</u>	<u>135.7 %</u>	<u>136.8 %</u>

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

See Notes to Required Supplementary Information

## FINANCIAL SECTION

### PUBLIC EMPLOYEE RETIREMENT SICK LEAVE INSURANCE RESERVE FUND

#### SCHEDULE OF CONTRIBUTIONS - OPEB YEAR ENDED JUNE 30, 2020

<b>Sick Leave Insurance Reserve Fund - State</b>					
Fiscal Year	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
2017	\$ 4,282,016	\$ 7,136,693	\$ (2,854,677)	\$1,097,952,769	0.65 %
2018	4,186,570	7,161,239	(2,974,669)	1,101,729,077	0.65 %
2019	4,383,253	7,497,670	(3,114,417)	1,153,487,692	0.65 %
2020	4,978,210	4,494,217	483,993	1,382,836,000	0.33 %

  

<b>Sick Leave Insurance Reserve Fund - School</b>					
Fiscal Year	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
2017	\$ 8,064,000	\$ 14,763,323	\$ (6,699,323)	\$1,240,615,378	1.19 %
2018	8,913,850	15,599,238	(6,685,388)	1,310,860,336	1.19 %
2019	9,390,031	16,432,554	(7,042,523)	1,380,886,891	1.19 %
2020	9,645,294	8,967,109	678,185	1,507,077,143	0.60 %

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

## FINANCIAL SECTION

### PUBLIC EMPLOYEE RETIREMENT SICK LEAVE INSURANCE RESERVE FUND

#### SCHEDULE OF INVESTMENT RETURNS - SICK LEAVE INSURANCE RETIREMENT FUND YEAR ENDED JUNE 30, 2020

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	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money weighted rate of return, net of investment expenses	4.2%	7.8%	9.4%	13.3%

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

See Notes to Required Supplementary Information

## FINANCIAL SECTION

### PUBLIC EMPLOYEE RETIREMENT FUND, FIREFIGHTERS' RETIREMENT FUND, JUDGES' RETIREMENT FUND, AND SICK LEAVE INSURANCE RESERVE FUND

#### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2020

**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, 2020 for PERSI, as of June 30, 2020 for FRF and as of June 30, 2020 for JRF. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule.

	<u>PERSI Base Plan</u>	<u>FRF</u>	<u>JRF</u>
Valuation date	June 30,2020	June 30,2020	June 30,2020
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	20.5 years	N/A	11.6 years
Asset valuation method	Market Value	3-yr smoothing	Market Value
Actuarial assumptions:			
Investment rate of return *	7.05%	7.05%	7.05%
Projected salary increases	3.75%	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	3.00%	3.00%	3.00%
Discount Rate - Actuarial Accrued Liability	7.05%	7.05%	7.05%

\*net of investment expenses

The valuation date for the Sick Leave Insurance Reserve Fund is as of June 30, 2020.

Actuarial Assumptions	<u><b>Sick Leave Insurance Reserve Fund</b></u>
Inflation	3.00 percent
Salary increases	3.75 percent
Salary inflation	3.75 percent
Investment rate of return *	7.05 percent

\*net of investment expenses

See Notes to Required Supplementary Information

**FINANCIAL SECTION**

**PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO**

***ADDITIONAL SUPPLEMENTARY SCHEDULES  
JUNE 30, 2020***

**FINANCIAL SECTION**

**PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO**

**SCHEDULE OF INVESTMENT EXPENSES YEAR ENDED JUNE 30, 2020**

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**INVESTMENT AND RELATED SERVICES:**

Adelante Capital Management	\$ 2,471,891
AEW Capital Management, L.P.	9,816,407
BCA Research, Inc.	10,998
Bloomberg, LP	69,223
BLS Capital	3,774,303
BNY Mellon Trust	2,500,071
Brandes Investment Partners, LP	1,645,248
Business Entity Data B.V.	91
Capital Economics (N.A.) Ltd	11,747
Clearwater Advisors, LLC	826,710
Consensus Economics, Inc.	695
D.B. Fitzpatrick & Co., Inc.	3,272,155
Donald Smith & Company	2,530,406
Ernst & Young LLP	20,405
Fiera Capital, Inc.	3,055,646
Genesis Investment Management, LLP	2,564,521
Hamilton Lane Advisors, LLC	35,000
Income Research + Management Inc.	460,804
Longview Partners (Guernsey) Ltd	2,852,428
Mellon Investments Corporation	1,555,606
Mondrian Investment Partners	1,508,881
Mountain Pacific Investment Advisors, Inc.	1,993,615
MSCI, Inc.	1,000
Pageant Media Ltd	2,500
Peregrine Capital Management	2,952,622
Prudential Property Investment Separate Account	339,064
Sanford C Bernstein & CO., LLLC.	4,675,358
State Street Global Advisors	1,054,896
Walter Scott & Partners LTD	2,978,662
Wells Fargo Bank, NA	82,510
Western Asset	622,852
Yardeni Research	7,500
<b>TOTAL INVESTMENT AND RELATED SERVICES</b>	<u>53,693,815</u>

**FINANCIAL SECTION**

**PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO**

**SCHEDULE OF INVESTMENT EXPENSES YEAR ENDED JUNE 30, 2020**

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**CONSULTING AND OTHER SERVICES:**

Alban Row Investments, LLC	77,480
Berkadia Commercial Mortgage (formally Capmark)	35,000
Callan LLC	432,396
Eide Bailly LLP	75,942
Empower Retirement	217,961
Foster Garvey PC	546,745
Hamilton Lane Advisors, LLC	215,000
Ice Miller LLP	507
Jenks, John R.	80,311
Lee, Thomas	2,284
Milliman, Inc.	303,425
Murray Devine	18,000
Storer, Robert	3,334
Walls, Garret A	4,612
<b>TOTAL CONSULTING AND OTHER SERVICES</b>	<u>2,012,997</u>
<b>TOTAL</b>	<u><u>\$ 55,706,812</u></u>

## FINANCIAL SECTION

### **SCHEDULE OF ADMINISTRATIVE EXPENSES YEAR ENDED JUNE 30, 2020**

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PORTFOLIO-RELATED EXPENSES:

Personnel expenses	\$ 660,470
Operating expenses	<u>236,444</u>
	<u>896,914</u>

OTHER ADMINISTRATIVE EXPENSES:

Personnel expenses	4,168,814
Operating expenses	3,581,680
Building depreciation expense	362,230
Equipment depreciation expense	47,127
Software amortization expense	<u>1,196,623</u>
	<u>9,356,474</u>

SICK LEAVE FUND EXPENSES — Administrative expenses 119,594

JUDGES' FUND EXPENSES -- Administrative expenses 127,095

DEFINED CONTRIBUTION FUND - Administrative expenses 2,181,420

TOTAL \$ 12,681,498





**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**

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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 or PERSI), as of and for the year ended June 30, 2020, 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, 2020.

**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) as a basis for designing 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting 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 financial statements. 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.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Boise, Idaho  
October 15, 2020