



Financial Statements
June 30, 2021

Public Employee Retirement System of Idaho

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the pension and other trust funds of the Public Employee Retirement System of Idaho (the System), which comprise the statements of fiduciary net position as of June 30, 2021, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the System as of June 30, 2021, and the changes in fiduciary net position of the System 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, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 15, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 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 45-61 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 an opinion 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 28, 2021, 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 black ink that reads "Eric Sully LLP". The signature is written in a cursive, flowing style.

October 28, 2021
Boise, Idaho

FINANCIAL SECTION

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2021

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, 2021. The June 30, 2020 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 \$5.0 billion and \$0.2 billion in Fiscal Year 2021 and Fiscal Year 2020, 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, 2021 and 2020, were as follows:

	2021	2020
PERSI Base Plan	\$4,386,360,733	\$ 151,957,417
FRF	94,924,447	607,506
JRF	23,635,766	506,239
PERSI Choice Plan 414(k)	11,805,480	(2,079,624)
PERSI Choice Plan 401(k)	337,063,371	71,569,156
Sick Leave - State	51,743,854	9,263,835
Sick Leave - Schools	65,261,273	11,526,573
Total increase (decrease) in plan net position	<u>\$4,970,794,924</u>	<u>\$ 243,351,102</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, 2021 and 2020, 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.

	2021	2020
PERSI Defined Benefit Plans	27.6%	2.7%
Sick Leave Insurance Reserve Fund	23.2%	4.2%

- All of the plans experienced investment gains in Fiscal Year 2021 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, 2021 and 2020, was \$5.3 billion and \$0.5 billion, respectively.

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	2021	2020
PERSI Base Plan	\$ 4,742,332,025	\$ 462,845,508
FRF	111,249,774	11,090,094
JRF	25,474,057	2,535,628
PERSI Choice Plan 414(k)	15,313,645	1,586,499
PERSI Choice Plan 401(k)	301,344,257	28,442,165
Sick Leave - State	56,874,632	9,554,069
Sick Leave - Schools	77,747,231	14,515,013
Total net investment income	<u>\$ 5,330,335,621</u>	<u>\$ 530,568,976</u>

- As of June 30, 2021 and 2020, the net pension liability (asset) are as follows:

	PERSI Base Plan 2021	FRF 2021	JRF 2021
Total pension liability	\$ 21,691,680,851	\$ 241,630,928	\$ 121,888,206
Plan fiduciary net position	<u>21,770,658,824</u>	<u>511,857,776</u>	<u>117,341,440</u>
Employers' net pension liability (asset)	<u>\$ (78,977,973)</u>	<u>\$ (270,226,848)</u>	<u>\$ 4,546,766</u>
Plan fiduciary net position as a percentage of total pension liability	<u>100.36 %</u>	<u>211.83 %</u>	<u>96.27 %</u>
	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	<u>17,392,060,576</u>	<u>416,933,329</u>	<u>93,705,674</u>
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>

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.

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SICK LEAVE INSURANCE RESERVE FUND

State Members

	2021	2020
Total OPEB liability	\$ 104,239,022	\$ 93,296,577
Plan fiduciary net position	286,193,340	234,449,486
Employers' net OPEB liability (asset)	\$ (181,954,318)	\$ (141,152,909)
Plan fiduciary net position as a percentage of total OPEB liability (asset)	275.0 %	251.0 %

School Members

	2021	2020
Total OPEB liability	\$ 276,050,086	\$ 232,878,651
Plan fiduciary net position	421,270,510	356,009,237
Employers' net OPEB liability (asset)	\$ (145,220,424)	\$ (123,130,586)
Plan fiduciary net position as a percentage of total OPEB liability (asset)	153.0 %	153.0 %

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, 2021 with comparable 2020 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, 2021 with comparable 2020 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 32-58 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).

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

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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, 2021	As of June 30, 2020	\$ Change	% Change
Assets:				
Cash and cash equivalents	\$ 9,940,409	\$ 11,514,233	\$ (1,573,824)	-13.7%
Investments sold receivable	51,245,576	111,207,114	(59,961,538)	-53.9%
Other receivables	68,553,030	52,675,794	15,877,236	30.1%
Investments - at fair value	22,364,860,986	17,836,493,364	4,528,367,622	25.4%
Prepaid retiree benefits	87,429,283	83,140,123	4,289,160	5.2%
Capital assets - net of accumulative depreciation	7,249,565	8,551,431	(1,301,866)	-15.2%
Total assets	<u>22,589,278,849</u>	<u>18,103,582,060</u>	<u>4,485,696,789</u>	<u>24.8%</u>
Liabilities:				
Investment purchased payable	122,721,611	144,387,352	(21,665,741)	-15.0%
Benefits and refunds payable	—	548,552	(548,552)	-100.0%
Other liabilities	17,606,874	14,616,738	2,990,136	20.5%
Total liabilities	<u>140,328,485</u>	<u>159,552,642</u>	<u>(19,224,157)</u>	<u>-12.0%</u>
Net Position:				
Assets used in plan operation (net)	7,249,565	8,551,431	(1,301,866)	-15.2%
Amounts held in trust	<u>22,441,700,797</u>	<u>17,935,477,987</u>	<u>4,506,222,810</u>	<u>25.1%</u>
Net Position	<u>\$22,448,950,364</u>	<u>\$17,944,029,418</u>	<u>\$4,504,920,946</u>	<u>25.1%</u>

The fair value of investments increased due to the investment return of 27.5% (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.

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Defined Benefit Pension Trust Funds Changes in Net Position

Investment income for the Fiscal Year 2021 was \$4.9 billion as a result of the gross investment return of 27.87%. Contributions and other additions totaled \$0.8 billion. Total additions including investment income and contributions totaled \$5.6 billion. Additions were more than benefits and administrative expenses paid of \$1.1 billion by \$4.5 billion for 2021. Investment income for the Fiscal Year 2020 was \$0.5 billion; the gross investment return was 3.01%. Contributions and other additions totaled \$0.7 billion resulting in total additions of \$1.2 billion. The benefits and administrative expenses paid of \$1.0 billion were more than additions by \$0.2 billion for 2020.

For Fiscal Year 2021, 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 2021 was 1.0% based on date of retirement compared to 2020 which the Board granted was 1.0%, with a discretionary 0.7% and 4.8% retroactive, based on date of retirement.

	As of June 30, 2021	As of June 30, 2020	\$ Change	% Change
Additions:				
Member contributions	\$ 294,960,626	\$ 281,641,019	\$ 13,319,607	4.7%
Employer contributions	458,567,779	444,177,084	14,390,695	3.2%
Investment income	4,879,055,856	476,471,229	4,402,584,627	924.0%
Other additions	386,466	434,027	(47,561)	-11.0%
Total additions	<u>5,632,970,727</u>	<u>1,202,723,359</u>	<u>4,430,247,368</u>	<u>368.4%</u>
Deductions:				
Benefits and refunds paid	1,118,927,089	1,039,271,714	79,655,375	7.7%
Administrative expenses	9,122,692	10,380,483	(1,257,791)	-12.1%
Total deductions	<u>1,128,049,781</u>	<u>1,049,652,197</u>	<u>78,397,584</u>	<u>7.5%</u>
Changes in net position	<u>\$ 4,504,920,946</u>	<u>\$ 153,071,162</u>	<u>\$ 4,351,849,784</u>	<u>2,843.0%</u>

Defined Contribution Pension Trust Funds

During Fiscal Year 2021, 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.

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Defined Contribution Pension Trust Funds Net Position

	As of June 30, 2021	As of June 30, 2020	\$ Change	% Change
Assets:				
Cash	\$ 1,422,665	\$ 1,103,497	\$ 319,168	28.9%
Short-term investments	1,344,204	1,463,875	(119,671)	-8.2%
Investments-at fair value	1,455,209,901	1,107,541,019	347,668,882	31.4%
Receivables	4,563,478	3,499,580	1,063,898	30.4%
Total assets	<u>1,462,540,248</u>	<u>1,113,607,971</u>	<u>348,932,277</u>	<u>31.3%</u>
Liabilities				
Other liabilities	<u>356,166</u>	<u>292,742</u>	<u>63,424</u>	<u>21.7%</u>
Net Position	<u>\$ 1,462,184,082</u>	<u>\$ 1,113,315,229</u>	<u>\$ 348,868,853</u>	<u>31.3%</u>

Net position increased from Fiscal Year 2020 to Fiscal Year 2021. 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, 2021	As of June 30, 2020	\$ Change	% Change
Additions:				
Member contributions	\$ 68,307,119	\$ 63,949,419	\$ 4,357,700	6.8%
Employer contributions	7,728,018	7,027,305	700,713	10.0%
Rollovers in	17,153,438	21,341,826	(4,188,388)	-19.6%
Investment income	316,657,902	30,028,664	286,629,238	954.5%
Total additions	<u>409,846,477</u>	<u>122,347,214</u>	<u>287,499,263</u>	<u>235.0%</u>
Deductions:				
Benefits and refunds paid	58,602,751	50,676,261	7,926,490	15.6%
Administrative expenses	2,374,875	2,181,420	193,455	8.9%
Total deductions	<u>60,977,626</u>	<u>52,857,681</u>	<u>8,119,945</u>	<u>15.4%</u>
Change in net position	<u>\$ 348,868,851</u>	<u>\$ 69,489,533</u>	<u>\$ 279,379,318</u>	<u>402.0%</u>

The current fiscal year saw a much higher 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. Rollovers in represent rollovers from other plans. Changes in employer contributions vary up or down according to individual employers' desire to match employee

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contributions. 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 2021, 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, 2021	As of June 30, 2020	\$ Change	% Change
Assets:				
Cash	\$ 66,403	\$ 190,823	\$ (124,420)	-65.2%
Investments-at fair value	706,055,712	589,031,834	117,023,878	19.9%
Prepaid insurance premium	1,389,767	1,283,300	106,467	8.3%
Due from other funds	—	1,798	(1,798)	-100.0%
Total assets	<u>707,511,882</u>	<u>590,507,755</u>	<u>117,004,127</u>	<u>19.8%</u>
Liabilities:				
Other liabilities	<u>48,032</u>	<u>49,033</u>	<u>(1,001)</u>	<u>-2.0%</u>
Net Position	<u>\$ 707,463,850</u>	<u>\$ 590,458,722</u>	<u>\$ 117,005,128</u>	<u>19.8%</u>

The net position increased in Fiscal Year 2021 from Fiscal Year 2020 because of positive investment returns.

Sick Leave Insurance Reserve Funds Changes in Net Position

	As of June 30, 2021	As of June 30, 2020	\$ Change	% Change
Additions:				
Employer contributions	\$ (4,319)	\$ 13,461,325	\$ (13,465,644)	-100.0%
Investment income	134,621,863	24,069,082	110,552,781	459.3%
Other additions	2,373	4,957	(2,584)	-52.1%
Total additions	<u>134,619,917</u>	<u>37,535,364</u>	<u>97,084,553</u>	<u>258.6%</u>
Deductions:				
Benefits and refunds paid	17,495,154	16,625,362	869,792	5.2%
Administrative expenses	119,636	119,594	42	0.0%
Total deductions	<u>17,614,790</u>	<u>16,744,956</u>	<u>869,834</u>	<u>5.2%</u>
Change in net position	<u>\$ 117,005,127</u>	<u>\$ 20,790,408</u>	<u>\$ 96,214,719</u>	<u>462.8%</u>

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The PERSI Board instituted an eighteen month holiday of employer contributions beginning in January of 2020. Contributions received for fiscal year 2020 represent six months of contributions collected from employers. There were no contributions received in fiscal year 2021 because of the holiday. The changes in net position reflect a net investment return of 23.2% resulting in \$135 million in investment income, compared to \$24 million for Fiscal Year 2020. The decrease in other additions was due to less 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, 2021 and 2020.

Base Plan	2021	2020
Active participants	73,563	73,657
Vested - Base Plan	44,539	43,911
Non-vested - Base Plan	29,024	29,746
Retirees and beneficiaries	50,891	49,573
Terminated and vested	14,539	13,788
Terminated and non-vested	31,179	28,157
Choice Plan	2021	2020
Participants	41,987	32,379
Actively contributing	17,591	16,999
Periodic installment payments	2,585	2,977

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 2021 and 2020.

	2021	2020
Beginning - July 1	49,573	48,120
New Retirements	2,540	2,509
Death of Beneficiary	(1,222)	(1,056)
Ending - June 30	50,891	49,573

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.

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Economic Factors

At July 1, 2021, PERSI's Base Plan had a net pension liability (asset) of \$(79.0) million, a decrease compared to the July 1, 2020 liability of \$2.3 billion. The investment return net of all expenses for 2021 was 27.43% compared to the assumed return of 6.3%. The difference between the assumed rate and the actual rate of return resulted in the decrease in the net pension liability. The fund ended the fiscal year to finish at 27.87% 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 2021 is 0.4 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.

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PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

STATEMENTS OF FIDUCIARY NET POSITION

JUNE 30, 2021 WITH COMPARATIVE FINANCIAL INFORMATION FOR JUNE 30, 2020

	Pension Trust Funds		
	PERSI Base Plan	Firefighters' Retirement Fund	Judges' Retirement Fund
ASSETS			
Cash and cash equivalents	\$ 8,207,049	\$ 1,178,526	\$ 554,834
Investments—at fair value			
Fixed income investments			
Domestic	5,427,749,010	127,688,715	29,196,095
International	21,739,310	511,421	116,937
Idaho commercial mortgages	864,484,383	20,337,141	4,650,099
Short-term investments	297,299,636	6,994,024	1,599,187
Real estate equities	969,789,266	22,814,457	5,216,538
Equity securities			
Domestic	9,545,036,713	224,548,605	51,343,162
International	3,240,754,913	76,239,308	17,432,160
Private equity	1,369,728,969	32,223,106	7,367,831
Mutual, collective, unitized funds			
Total investments	21,736,582,200	511,356,777	116,922,009
Receivables			
Investments sold	49,809,200	1,168,468	267,908
Administrative Fee			
Contributions	7,086,895		
Interest and dividends	59,743,284	1,401,510	321,341
Total receivables	116,639,379	2,569,978	589,249
Assets used in plan operations	7,249,565		
Due from other plans			
Prepaid retiree benefits	87,429,283		
Total assets	21,956,107,476	515,105,281	118,066,092
LIABILITIES			
Accrued liabilities	17,145,178	378,624	83,072
Benefits and refunds payable			
Due to other plans			
Investments purchased	119,211,150	2,868,881	641,580
Total liabilities	136,356,328	3,247,505	724,652
NET POSITION			
Net position restricted for OPEB	—	—	—
Net position restricted for pensions	21,819,751,148	511,857,776	117,341,440
Total net position	\$21,819,751,148	\$ 511,857,776	\$ 117,341,440

See Notes to Financial Statements

FINANCIAL SECTION

Pension Trust Funds		Other Trust Funds			
PERSI Choice Plan		Sick Leave Insurance Reserve Fund		Totals	
414(k)	401(k)	State	Schools	2021	2020
\$ 82,949	\$ 1,339,716	\$ 26,653	\$ 39,750	\$ 11,429,477	\$ 12,808,554
		142,281,030	209,301,482	5,936,216,332	4,148,784,487
				22,367,668	16,491,157
				889,471,623	875,199,883
	1,344,204			307,237,051	346,138,759
				997,820,261	938,724,485
		113,187,809	166,474,747	10,100,591,036	8,437,796,787
		30,282,132	44,528,512	3,409,237,025	2,630,190,365
				1,409,319,906	1,033,663,149
67,951,631	1,387,258,270			1,455,209,901	1,107,541,019
67,951,631	1,388,602,474	285,750,971	420,304,741	24,527,470,803	19,534,530,091
				51,245,576	111,207,114
11,282	185,999			197,281	174,833
	1,268,843			8,355,738	5,176,197
147,241	2,950,113			64,563,489	50,824,345
158,523	4,404,955	—	—	124,362,084	167,382,489
				7,249,565	8,551,431
				—	1,798
		434,699	955,068	88,819,050	84,423,423
68,193,103	1,394,347,145	286,212,323	421,299,559	24,759,330,979	19,807,697,787
7,592	348,576	18,983	29,049	18,011,074	14,956,715
				—	548,552
				—	1,798
				122,721,611	144,387,352
7,592	348,576	18,983	29,049	140,732,685	159,894,417
—	—	286,193,340	421,270,510	707,463,850	590,458,723
68,185,511	1,393,998,569	—	—	23,911,134,444	19,057,344,647
\$ 68,185,511	\$ 1,393,998,569	\$ 286,193,340	\$ 421,270,510	\$ 24,618,598,294	\$ 19,647,803,370

FINANCIAL SECTION

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2021 WITH COMPARATIVE FINANCIAL INFORMATION FOR JUNE 30, 2020

	Pension Trust Funds		
	PERSI Base Plan	Firefighters' Retirement Fund	Judges' Retirement Fund
ADDITIONS			
Contributions			
Members	\$ 294,084,814	\$ —	\$ 875,812
Employers	450,951,588	2,549,471	5,066,720
Rollovers in			
Total contributions	745,036,402	2,549,471	5,942,532
Investment income			
Net appreciation in fair value of investments	4,448,933,304	104,366,970	23,894,290
Interest, dividends and other investment income	351,172,920	8,238,122	1,883,517
Less investment expenses	(57,774,199)	(1,355,318)	(303,750)
Total investment income - net	4,742,332,025	111,249,774	25,474,057
Other- net	383,548		2,918
Total additions	5,487,751,975	113,799,245	31,419,507
DEDUCTIONS			
Benefits and refunds paid to members and beneficiaries	1,092,419,189	18,828,213	7,679,687
Administrative expenses	8,972,053	46,585	104,054
Total deductions	1,101,391,242	18,874,798	7,783,741
INCREASE/(DECREASE) IN NET POSITION	4,386,360,733	94,924,447	23,635,766
NET POSITION			
Beginning of year	17,433,390,415	416,933,329	93,705,674
End of year	<u>\$21,819,751,148</u>	<u>\$ 511,857,776</u>	<u>\$ 117,341,440</u>

See Notes to Financial Statements

FINANCIAL SECTION

Pension Trust Funds		Other Trust Funds			
PERSI Choice Plan		Sick Leave Insurance Reserve Fund		Totals	
414(k)	401(k)	State	Schools	2021	2020
\$ —	\$ 68,307,119	\$ —	\$ —	\$ 363,267,745	\$ 345,590,438
	7,728,018	(682)	(3,637)	466,291,478	464,665,715
	17,153,438			17,153,438	21,341,826
—	93,188,575	(682)	(3,637)	846,712,661	831,597,978
15,208,511	284,009,584	56,994,878	77,924,001	5,011,331,538	216,130,301
121,375	20,321,110			381,737,044	370,145,486
(16,241)	(2,986,437)	(120,246)	(176,770)	(62,732,961)	(55,706,812)
15,313,645	301,344,257	56,874,632	77,747,231	5,330,335,621	530,568,976
		931	1,442	388,839	438,984
15,313,645	394,532,832	56,874,881	77,745,036	6,177,437,121	1,362,605,937
3,163,064	55,439,687	5,083,113	12,412,041	1,195,024,994	1,106,573,338
345,101	2,029,774	47,914	71,722	11,617,203	12,681,498
3,508,165	57,469,461	5,131,027	12,483,763	1,206,642,196	1,119,254,836
11,805,480	337,063,371	51,743,854	65,261,273	4,970,794,924	243,351,102
56,380,031	1,056,935,198	234,449,486	356,009,237	19,647,803,370	19,404,452,267
<u>\$ 68,185,511</u>	<u>\$ 1,393,998,569</u>	<u>\$ 286,193,340</u>	<u>\$ 421,270,510</u>	<u>\$ 24,618,598,294</u>	<u>\$ 19,647,803,370</u>

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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.

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As of June 30, 2021 and 2020, the number of participating employer units in the PERSI Base Plan was:

	2021	2020
Cities	160	159
School districts	182	176
Highway and water districts	139	136
State subdivisions	99	99
Counties	44	44
Other	211	205
Total	<u>835</u>	<u>819</u>

As of June 30, 2021 and 2020, the number of benefit recipients and members in the PERSI Base Plan consisted of the following:

	2021	2020
Members:		
Active	73,563	73,657
Terminated and vested	14,539	13,788
Retirees and beneficiaries	50,891	49,573
Total	<u>138,993</u>	<u>137,018</u>

FRF has 22 participating employer units all consisting of fire departments that also participate in PERSI. As of June 30, 2021, there were 461 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, 2021, JRF had 55 active members and 106 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.

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Contributions — The PERSI Base Plan, FRF and JRF benefits are funded by contributions from members and employers and earnings from investments. Additional FRF funding is obtained from receipts from a state fire insurance premium tax. Member and employer contributions are paid as a percentage of member compensation. PERSI Base Plan, FRF and JRF member contribution rates are determined by the Board within limitations, as defined by state law. The Board may make periodic changes to employer and employee contribution rates (expressed as percentages of annual covered payroll) that are adequate to accumulate sufficient assets to pay benefits when due. 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 \$3,716,726,113 and \$8,102,863, respectively, for the year ended June 30, 2021.

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. There are no active employees in the the FRF Plan as of June 30, 2021.

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, 2021, 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.

There are currently no FRF employer contributions as of July 1, 2020 following the PERSI Board's approval made at the 2019 December board meeting. However, by statute, one-half of all proceeds from fire insurance premium tax collected throughout the state are automatically assigned to the FRF and are accounted for in employer contributions.

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, 2021, 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 2.39% from January 1, 2021 through June 30, 2021 (7.22% from July 1, 2020 through December 31, 2020) 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.

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

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

The PERSI Choice Plans 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, 2021, there were 41,988 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, 2021, there were 10,318 participants with both Choice Plan 401(k) and 414(k) plans. There were 23,229 participants with only Choice Plan 401(k), and 8,441 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.

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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.

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, 2021 valuation.

	State	School
Members:		
Active	21,062	33,982
Retirees and beneficiaries	5,835	6,850
Total	26,897	40,832

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 PERSI Board approved a sick leave holiday effective January 1, 2020 with an end date of June 30, 2021. The board extended the holiday in October 2020 for fiscal year 2022. The holiday results in no contributions for employers until July 1, 2022.

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.

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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. 84, *Fiduciary Activities*,
- 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 Sick Leave Insurance Funds for State and Schools are not pooled.

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

The fair value of investments is based on published market prices and quotations from major investment brokers, when available. Mortgages have been valued on the basis of their future principal and interest payments discounted at prevailing interest rates for similar instruments of matching duration. The fair value of real estate investments is based on industry practice. For recent acquisitions, cost closely approximates fair value. The fair value of longer term real estate holdings is estimated based on the System’s consultant assessments and/or independent

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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 6.2% of total investments. PERSI's real estate and commercial mortgage investments are 4.5% and 4.0%, 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 are the Board's adopted asset allocation policies for the Pension Trust Funds (DB Plans, adopted February 2017) and for the Sick Leave Insurance Reserve Funds (Sick Leave, adopted March 2021), as of June 30, 2021:

<u>Asset Class</u>	2021	
	DB Plans	Sick Leave
Fixed Income	30.0%	50.0%
US/Global Equity	55.0%	39.3%
International Equity	15.0%	10.7%
Cash	0.0%	0.0%
Total	100%	100%

Use of Estimates – The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of 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

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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, 2020, 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	\$ 9,643,710
FDIC insured/collateralized	1,785,767
Uninsured and uncollateralized	—
	<hr/>
Total	<u><u>\$ 11,429,477</u></u>

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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 it is appropriate to exclude:

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

Investments at fair value as of June 30, 2021, are as follows:

Domestic Fixed Income	\$ 5,584,633,820
Commingled Domestic Fixed Income (Sick Leave Insurance Reserve Fund)	351,582,512
International Fixed Income	22,367,668
Idaho Commercial Mortgage	889,471,623
Short-Term Investments	307,237,051
Real Estate	997,820,261
Domestic Equities	9,820,928,480
Commingled Domestic Equity (Sick Leave Insurance Reserve Fund)	279,662,556
International Equities	3,334,426,381
Commingled International Equity (Sick Leave Insurance Reserve Fund)	74,810,644
Private Equity	1,409,319,906
Mutual, Collective, and Unitized Funds	1,455,209,901
Total Investments	<u>\$24,527,470,803</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.

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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, 2021, the System had futures contracts with a fair value of \$(774,314), 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, 2021, the System had the following net futures contracts exposure:

	Exposure covered by contract
FUTURES	
Cash and Cash Equivalents	
90 Day Eurodollar	\$ 78,666,475
Euro Foreign Currency	5,190,938
Australian Dollar Foreign Currency	4,648,760
Japanese Yen Foreign Currency	4,165,738
Mexican Peso Foreign Currency	2,658,950
British Pound Foreign Currency	1,984,469
Canadian Dollar Foreign Currency	483,720
Russian Ruble Foreign Currency	337,625
Total Cash and Cash Equivalents	98,136,675
Fixed Income	
US 5yr Treasury Note	269,693,868
US Long Bond	41,152,000
US Ultra Bond	14,644,250
Australian 10yr Bond	4,027,910
Euro-Oat	3,017,689
Euro BOBL	477,265
UK Long Gilt	176,964
Euro-BUXL 30yr Bond	(1,687,156)
Japan 10yr Bond	(6,833,499)
US 2yr Treasury Note	(9,033,133)
Euro-Bund	(17,399,347)
US 10yr Treasury Note	(259,700,000)
Total Fixed Income	38,536,811
Net Futures Exposure	\$ 136,673,486

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

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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, 2021, the Base Plan, TRF, JRF, and FRF had option contracts payable with a fair value of \$25,801, which is included in Domestic Fixed Income and \$(436,336) which is included in Investments Purchased.

At June 30, 2021, the System had the following net options exposure:

OPTIONS	Exposure covered by contract
Fixed Income	
Cash/Cash Equivalents-Purchased Call Options	\$ 663
Cash/Cash Equivalents-Purchased Put Options	12,044
Fixed Income-Purchased Call Options	8,469
Fixed Income-Purchased Put Options	4,625
Total Fixed Income	<u>25,801</u>
Investments Purchased	
Cash/Cash Equivalents-Written Call Options	(309,103)
Cash/Cash Equivalents-Written Put Options	(16,975)
Fixed Income-Written Call Options	(99,203)
Fixed Income-Written Put Options	(11,055)
Total Investments Purchased	<u>(436,336)</u>
Net Option Exposure	<u>\$ (410,535)</u>

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, 2021, the System had entered into forward currency contracts to sell foreign currencies with a fair value of \$41,382,492 and had entered into forward currency contracts to buy foreign currencies with a fair value of \$41,094,136. Forward currency contracts are receivables or payables reported as investments sold or investments purchased. A net unrealized gain of \$288,356 at June 30, 2021 was recorded, which represent the gain which would occur from executing these forward foreign currency contracts.

Mortgage-Backed Securities — These investments are valued based on the cash flows from interest and principal payments on the underlying mortgages. As a result, they are sensitive to

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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 page 44.

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, 2021, the System had invested in TIPS with a fair value of \$2,337,211,998.

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, 2021, the System's fixed income assets that are not government guaranteed represented 47.77% of the fixed income portfolio. The System's fixed income assets are shown with current credit ratings in the table on the table below.

Credit Quality S&P Rating Level	PERSI/FRF Base Plans		JRF		Total Return Fund		
	Domestic	International	Domestic	International	Domestic	International	Total
Short-Term							
A-1+	\$ 63,395,506	\$ —	\$ 333,169	\$ —	\$ 3,211,366	\$ —	\$ 66,940,041
A-1	46,356,035	—	243,620	—	2,348,213	—	48,947,868
A-2	23,638,922	—	124,232	—	1,197,454	—	24,960,608
Long Term							
AAA	120,462,399	—	633,079	—	6,102,149	—	127,197,627
AA*	358,060,832	—	1,881,756	—	18,137,946	—	378,080,534
A	530,564,007	—	2,788,331	—	26,876,275	—	560,228,613
BBB	786,876,805	8,946,219	4,135,359	47,016	39,860,068	453,181	840,318,648
BB	39,670,136	2,302,928	208,483	12,103	2,009,532	116,657	44,319,839
B	3,495,376	—	18,369	—	177,062	—	3,690,807
CCC **	5,494,600	—	28,876	—	278,335	—	5,801,811
CC**	1,071,509	—	5,631	—	54,279	—	1,131,419
D**	311,966	—	1,640	—	15,803	—	329,409
Not rated	154,155,241	10,850,013	810,149	57,021	7,808,895	549,618	174,230,937
Total Credit Risk Fixed Income Securities	2,133,553,334	22,099,160	11,212,694	116,140	108,077,377	1,119,456	2,276,178,161
U.S.	3,716,920,710	—	19,533,937	—	188,284,510	—	3,924,739,157
Pooled Investments-(unrated)	25,548,542	—	134,268	—	1,294,188	—	26,976,998
Pooled Investments-SLIRF (unrated)	—	—	—	—	—	—	351,582,512
Idaho Mortgages	884,821,523	—	4,650,099	—	44,821,561	—	934,293,183
Total	\$6,760,844,109	\$ 22,099,160	\$35,530,998	\$ 116,140	\$342,477,636	\$ 1,119,456	\$7,513,770,011

*Includes US Government Agencies implicitly guaranteed by US Government: FHLB \$11,960,279; FHLMC \$60,360,623; FNMA \$122,287,076

**Active bond managers are allowed to invest a portion of their portfolios in non-investment grade securities. These positions are monitored on a regular basis

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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 88.6%, in short-term instruments held at the custodian bank. Of the remaining cash and deposits at June 30, 2021 approximately 3.2% or, \$10,218,395, was held by various counterparties not in the System's name. The remainder, approximately 8.3%, 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.

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Effective duration of domestic fixed income assets by security type:

Investment	Effective Duration in Years	Fair Value Allocations			
		PERSI/FRF DB Plans	Judges' Plan	Total Return Fund	Total
Domestic					
Asset-backed Securities	2.52	\$ 43,111,009	\$ 226,566	\$ 2,183,833	\$ 45,521,408
Asset-backed Securities	N/A	5,653,431	29,711	286,380	5,969,522
Mortgages	2.74	29,597,187	155,545	1,499,277	31,252,009
Mortgages	N/A	895,238	4,705	45,349	945,292
Commercial Paper	0.32	119,678,823	628,961	6,062,456	126,370,240
Commercial Paper	N/A	(38,631)	(203)	(1,957)	(40,791)
Corporate Bonds	8.26	1,447,386,733	7,606,609	73,318,890	1,528,312,232
Fixed Income Derivatives	182.92	(235,862)	(1,240)	(11,948)	(249,050)
Fixed Income Derivatives	N/A	(734,677)	(3,861)	(37,216)	(775,754)
Government Agencies	8.26	103,592,611	544,421	5,247,592	109,384,624
Government Bonds	7.77	1,497,250,539	7,868,663	75,844,794	1,580,963,996
Government Mortgage-backed Securities	3.41	211,947,359	1,113,870	10,736,415	223,797,644
Government Mortgage-backed Securities	N/A	32,279	170	1,635	34,084
Pooled Investments	—	26,162,438	137,494	1,325,286	27,625,218
Pooled Investments-SLIRF Domestic Fixed Income	N/A	—	—	—	351,582,512
Private Placements	4.82	171,621,222	901,940	8,693,653	181,216,815
Private Placements	N/A	6,648,354	34,940	336,779	7,020,073
TIPS	10.47	2,213,454,533	11,632,608	112,124,857	2,337,211,998
Idaho Mortgages	—	884,821,523	4,650,099	44,821,561	934,293,183
Total		\$6,760,844,109	\$ 35,530,998	\$ 342,477,636	\$ 7,490,435,255

Effective duration of international fixed income assets by security type:

Investment	Effective Duration in Years	Fair Value Allocations			
		PERSI/FRF DB Plans	Judges' Plan	Total Return Fund	Total
International					
Government Bonds	6.45	\$ 22,099,160	\$ 116,140	\$ 1,119,456	\$ 23,334,756
Total		\$ 22,099,160	\$ 116,140	\$ 1,119,456	\$ 23,334,756

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, 2021, 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.

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Currency	Short-term Investments	Equity	Fixed Income	Total USD Equivalent Fair Value
Argentina Peso	\$ 5,239	\$ —	\$ —	\$ 5,239
Australian Dollar	588,090	83,115,570	9,474	83,713,134
Brazil Real	(1,368,464)	24,903,572	2,412,725	25,947,833
Canadian Dollar	9,943,620	33,390,293	—	43,333,913
Chilean Peso	—	4,052,674	—	4,052,674
Chinese R Yuan Hk	(686,377)	—	—	(686,377)
Chinese Yuan Renminbi	97,134	—	605,179	702,313
Danish Krone	1,333,565	217,666,928	—	219,000,493
Euro Currency Unit	8,624,238	1,089,808,685	(151,462)	1,098,281,461
Hong Kong Dollar	162,774	315,921,558	—	316,084,332
Hungarian Forint	—	8,488,817	—	8,488,817
Indian Rupee	647,601	—	—	647,601
Indonesian Rupiah	996,233	12,321,752	3,240,259	16,558,244
Israeli Shekel	239,098	10,806,011	—	11,045,109
Japanese Yen	4,663,262	450,473,200	968,924	456,105,386
Kenyan Shilling	—	3,305,949	—	3,305,949
Malaysian Ringgit	17	10,545,001	—	10,545,018
Mexican Peso	(3,480,746)	39,268,677	9,801,516	45,589,447
Moroccan Dirham	90,711	—	—	90,711
New Taiwan Dollar	77,396	36,192,585	—	36,269,981
New Zealand Dollar	5,195	1,825,090	—	1,830,285
Norwegian Krone	172,251	9,795,925	—	9,968,176
Philippines Peso	—	9,797,106	—	9,797,106
Polish Zloty	53,969	5,279,907	—	5,333,876
Pound Sterling	1,603,376	571,923,741	1,936	573,529,053
Romanian Leu	—	3,796,622	—	3,796,622
Russian Ruble	2,888,766	—	5,489,434	8,378,200
Singapore Dollar	1,085	31,537,796	—	31,538,881
South African Rand	37,474	34,537,332	—	34,574,806
South Korean Won	392,482	98,969,957	—	99,362,439
Swedish Krona	176,013	66,154,196	—	66,330,209
Swiss Franc	8,064,416	283,643,570	—	291,707,986
Thailand Baht	—	11,300,457	—	11,300,457
Turkish Lira	—	3,096,051	—	3,096,051
Total value of investments subject to foreign currency risk	\$ 35,328,418	\$ 3,471,919,022	\$ 22,377,985	\$ 3,529,625,425

H. Rate of Return

For the years ended June 30, 2021 and 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 27.61% and 2.79%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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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.

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The following table presents fair value measurements as of June 30, 2021:

Instruments by Fair Value Level	Total	Level 1	Level 2	Level 3
Fixed Income Securities:				
U.S. Government	\$ 3,955,273,979	\$ 3,923,360,697	\$ 31,913,282	\$ —
Asset backed-Securitized	495,074,690	—	479,582,450	15,492,240
Corporate	1,247,564,983	—	1,245,427,903	2,137,080
Idaho Mortgages	934,293,183	—	934,293,183	—
Non-U.S. Government	184,927,715	—	184,927,715	—
Total Fixed Income Securities	6,817,134,550	3,923,360,697	2,876,144,533	17,629,320
Equities:				
Domestic	7,888,021,491	7,888,018,351	—	3,140
Developed Markets	3,561,947,834	3,557,817,509	—	4,130,325
Emerging Markets	724,110,901	721,984,156	—	2,126,745
Total Equities	12,174,080,226	12,167,820,016	—	6,260,210
Preferred Securities	42,828,348	38,033,036	1,106,676	3,688,636
Convertible or Exchangeable Securities	150,880	—	—	150,880
Mutual Funds-Defined Contribution investment options	131,446,760	131,446,760	—	—
Total investments by fair value level*	\$ 19,165,640,764	\$ 16,260,660,509	\$ 2,877,251,209	\$ 27,729,046

* 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.

Investments measured at the net asset value	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice
Private Equity Partnerships:				
Growth Equity	60,208,794	11,693,310	N/A	N/A
Corporate Finance/Buyout	1,234,072,345	658,557,837	N/A	N/A
Distressed Debt	10,946,106	53,027,636	N/A	N/A
Co/Direct Investment	96,204,860	80,818,790	N/A	N/A
Secondaries	59,152,828	62,853,632	N/A	N/A
Venture Capital	19,752,322	42,643,291	N/A	N/A
Private Real Estate:				
Open Ended Commingled Insurance Company separate account	74,467,207	N/A	N/A	N/A
Multifamily properties (Olympic)	76,229,615	N/A	N/A	N/A
Value added apartments	229,330,353	N/A	N/A	N/A
Value added offices	23,882,635	N/A	N/A	N/A
Value added retail	40,291,004	N/A	N/A	N/A

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Investments measured at the net asset value (Continued)	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice
Office/Industrial properties	89,211,013	N/A	N/A	N/A
Core Office	185,855,148	N/A	N/A	N/A
Industrial	236,337,836	N/A	N/A	N/A
Development properties	92,496,831	N/A	N/A	N/A
<u>Collective Funds:</u>				
REIT Index Collective Fund	4,733,974	N/A	Daily	Daily
TIPS Index Collective Fund	5,536,578	N/A	Daily	Daily
US Broad Equity Market Index Collective Fund	22,580,229	N/A	Daily	Daily
Emerging Equity Market Index Fund	4,204,647	N/A	Daily	Daily
US Large Cap Equity Market Index Collective Fund	57,443,228	N/A	Daily	Daily
US Bond Market Index Collective Fund	15,967,871	N/A	Daily	Daily
International Equity Index Collective Fund	11,195,465	N/A	Daily	Daily
US Small/Midcap Equity Index Collective Fund	35,658,730	N/A	Daily	Daily
BNYM Mellon DB NSL Emerging Market Stock Index Fund - Non-DC	1,120,897,527	N/A	Daily	2 days
Bernstein Emerging Markets Value Delaware Business Trust	478,349,555	N/A	Weekly	5 days
<u>Unitized Fund</u>				
Short-Term Investment Portfolio account	33,557,410	N/A	Daily	Daily
<u>Sick Leave Insurance Reserve Trust Fund</u>		N/A		
Russell 3000 Index Commingled Fund	279,662,556	N/A	Daily	Same Day
Government Credit Bond Index Commingled Fund	351,582,512	N/A	Daily	1 Day
MSCI ACWI Ex-US Strategy Commingled Fund	74,810,644	N/A	Daily	2 days
Total investments measured at the Net Asset Value (NAV)	5,024,619,823			
Total investments measured at fair value	\$ 24,190,260,587			

Investment derivative instruments by fair value level	Total	Level 1	Level 2	Level 3
Foreign Exchange Contracts-Receivable	\$ 41,382,492	\$ —	\$ 41,382,492	\$ —
Foreign Exchange Contracts-Payable	(41,094,136)	—	(41,094,136)	—
Futures	(1,194,854)	(886,241)	—	(308,613)
Swap Collateral	(60,791)	—	(60,791)	—
Total Investment derivative instruments	\$ (967,289)	\$ (886,241)	\$ 227,565	\$ (308,613)

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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 of 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.

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.

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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 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 is an open-ended commingled 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: At the beginning of the fiscal year, there were eight collective trust funds offered as investment options in the Defined Contribution Plan, and one in the Defined Benefit Plan. During the fiscal year an additional fund in the Defined Benefit Plan was converted to a collective fund. The collective funds are value based on the NAV of the underlying investments. Collective Trusts are regulated, but not registered investment vehicles.

Commingled 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, 2021 and 2020, are as follows:

	PERSI Base Plan 2021	FRF 2021	JRF 2021
Total pension liability	\$ 21,691,680,851	\$ 241,630,928	\$ 121,888,206
Plan fiduciary net position	21,770,658,824	511,857,776	117,341,440
Employers' net pension liability (asset)	<u>\$ (78,977,973)</u>	<u>\$ (270,226,848)</u>	<u>\$ 4,546,766</u>
Plan fiduciary net position as a percentage of total pension liability	<u>100.36 %</u>	<u>211.83 %</u>	<u>96.27 %</u>
	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>

The net pension liability (asset) is calculated using a discount rate of 6.35%, 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 6.30%, 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, 2021, 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 the most recent actuarial experience study performed for the period 2015 through 2020. 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	2.30 percent	2.30 percent	2.30 percent
Salary increases including inflation	3.05 percent	3.05 percent*	3.05 percent*
Investment rate of return-net of investment fees	6.35 percent	6.35 percent	6.35 percent
Cost of Living (COLA) adjustments	1.00 percent	**	**

*3.05 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

*A 3.05 percent COLA is assumed for the gross benefit paid to members of FRF. A 1.00 percent COLA is assumed for the PERSI benefit offsets used to determine the benefits paid by FRF.

**there is an additional component of assumed salary growth (on top of the 3.05%) that varies for each individual member based on years of service

FINANCIAL SECTION

Mortality

Several different sets of mortality rates are used in the valuation for contributing members, members retired for service and beneficiaries, as well as for the Judicial members. These rates were adopted for the valuation dated July 1, 2021.

Contributing Members, Service Retirement Members, and Beneficiaries

General Employees and All Beneficiaries - Males	Pub-2010 General Tables, increased 11%.
General Employees and All Beneficiaries - Females	Pub-2010 General Tables, increased 21%.
Teachers - Males	Pub-2010 Teacher Tables, increased 12%.
Teachers - Females	Pub-2010 Teacher Tables, increased 21%.
Fire & Police - Males	Pub-2010 Safety Tables, increased 21%.
Fire & Police - Females	Pub-2010 Safety Tables, increased 26%.
Disabled Members - Males	Pub-2010 Disabled Tables, increased 38%.
Disabled Members - Females	Pub-2010 Disabled Tables, increased 36%.

Judicial Members

Males - Pre-Commencement	General Pub-2010 Above Median tables for male employees
Males - Post-Commencement	General Pub-2010 Above Median tables for male healthy annuitants
Females - Pre-Commencement	General Pub-2010 Above Median tables for female employees
Females - Post-Commencement	General Pub-2010 Above Median tables for female healthy annuitants

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.

FINANCIAL SECTION

Capital Market Assumptions from Callan 2021

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%	1.80%	(0.20)%
Broad US Equities	55.00%	8.00%	6.00%
Developed Foreign Equities	15.00%	8.25%	6.25%
Assumed Inflation - Mean		2.00%	2.00%
Assumed Inflation - Standard Deviation		1.50%	1.50%
Portfolio Arithmetic Mean Return		6.18%	4.18%
Portfolio Standard Deviation		12.29%	12.29%
Portfolio Long-Term (Geometric) Expected Rate of Return		5.55%	3.46%
Assumed Investment Expenses		0.40%	0.40%
Portfolio Long-Term (Geometric) Expected Rate of Return, Net of Investment Expenses		5.15%	3.06%

Investment Policy Assumptions from PERSI Board November 2019

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

Economic/Demographic Assumptions from Milliman 2021

Valuation Assumptions Chosen by PERSI Board

Long-Term Expected Real Rate of Return, Net of Investment Expenses	4.05%
Assumed Inflation*	2.30%
Long-Term Expected Geometric Rate of Return, Net of Investment Expenses	6.35%

**2.30% was approved by the Board dated August 2021*

FINANCIAL SECTION

Discount rate – The discount rate used to measure the total pension liability was 6.35%. 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 6.35% 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 5.35%	Current Discount Rate 6.35%	1% Increase 7.35%
Employers' net pension liability (asset) - PERSI	\$2,745,441,291	\$ (78,977,973)	\$ (2,394,211,053)
Employers' net pension liability (asset) - FRF	(248,174,011)	(270,226,848)	(289,311,483)
Employers' net pension liability (asset) - JRF	17,025,196	4,546,766	(6,111,305)

FINANCIAL SECTION

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, 2021 and 2020, is as follows.

State Members

	2021	2020
Total OPEB liability	\$ 104,239,022	\$ 93,296,577
Plan fiduciary net position	286,193,340	234,449,486
Employers' net OPEB liability (asset)	<u>\$ (181,954,318)</u>	<u>\$ (141,152,909)</u>
Plan fiduciary net position as a percentage of total OPEB liability (asset)	<u>275.0 %</u>	<u>251.0 %</u>

School Members

	2021	2020
Total OPEB liability	\$ 276,050,086	\$ 232,878,651
Plan fiduciary net position	421,270,510	356,009,237
Employers' net OPEB liability (asset)	<u>\$ (145,220,424)</u>	<u>\$ (123,130,586)</u>
Plan fiduciary net position as a percentage of total OPEB liability (asset)	<u>153.0 %</u>	<u>153.0 %</u>

The OPEB asset is calculated using a discount rate of 5.45% 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, 2021. 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, 2021 was 50% Fixed income, 39.3% US/Global equity, and 10.7% International equity.

Actuarial Assumptions

Sick Leave Insurance Reserve Fund

Inflation	2.30 percent
Salary increases including inflation	3.05 percent
Investment rate of return-net of investment fees	5.45 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.

FINANCIAL SECTION

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.

Investment Policy Assumptions from PERSI Board November 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 2021

Long-Term Expected Real Rate of Return, Net of Investment Expenses	3.15%
Assumed Inflation*	2.30%
Long-Term Expected Geometric Rate of Return, Net of Investment Expenses	5.45%

*2.30% was approved by the Board dated August 2021

Discount rate – The discount rate used to measure the total OPEB liability was 5.45%. 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 5.45% 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:

State & School Members	1% Decrease 4.45%	Discount Rate 5.45%	1% Increase 6.45%
State Members-Net OPEB Liability/(Asset)	\$ (174,462,603)	\$ (181,954,318)	\$ (188,820,584)
School Members-Net OPEB Liability/(Asset)	\$ (126,017,660)	\$ (145,220,424)	\$ (163,157,039)

FINANCIAL SECTION

NOTE 7. ASSETS USED IN PLAN OPERATIONS

Assets used in plan operations at June 30, 2021 and 2020, consist of the following:

	2021	2020
Buildings and improvements	\$ 6,021,556	\$ 5,954,523
Less accumulated depreciation	<u>(4,867,316)</u>	<u>(4,493,561)</u>
Total buildings and improvements	<u>1,154,240</u>	<u>1,460,962</u>
Equipment	866,449	631,252
Less accumulated depreciation	<u>(484,614)</u>	<u>(450,897)</u>
Total equipment	<u>381,835</u>	<u>180,355</u>
Computer software development - Arrivos	11,968,297	11,968,297
Less accumulated amortization	<u>(6,254,807)</u>	<u>(5,058,184)</u>
Total computer software development - Arrivos	<u>5,713,490</u>	<u>6,910,113</u>
Equipment - Arrivos	254,114	254,114
Less accumulated depreciation	<u>(254,114)</u>	<u>(254,114)</u>
Total equipment	<u>—</u>	<u>—</u>
Total assets used in plan operations	<u><u>\$ 7,249,565</u></u>	<u><u>\$ 8,551,430</u></u>

Depreciation expense is a component of administrative expense. For the year ended June 30, 2021, depreciation expense on the buildings and improvements was \$373,756. The equipment had a total depreciation expense of \$82,701 for 2021.

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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 Annual Comprehensive Financial Report of the State of Idaho which may be accessed at www.sco.idaho.gov.

NOTE 9. COMMITMENTS

The System had unfunded private equity commitments as of June 30, 2021 of \$909,594,496.

FINANCIAL SECTION

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FINANCIAL SECTION

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021

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

	2021	2020	2019	2018	2017
Total pension liability changes for the year					
Service cost	\$ 513,205,361	\$ 484,964,767	\$ 461,646,272	\$ 437,257,407	\$ 406,910,895
Interest	1,388,578,112	1,321,253,945	1,250,119,942	1,202,947,872	1,129,286,928
Effect of plan changes	5,638,304	372,935,449		84,200,000	12,200,000
Effect of economic/demographic gains or losses	26,369,372	166,634,457	(105,480,176)	(38,113,799)	273,580,592
Effect of assumptions changes or inputs	1,136,086,143			104,724,103	
Benefit payments, including refunds of member contributions	(1,092,389,237)	(1,012,529,440)	(975,200,330)	(909,678,264)	(864,785,159)
Net change in total pension liabilities	1,977,488,055	1,333,259,178	631,085,708	881,337,319	957,193,256
 Total pension liability - beginning	19,714,192,796	18,380,933,618	17,749,847,910	16,868,510,591	15,911,317,335
Total pension liability - ending	21,691,680,851	19,714,192,796	18,380,933,618	17,749,847,910	16,868,510,591
 Plan net position					
Contributions - employer	450,951,588	430,638,154	390,080,902	369,139,113	356,367,389
Contributions - employee	294,084,814	280,790,591	257,060,511	243,950,654	237,032,668
Net investment income	4,734,923,136	463,879,610	1,301,966,592	1,283,658,926	1,692,713,855
Other					
Benefit payments, including refunds of member contributions	(1,092,389,237)	(1,012,529,440)	(975,200,330)	(909,678,264)	(864,785,159)
Administrative expense	(8,972,053)	(10,179,831)	(9,276,642)	(8,922,335)	(8,810,136)
Net change in plan net position	4,378,598,248	152,599,084	964,631,033	978,148,094	1,412,518,617
 Plan net position - beginning	17,392,060,576	17,239,461,492	16,274,830,459	15,296,682,365	13,884,163,748
Plan net position - ending	21,770,658,824	17,392,060,576	17,239,461,492	16,274,830,459	15,296,682,365
 Plan net pension liability (asset) - ending	<u>\$ (78,977,973)</u>	<u>\$2,322,132,220</u>	<u>\$1,141,472,126</u>	<u>\$1,475,017,451</u>	<u>\$1,571,828,226</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

<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 397,283,921	\$ 384,419,252	\$ 376,800,000
1,088,670,726	1,045,505,462	992,942,358
67,800,000	150,400,000	(1,300,000)
(104,512,779)	(105,531,304)	(111,248,209)
13,100,000		74,600,000
<u>(824,524,533)</u>	<u>(770,593,410)</u>	<u>(729,094,149)</u>
637,817,335	704,200,000	602,700,000
15,273,500,000	14,569,300,000	13,966,600,000
15,911,317,335	15,273,500,000	14,567,300,000
335,610,100	321,240,628	310,986,283
220,866,936	211,468,780	203,890,954
202,329,942	367,820,877	2,000,619,926
25,283	16,767	
(824,524,533)	(770,593,410)	(729,094,149)
<u>(6,806,655)</u>	<u>(6,434,462)</u>	<u>(6,787,811)</u>
(72,498,927)	123,519,180	1,779,615,203
13,956,662,675	13,833,143,496	12,053,528,293
<u>13,884,163,748</u>	<u>13,956,662,675</u>	<u>13,833,143,496</u>
<u><u>\$2,027,153,587</u></u>	<u><u>\$1,316,837,325</u></u>	<u><u>\$ 736,156,504</u></u>

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					
	2021	2020	2019	2018	2017
Total pension liability changes for the year					
Service cost	\$ —	\$ —	\$ —	\$ —	\$ —
Interest	15,415,347	18,555,434	19,216,525	19,841,800	20,041,184
Effect of plan changes				(615,405)	(68,748)
Effect of economic/demographic gains or losses	(6,986,802)	(4,019,534)	(9,593,204)	(9,182,411)	(3,116,488)
Effect of assumptions changes or inputs	(16,003,571)			1,386,562	
Benefit payments, including refunds of member contributions	(18,828,213)	(19,073,931)	(18,929,519)	(18,934,403)	(19,294,441)
Net change in total pension liabilities	(26,403,239)	(4,538,031)	(9,306,198)	(7,503,857)	(2,438,493)
Total pension liability - beginning	268,034,167	272,572,198	281,878,396	289,382,253	291,820,746
Total pension liability - ending	241,630,928	268,034,167	272,572,198	281,878,396	289,382,253
Plan net position					
Contributions - employer	2,549,471	8,660,397	3,926,915	7,706,226	7,452,987
Contributions - employee		4,503	4,540	4,368	4,385
Net investment income	111,249,774	11,090,094	36,330,366	31,124,311	41,488,825
Benefit payments, including refunds of member contributions	(18,828,213)	(19,073,931)	(18,929,519)	(18,934,403)	(19,294,441)
Administrative expense	(46,585)	(73,557)	(55,031)	(29,833)	(43,022)
Net change in plan net position	94,924,447	607,506	21,277,271	19,870,669	29,608,734
Plan net position - beginning	416,933,329	416,325,823	395,048,552	375,177,883	345,569,149
Plan net position - ending	511,857,776	416,933,329	416,325,823	395,048,552	375,177,883
Plan net pension liability (asset) - ending	<u>\$ (270,226,848)</u>	<u>\$ (148,899,162)</u>	<u>\$ (143,753,625)</u>	<u>\$ (113,170,156)</u>	<u>\$ (85,795,630)</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

2016	2015	2014
<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ —	\$ —	\$ —
20,496,009	21,479,861	21,888,712
(557,863)	(2,100,000)	
(7,446,350)	(15,100,408)	(5,629,912)
(19,476,228)	(19,874,275)	(19,958,800)
(6,984,432)	(15,594,822)	(3,700,000)
298,805,178	314,400,000	318,100,000
291,820,746	298,805,178	314,400,000
7,198,597	11,305,473	14,200,323
6,329	6,168	9,095
5,083,454	9,357,909	50,966,862
(19,476,228)	(19,874,275)	(19,958,800)
(58,873)	(153,719)	
(7,246,721)	641,556	45,217,480
352,815,870	352,174,314	306,956,837
345,569,149	352,815,870	352,174,314
<u>\$ (53,748,403)</u>	<u>\$ (54,010,692)</u>	<u>\$ (37,774,314)</u>

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					
	2021	2020	2019	2018	2017
Total pension liability changes for the year					
Transfer in from JRF	\$ —	\$ —	\$ —	\$ —	\$ —
Service cost	3,489,980	3,343,947	3,177,846	2,962,939	3,179,411
Interest	8,127,424	7,930,143	7,502,002	7,329,407	7,055,599
Effect of economic/demographic gains or losses	(106,337)	(962,452)	2,627,021	(400,640)	265,945
Effect of assumptions changes or inputs	2,489,739				
Benefit payments, including refunds of member contributions	(7,679,687)	(7,639,712)	(7,168,403)	(6,691,558)	(6,173,415)
Net change in total pension liabilities	6,321,119	2,671,926	6,138,466	3,200,148	4,327,540
Total pension liability - beginning	115,567,087	112,895,161	106,756,695	103,556,547	99,229,007
Total pension liability - ending	121,888,206	115,567,087	112,895,161	106,756,695	103,556,547
Plan net position					
Contributions - employer	5,066,720	4,878,534	4,688,762	4,278,996	3,946,599
Contributions - employee	875,812	845,925	778,864	714,804	630,392
Net investment income	25,476,975	2,535,628	6,936,823	6,938,171	9,157,849
Transfer in					
Other		12,960	13,200		
Benefit payments, including refunds of member contributions	(7,679,687)	(7,639,712)	(7,168,403)	(6,691,558)	(6,173,415)
Administrative expense	(104,054)	(127,095)	(121,305)	(104,949)	(74,035)
Net change in plan net position	23,635,766	506,240	5,127,941	5,135,464	7,487,390
Plan net position - beginning	93,705,674	93,199,434	88,071,493	82,936,029	75,448,639
Plan net position - ending	117,341,440	93,705,674	93,199,434	88,071,493	82,936,029
Plan net pension liability - ending	\$ 4,546,766	\$ 21,861,413	\$ 19,695,727	\$ 18,685,202	\$ 20,620,518

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

<u>2016</u>	<u>2015</u>
\$ —	\$ 92,302,982
3,110,818	3,251,679
6,888,876	6,589,779
(1,647,589)	284,788
<u>(5,974,937)</u>	<u>(5,577,389)</u>
2,377,168	96,851,839
96,851,839	
99,229,007	96,851,839
3,370,587	3,595,417
623,754	629,077
1,092,130	2,049,895
	75,864,300
2,571	2,063
(5,974,937)	(5,577,389)
<u>(133,096)</u>	<u>(95,733)</u>
(1,018,991)	76,467,630
76,467,630	
<u>75,448,639</u>	<u>76,467,630</u>
<u>\$ 23,780,368</u>	<u>\$ 20,384,209</u>

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	2021	2020	2019	2018	2017
Total Pension Liability	\$21,691,680,851	\$19,714,192,796	\$18,380,933,618	\$17,749,847,910	\$16,868,510,591
Plan net position	21,770,658,824	17,392,060,576	17,239,461,492	16,274,830,459	15,296,682,365
Net pension liability (asset)	\$ (78,977,973)	\$ 2,322,132,220	\$ 1,141,472,126	\$ 1,475,017,451	\$ 1,571,828,226
Plan net position as a percentage of total pension liability	100.36 %	88.22 %	93.79 %	91.69 %	90.68 %
Covered payroll	\$ 3,716,726,113	\$ 3,546,033,069	\$ 3,382,051,785	\$ 3,200,396,203	\$ 3,089,555,264
Net pension liability as a percentage of covered payroll	(2.12)%	65.49 %	33.75 %	46.09 %	50.88 %
Firefighters' Retirement Fund					
	2021	2020	2019	2018	2017
Total Pension Liability	\$ 241,630,928	\$ 268,034,167	\$ 272,572,198	\$ 281,878,396	\$ 289,382,253
Plan net position	511,857,776	416,933,329	416,325,823	395,048,552	375,177,883
Net pension liability (asset)	\$ (270,226,848)	\$ (148,899,162)	\$ (143,753,625)	\$ (113,170,156)	\$ (85,795,630)
Plan net position as a percentage of total pension liability	211.83 %	155.55 %	152.74 %	140.15 %	129.65 %
Covered payroll	\$ 85,896,222	\$ 78,657,631	\$ 78,284,032	\$ 74,848,287	\$ 70,568,501
Net pension liability (asset) as a percentage of covered payroll	(314.60)%	(189.30)%	(183.63)%	(151.20)%	(121.58)%
Judges' Retirement Fund					
	2021	2020	2019	2018	2017
Total Pension Liability	\$ 121,888,206	\$ 115,567,087	\$ 112,895,161	\$ 106,756,695	\$ 103,556,547
Plan net position	117,341,440	93,705,674	93,199,434	88,071,493	82,936,029
Net pension liability (asset)	\$ 4,546,766	\$ 21,861,413	\$ (19,695,727)	\$ 18,685,202	\$ 20,620,518
Plan net position as a percentage of total pension liability	96.27 %	81.08 %	82.55 %	82.50 %	80.09 %
Covered payroll	\$ 8,102,863	\$ 7,801,909	\$ 6,731,755	\$ 6,178,081	\$ 6,162,190
Net pension liability as a percentage covered of payroll	56.11 %	280.21 %	292.58 %	302.44 %	334.63 %

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

2016	2015	2014
\$15,911,317,335	\$15,273,500,000	\$14,569,300,000
13,884,163,748	13,956,662,675	13,833,143,496
\$ 2,027,153,587	\$ 1,316,837,325	\$ 736,156,504
87.26 %	91.38 %	94.95 %
\$ 2,895,430,105	\$ 2,791,109,393	\$ 2,702,945,352
70.01 %	47.18 %	27.24 %

2016	2015	2014
\$ 291,820,746	\$ 298,805,178	\$ 314,400,000
345,569,149	352,815,870	352,174,314
\$ (53,748,403)	\$ (54,010,692)	\$ (37,774,314)
118.42 %	118.08 %	112.01 %
\$ 68,017,833	\$ 63,780,545	\$ 63,017,405
(79.02)%	(84.68)%	(59.94)%

2016	2015	2014
\$ 99,229,007	\$ 96,851,839	\$ —
75,448,639	76,467,630	—
\$ 23,780,368	\$ 20,384,209	\$ —
76.03 %	78.95 %	0.00 %
\$ 6,097,302	\$ 6,149,339	\$ —
390.01 %	331.49 %	0.00 %

FINANCIAL SECTION

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

SCHEDULE OF CONTRIBUTIONS FISCAL YEARS 2012-2021

PERSI BASE PLAN					
Fiscal Year	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
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 %
2021	394,829,024	450,951,588	(56,122,564)	3,716,726,113	12.13 %

Firefighters' Retirement Fund					
Fiscal Year	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
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 %
2021		2,549,471	(2,549,471)	85,896,222	2.97 %

See Notes to Required Supplementary Information

FINANCIAL SECTION

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

SCHEDULE OF CONTRIBUTIONS FISCAL YEARS 2015-2021

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 %
2021	4,032,795	5,066,720	(1,033,925)	8,102,863	62.53 %

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 INVESTMENT RETURNS YEAR ENDED JUNE 30, 2021

Investment Returns

	<u>2021</u>	<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	27.6%	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, 2021

Sick Leave Insurance Reserve Fund - State					
	2021	2020	2019	2018	2017
Total OPEB liability changes for the year					
Service cost	\$ 4,715,656	\$ 3,939,068	\$ 4,326,780	\$ 4,170,390	\$ 4,043,479
Interest	5,650,851	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	(2,555,609)	(2,161,468)	1,415,058		
Effect of assumptions changes or inputs	8,214,660	(10,060,579)		186,986	
Benefit payments, including refunds of member contributions	(5,083,113)	(4,739,183)	(4,611,044)	(4,671,380)	(5,010,974)
Net change in total OPEB liabilities	\$ 10,942,445	\$ (5,916,960)	\$ 7,723,351	\$ 122,200	\$ 5,255,676
Net OPEB liability - beginning	<u>\$ 93,296,577</u>	<u>\$ 99,213,537</u>	<u>\$ 91,490,186</u>	<u>\$ 91,367,986</u>	<u>\$ 86,112,310</u>
Total OPEB liability - ending	<u><u>\$ 104,239,022</u></u>	<u><u>\$ 93,296,577</u></u>	<u><u>\$ 99,213,537</u></u>	<u><u>\$ 91,490,186</u></u>	<u><u>\$ 91,367,986</u></u>
Plan net position					
Contributions - employer	\$ (682)	\$ 4,494,217	\$ 7,497,670	\$ 7,161,239	\$ 7,136,693
Net investment income	56,875,563	9,556,026	16,085,961	17,316,960	12,294,424
Other					
Benefit payments, including refunds of member contributions	(5,083,113)	(4,739,183)	(4,611,044)	(4,671,380)	(5,010,974)
Administrative expense	(47,914)	(47,225)	(47,183)	(44,182)	(41,148)
Net change in plan net position	\$ 51,743,854	\$ 9,263,835	\$ 18,925,404	\$ 19,762,637	\$ 14,378,995
Plan net position - beginning	<u>\$ 234,449,486</u>	<u>\$ 225,185,651</u>	<u>\$ 206,260,247</u>	<u>\$ 186,497,610</u>	<u>\$ 172,118,615</u>
Plan net position - ending	<u><u>\$ 286,193,340</u></u>	<u><u>\$ 234,449,486</u></u>	<u><u>\$ 225,185,651</u></u>	<u><u>\$ 206,260,247</u></u>	<u><u>\$ 186,497,610</u></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 CHANGES IN NET OPEB LIABILITY (ASSET) YEAR ENDED JUNE 30, 2021

Sick Leave Insurance Reserve Fund - School					
	2021	2020	2019	2018	2017
Total OPEB liability changes for the year					
Service cost	\$ 10,733,979	\$ 8,694,499	\$ 9,108,050	\$ 8,778,843	\$ 7,692,471
Interest	13,972,195	17,727,484	16,607,049	15,779,480	14,272,064
Effect of plan changes					
Effect of economic/demographic gains or losses	11,913,355	5,125,806	2,499,644	10,851,176	
Effect of assumptions changes or inputs	18,963,947	(35,485,232)		486,017	
Benefit payments, including refunds of member contributions	(12,412,041)	(11,886,179)	(11,930,829)	(12,186,675)	(13,155,040)
Net change in total OPEB liabilities	\$ 43,171,435	\$ (15,823,622)	\$ 16,283,914	\$ 23,708,841	\$ 8,809,495
Net OPEB liability - beginning	\$ 232,878,651	\$ 248,702,273	\$ 232,418,359	\$ 208,709,518	\$ 200
Total OPEB liability - ending	<u>\$ 276,050,086</u>	<u>\$ 232,878,651</u>	<u>\$ 248,702,273</u>	<u>\$ 232,418,359</u>	<u>\$ 8,809,695</u>
Plan net position					
Contributions - employer	\$ (3,637)	\$ 8,967,109	\$ 16,432,554	\$ 15,599,238	\$ 14,763,323
Net investment income	77,748,673	14,518,013	24,690,082	26,546,106	18,873,664
Other					
Benefit payments, including refunds of member contributions	(12,412,041)	(11,886,179)	(11,930,829)	(12,186,675)	(13,155,040)
Administrative expense	(71,722)	(72,369)	(72,453)	(67,805)	(63,192)
Net change in plan net position	\$ 65,261,273	\$ 11,526,573	\$ 29,119,354	\$ 29,890,864	\$ 20,418,755
Plan net position - beginning	\$ 356,009,237	\$ 344,482,664	\$ 315,363,310	\$ 285,472,446	\$ 265,053,691
Plan net position - ending	<u>\$ 421,270,510</u>	<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, 2021

State Members					
	2021	2020	2019	2018	2017
Total OPEB liability	\$ 104,239,022	\$ 93,296,577	\$ 99,213,537	\$ 91,490,186	\$ 91,367,986
Plan fiduciary net position	286,193,340	234,449,486	225,185,651	206,260,247	186,497,610
Employers' net OPEB liability (asset)	<u><u>\$(181,954,318)</u></u>	<u><u>\$(141,152,909)</u></u>	<u><u>\$(125,972,114)</u></u>	<u><u>\$(114,770,061)</u></u>	<u><u>\$(95,129,624)</u></u>
Plan fiduciary net position as a percentage of total OPEB liability (asset)	<u>275.0 %</u>	<u>251.0 %</u>	<u>227.0 %</u>	<u>225.4 %</u>	<u>201.1 %</u>
School Members					
	2021	2020	2019	2018	2017
Total OPEB liability	\$ 276,050,086	\$ 232,878,651	\$ 248,702,273	\$ 232,418,359	\$ 208,709,518
Plan fiduciary net position	421,270,510	356,009,237	344,482,664	315,363,310	285,472,446
Employers' net OPEB liability (asset)	<u><u>\$(145,220,424)</u></u>	<u><u>\$(123,130,586)</u></u>	<u><u>\$(95,780,391)</u></u>	<u><u>\$(82,944,951)</u></u>	<u><u>\$(76,762,928)</u></u>
Plan fiduciary net position as a percentage of total OPEB liability (asset)	<u>153.0 %</u>	<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, 2021

Sick Leave Insurance Reserve Fund - State					
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 %
2021	3,557,248	(682)	3,557,930	1,111,640,064	— %

Sick Leave Insurance Reserve Fund - School					
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 %
2021	9,132,736	(3,637)	9,136,373	1,497,169,775	— %

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, 2021

	2021	2020	2019	2018	2017
Annual money weighted rate of return, net of investment expenses	23.2%	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, 2021

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, 2021 for PERSI, as of June 30, 2021 for FRF and as of June 30, 2021 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, 2021	June 30, 2021	June 30, 2021
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	0.4 years	N/A	2.7 years
Asset valuation method	Fair Market Value	3-yr smoothing	Fair Market Value
Actuarial assumptions:			
Investment rate of return *	6.35%	6.35%	6.35%
Projected salary increases including inflation	3.05%	3.05%	3.05%
Postretirement benefit increase	1.00%	1.00%	1.00% or 3.05%
Implied price inflation rate	2.30%	2.30%	2.30%
Discount Rate - Actuarial Accrued Liability	6.35%	6.35%	6.35%

*net of investment expenses

The valuation date for the Sick Leave Insurance Reserve Fund is as of June 30, 2021.

Actuarial Assumptions	<u>Sick Leave Insurance Reserve Fund</u>
Inflation	2.30 percent
Salary increases including inflation	3.05 percent
Investment rate of return *	6.35 percent

*net of investment expenses

FINANCIAL SECTION

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

***ADDITIONAL SUPPLEMENTARY SCHEDULES
JUNE 30, 2021***

FINANCIAL SECTION

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

SCHEDULE OF INVESTMENT EXPENSES YEAR ENDED JUNE 30, 2021

INVESTMENT AND RELATED SERVICES:

Adelante Capital Management	\$ 2,522,778
AEW Capital Management, L.P.	10,675,053
BCA Research, Inc.	11,250
Bloomberg, LP	71,078
BLS Capital	4,715,663
BNY Mellon Trust	2,319,605
Brandes Investment Partners, LP	1,860,277
Business Entity Data B.V.	182
Capital Economics (N.A.) Ltd	12,000
Clearwater Advisors, LLC	929,101
Consensus Economics, Inc.	694
D.B. Fitzpatrick & Co., Inc.	3,460,965
Donald Smith & Company	2,644,978
Fiera Capital, Inc.	3,848,201
Genesis Investment Management, LLP	3,017,486
Hamilton Lane Advisors, LLC	30,000
Income Research + Management Inc.	489,617
Longview Partners (Guernsey) Ltd	3,151,969
Macro Research Board (MRB)	2,500
Mellon Investments Corporation	1,745,800
Mondrian Investment Partners	1,626,689
Mountain Pacific Investment Advisors, Inc.	2,523,252
MSCI, Inc.	1,000
Pageant Media Ltd	3,500
Peregrine Capital Management	4,110,577
Prudential Property Investment Separate Account	342,816
Sanford C Bernstein & CO., LLLC.	5,478,986
State Street Global Advisors	1,042,626
Walter Scott & Partners LTD	3,620,478
Wells Fargo Bank, NA	84,270
Western Asset	656,668
Yardeni Research, Inc.	7,500
TOTAL INVESTMENT AND RELATED SERVICES	61,007,559

continued

FINANCIAL SECTION

CONSULTING AND OTHER SERVICES:

Alban Row Investments, LLC	75,000
Callan LLC	439,427
Eide Bailly LLP	89,874
Empower Retirement	236,216
Foster Garvey PC	295,340
Hamilton Lane Advisors, LLC	200,000
Ice Miller LLP	428
Jenks, John R.	75,000
Milliman, Inc.	299,617
Murray Devine	14,500
TOTAL CONSULTING AND OTHER SERVICES	<u>1,725,402</u>

TOTAL	<u>\$ 62,732,961</u>
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(concluded)

FINANCIAL SECTION

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

SCHEDULE OF ADMINISTRATIVE EXPENSES YEAR ENDED JUNE 30, 2021

PORTFOLIO-RELATED EXPENSES:

Personnel expenses	\$ 659,689
Operating expenses	66,090
	<hr/> 725,779

OTHER ADMINISTRATIVE EXPENSES:

Personnel expenses	4,150,141
Operating expenses	2,489,638
Building depreciation expense	373,756
Equipment depreciation expense	82,701
Software amortization expense	1,196,623
	<hr/> 8,292,859

SICK LEAVE FUND EXPENSES — Administrative expenses	<hr/> 119,636
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JUDGES' FUND EXPENSES -- Administrative expenses	<hr/> 104,054
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DEFINED CONTRIBUTION FUND - Administrative expenses	<hr/> 2,374,875
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TOTAL	<hr/> <hr/> \$ 11,617,203
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the pension and other trust funds of the Public Employee Retirement System of Idaho (the System or PERSI), as of and for the year ended June 30, 2021, 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 28, 2021.

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 black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Boise, Idaho
October 28, 2021