



Financial Statements  
June 30, 2022

# Public Employee Retirement System of Idaho

# PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

## Table of Contents

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	<b>Page</b>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	4
<b>FINANCIAL STATEMENTS</b>	
Statements of Fiduciary Net Position	13
Statements of Changes in Fiduciary Net Position	15
Notes to Financial Statements	17
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of Changes in Net Pension Liability (Asset)	46
Schedule of Net Pension Liability (Asset)	52
Schedule of Contributions	54
Schedule of Investment Returns	56
Schedule of Changes in Net OPEB Liability (Asset)	57
Schedule of Net OPEB Liability (Asset)	61
Schedule of Contributions - OPEB	63
Schedule of Investment Returns – Sick Leave Insurance Reserve Fund	64
Notes to Required Supplementary Information	65
<b>ADDITIONAL SUPPLEMENTARY SCHEDULES</b>	
Schedule of Investment Expenses	66
Schedule of Administrative Expenses	68
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	69



## **INDEPENDENT AUDITOR'S REPORT**

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

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of the pension and other trust funds of the Public Employee Retirement System of Idaho (the System), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the System, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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 Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***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 46-65 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

### ***Supplementary 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. The other supplementary information is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Report on Summarized Comparative Information***

We have previously audited the Public Employee Retirement System of Idaho's June 30, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 28, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2022 on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

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

October 12, 2022  
Boise, Idaho

## FINANCIAL SECTION

# PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

### MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2022

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, 2022. The June 30, 2021 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 decreased \$(2.8) billion and increased \$5.0 billion in Fiscal Year 2022 and Fiscal Year 2021, 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, 2022 and 2021, were as follows:

	<u>2022</u>	<u>2021</u>
PERSI Base Plan	\$ (2,455,561,542)	\$ 4,386,360,733
FRF	(64,237,569)	94,924,447
JRF	(13,405,720)	23,635,766
PERSI Choice Plan 414(k)	(10,868,870)	11,805,480
PERSI Choice Plan 401(k)	(120,381,264)	337,063,371
Sick Leave - State	(41,690,554)	51,743,854
Sick Leave - Schools	(65,388,664)	65,261,273
Total increase (decrease) in plan net position	<u>\$ (2,771,534,183)</u>	<u>\$ 4,970,794,924</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, 2022 and 2021, the rate of return net of investment expenses on the investment assets are detailed below (these are plan-level returns). For the defined contribution plans, the PERSI Choice Plan 401(k) and 414(k), individual participant returns will vary depending on their specific investment choices. Returns for Choice Plan options can be found on the PERSI website under Investments/Choice Plan.

	<u>2022</u>	<u>2021</u>
PERSI Defined Benefit Plans	(9.6)%	27.6%
Sick Leave Insurance Reserve Fund - State	(12.8)%	23.2%
Sick Leave Insurance Reserve Fund - Schools	(12.7)%	23.2%

- All of the plans experienced investment losses in Fiscal Year 2022 as a result of negative market performance. Net investment income (loss) for all of the funds administered by the System for the Fiscal Years ended June 30, 2022 and 2021, was \$(2.4) billion and \$5.3 billion, respectively.

## FINANCIAL SECTION

	2022	2021
PERSI Base Plan	\$ (2,079,387,503)	\$ 4,742,332,025
FRF	(48,067,876)	111,249,774
JRF	(11,164,262)	25,474,057
PERSI Choice Plan 414(k)	(6,292,655)	15,313,645
PERSI Choice Plan 401(k)	(147,298,208)	301,344,257
Sick Leave - State	(36,182,352)	56,874,632
Sick Leave - Schools	(52,577,567)	77,747,231
 Total net investment income (loss)	 \$ (2,380,970,423)	 \$ 5,330,335,621

- As of June 30, 2022 and 2021, the net pension liability (asset) are as follows:

	PERSI Base Plan 2022	FRF 2022	JRF 2022
Total pension liability	\$ 23,288,243,222	\$ 242,329,263	\$ 125,836,363
Plan fiduciary net position	19,349,485,162	447,620,207	103,935,720
 Employers' net pension liability (asset)	 \$ 3,938,758,060	 \$ (205,290,944)	 \$ 21,900,643
Plan fiduciary net position as a percentage of total pension liability	83.09 %	184.72 %	82.60 %
	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)	 \$ (78,977,973)	 \$ (270,226,848)	 \$ 4,546,766
Plan fiduciary net position as a percentage of total pension liability	100.36 %	211.83 %	96.27 %

The System's funding objective is to meet long-term benefit obligations through contributions and investment income and provide a reserve against market fluctuations. The ratio listed above gives an indication of how well this objective has been met at a specific point in time. The higher the ratio, the better the Plan is funded.

## FINANCIAL SECTION

### SICK LEAVE INSURANCE RESERVE FUND

#### State Members

	2022	2021
Total OPEB liability	\$ 103,036,122	\$ 104,239,022
Plan fiduciary net position	244,502,786	286,193,340
Employers' net OPEB liability (asset)	\$ (141,466,664)	\$ (181,954,318)
Plan fiduciary net position as a percentage of total OPEB liability (asset)	237.0%	275.0%

#### School Members

	2022	2021
Total OPEB liability	\$ 279,754,781	\$ 276,050,086
Plan fiduciary net position	355,881,846	421,270,510
Employers' net OPEB liability (asset)	\$ (76,127,065)	\$ (145,220,424)
Plan fiduciary net position as a percentage of total OPEB liability (asset)	127.0%	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, 2022 with comparable 2021 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, 2022 with comparable 2021 totals provides a view of the current year's activity. It details the additions and deductions to the individual funds and supports the change to the prior year's ending net position on the statements of fiduciary net position. All pension fund statements are presented on a full accrual basis and reflect all trust activities, as incurred.

*Notes to Financial Statements* — The notes provide additional information essential for a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found on pages 17-46 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.



## FINANCIAL SECTION

### 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, 2022	As of June 30, 2021	\$ Change	% Change
<b>Assets:</b>				
Cash and cash equivalents	\$ 20,061,806	\$ 9,940,409	\$ 10,121,397	101.8 %
Investments sold receivable	76,589,145	51,245,576	25,343,569	49.5
Other receivables	70,360,955	68,553,030	1,807,925	2.6
Investments - at fair value	19,791,709,553	22,364,860,986	(2,573,151,433)	(11.5)
Prepaid retiree benefits	94,033,173	87,429,283	6,603,890	7.6
Assets used in plan operations	5,649,811	7,249,565	(1,599,754)	(22.1)
<b>Total assets</b>	<b>20,058,404,443</b>	<b>22,589,278,849</b>	<b>(2,530,874,406)</b>	<b>(11.2)</b>
<b>Liabilities:</b>				
Investment purchased payable	125,616,070	122,721,611	2,894,459	2.4
Other liabilities	17,042,840	17,606,874	(564,034)	(3.2)
<b>Total liabilities</b>	<b>142,658,910</b>	<b>140,328,485</b>	<b>2,330,425</b>	<b>1.7</b>
<b>Net Position:</b>				
Assets used in plan operation (net)	5,649,811	7,249,565	(1,599,754)	(22.1)
Net position restricted for pensions	19,910,095,722	22,441,700,799	(2,531,605,077)	(11.3)
<b>Net Position</b>	<b>\$19,915,745,533</b>	<b>\$22,448,950,364</b>	<b>\$ (2,533,204,831)</b>	<b>(11.3)%</b>

The fair value of investments decreased due to the investment return of (9.6)% (net of investment expenses). Liabilities for benefits and refunds payable vary at Fiscal Year-End depending on member request and timing. Change in asset values and timing of payments can affect the balance of liabilities at the statements of fiduciary net position date.

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

## FINANCIAL SECTION

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

Investment income (loss) for the Fiscal Year 2022 was \$(2.1) billion as compared to Fiscal Year 2021 which was \$4.9 billion. The changes in the fund for fiscal years 2022 and 2021; gross returns of (9.33)% and 27.87%, contributions and other additions totaled \$800.9 million and \$753.6 million, total additions including investment income (loss) and contributions totaled were \$(1.3) billion and \$5.6 billion, respectively.

For Fiscal Year 2022, although contributions were added to the fund, the investment loss resulted in a reduction of \$(1.3) billion in the additions section. Total deductions were \$1.2 billion which paid for the benefits and administrative expenses. In Fiscal Year 2021, total additions of \$5.6 billion were more than the \$1.1 billion paid for benefits and administrative expenses by \$4.5 billion.

For Fiscal Year 2022, 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 2022 was 3.5% based on date of retirement compared to 2021 which the Board granted was 1.0%. An investment loss resulted in a negative return for the Fiscal Year 2022.

	As of June 30, 2022	As of June 30, 2021	\$ Change	% Change
<b>Additions:</b>				
Member contributions	\$ 316,070,207	\$ 294,960,626	\$ 21,109,581	7.2 %
Employer contributions	484,438,804	458,567,779	25,871,025	5.6
Investment income (loss)	(2,138,619,641)	4,879,055,856	(7,017,675,497)	(143.8)
Other additions	409,446	386,466	22,980	5.9
Total additions (losses)	<u>(1,337,701,184)</u>	<u>5,632,970,727</u>	<u>(6,970,671,911)</u>	<u>(123.7)</u>
<b>Deductions:</b>				
Benefits and refunds paid	1,185,356,423	1,118,927,089	66,429,334	5.9
Administrative expenses	10,147,224	9,122,692	1,024,532	11.2
Total deductions	<u>1,195,503,647</u>	<u>1,128,049,781</u>	<u>67,453,866</u>	<u>6.0</u>
Changes in net position	<u><u>\$ (2,533,204,831)</u></u>	<u><u>\$ 4,504,920,946</u></u>	<u><u>\$ (7,038,125,777)</u></u>	<u><u>(156.2)%</u></u>

### Defined Contribution Pension Trust Funds

During Fiscal Year 2022, the System administered two defined contribution plans. The PERSI Choice Plans, qualified plans under Internal Revenue Code, consist of a 401(k) plan and a 414(k) plan and provide another retirement benefit option to members of the Defined Benefit Pension Plans.

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

## FINANCIAL SECTION

### Defined Contribution Pension Trust Funds Net Position

	As of June 30, 2022	As of June 30, 2021	\$ Change	% Change
<b>Assets:</b>				
Cash	\$ 2,242,681	\$ 1,422,665	\$ 820,016	57.6%
Short-term investments	2,029,823	1,344,204	685,619	51.0
Investments-at fair value	1,322,458,003	1,455,209,901	(132,751,898)	(9.1)
Receivables	4,744,021	4,563,478	180,543	4.0
Total assets	<u>1,331,474,528</u>	<u>1,462,540,248</u>	<u>(131,065,720)</u>	<u>(9.0)</u>
<b>Liabilities</b>				
Other liabilities	<u>540,582</u>	<u>356,166</u>	<u>184,416</u>	<u>51.8</u>
Net Position	<u>\$ 1,330,933,946</u>	<u>\$ 1,462,184,082</u>	<u>\$ (131,250,136)</u>	<u>-9.0%</u>

Net position decreased from Fiscal Year 2021 to Fiscal Year 2022. The change reflects a negative return in the investment market. 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, 2022	As of June 30, 2021	\$ Change	% Change
<b>Additions:</b>				
Member contributions	\$ 76,423,883	\$ 68,307,119	\$ 8,116,764	11.9 %
Employer contributions	8,511,252	7,728,018	783,234	10.1
Rollovers in	16,230,934	17,153,438	(922,504)	(5.4)
Investment income (loss)	(153,590,863)	316,657,902	(470,248,765)	(148.5)
Total additions (losses)	<u>(52,424,794)</u>	<u>409,846,477</u>	<u>(462,271,271)</u>	<u>(112.8)</u>
<b>Deductions:</b>				
Benefits and refunds paid	76,279,978	58,602,751	17,677,227	30.2
Administrative expenses	2,545,362	2,374,875	170,487	7.2
Total deductions	<u>78,825,340</u>	<u>60,977,626</u>	<u>17,847,714</u>	<u>29.3</u>
Change in net position	<u>\$ (131,250,134)</u>	<u>\$ 348,868,851</u>	<u>\$ (480,118,985)</u>	<u>(137.6)%</u>

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

## FINANCIAL SECTION

### Other Trust Funds

During Fiscal Year 2022, 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.

### Sick Leave Insurance Reserve Funds Net Position

	As of June 30, 2022	As of June 30, 2021	\$ Change	% Change
<b>Assets:</b>				
Cash	\$ 25,362	\$ 66,403	\$ (41,041)	(61.8)%
Investments-at fair value	598,910,853	706,055,712	(107,144,859)	(15.2)
Prepaid insurance premium	1,489,619	1,389,767	99,852	7.2
Due from other funds	36,000	—	36,000	
<b>Total assets</b>	<b>600,461,834</b>	<b>707,511,882</b>	<b>(107,050,048)</b>	<b>(15.1)</b>
<b>Liabilities:</b>				
Other liabilities	77,202	48,032	29,170	60.7
<b>Net Position</b>	<b>\$ 600,384,632</b>	<b>\$ 707,463,850</b>	<b>\$ (107,079,218)</b>	<b>(15.1)%</b>

The net position decreased in Fiscal Year 2022 from Fiscal Year 2021 because of negative investment returns.

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

	As of June 30, 2022	As of June 30, 2021	\$ Change	% Change
<b>Additions:</b>				
Employer contributions	\$ (2,291)	\$ (4,319)	\$ 2,028	(47.0)%
Investment income (loss)	(88,759,919)	134,621,863	(223,381,782)	(165.9)
Other additions	1,779	2,373	(594)	(25.0)
<b>Total additions (losses)</b>	<b>(88,760,431)</b>	<b>134,619,917</b>	<b>(223,380,348)</b>	<b>(165.9)</b>
<b>Deductions:</b>				
Benefits and refunds paid	18,199,150	17,495,154	703,996	4.0
Administrative expenses	119,637	119,636	1	0.0
<b>Total deductions</b>	<b>18,318,787</b>	<b>17,614,790</b>	<b>703,997</b>	<b>4.0</b>
<b>Change in net position</b>	<b>\$ (107,079,218)</b>	<b>\$ 117,005,127</b>	<b>\$ (224,084,345)</b>	<b>(191.5)%</b>

In the November 2021 meeting, the PERSI Board extended the rate holiday for employer contributions for Schools and for State to June 30, 2026 and June 30, 2031, respectively. There were no contributions received in fiscal years 2022 and 2021 because of the holiday. The changes in net position for Fiscal Year 2022 reflect a net investment return of (12.8)% resulting in \$(89) million in investment income (loss),

## FINANCIAL SECTION

compared to \$135 million for Fiscal Year 2021. 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, 2022 and 2021.

Base Plan	2022	2021
Active participants	74,409	73,563
Vested - Base Plan	44,288	44,539
Non-vested - Base Plan	30,121	29,024
Retirees and beneficiaries	53,190	50,891
Terminated and vested	15,489	14,539
Terminated and non-vested	34,714	31,179
Choice Plan	2022	2021
Participants	43,080	41,987
Actively contributing	20,662	17,591
Periodic installment payments	3,304	2,585

### 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 2022 and 2021.

	2022	2021
Beginning - July 1	50,891	49,573
New Retirements	3,611	2,540
Death of Beneficiary	(1,312)	(1,222)
Ending - June 30	53,190	50,891

### 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.

## FINANCIAL SECTION

### Economic Factors

At July 1, 2022, PERSI's Base Plan had a net pension liability (asset) of \$3.9 billion, a decrease compared to the July 1, 2021 liability (asset) of \$(79.0) million. The investment return net of all expenses for 2022 was (9.66)% compared to the assumed return of 6.3%. The difference between the assumed rate and the actual rate of return resulted in the increase in the net pension liability. The fund ended the fiscal year to finish at (9.33)% gross before expenses investment rate of return. The amortization period of the unfunded liability for Fiscal Year 2022 is 100+ years which is more than the 25-year maximum allowed by statute. As a result of being over the 25-year maximum, PERSI will have to consider raising contribution rates.

Since inception, the cumulative funding of the Plan is 60% investment income, 25% employer contributions and 15% member contributions. PERSI is viewed as a well-run and conservatively managed pension plan compared to plans nationally. This reputation stems from sound decisions made by the legislature and the Board.

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

**FINANCIAL SECTION**

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## FINANCIAL SECTION

### PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

#### STATEMENTS OF FIDUCIARY NET POSITION

JUNE 30, 2022 WITH COMPARATIVE FINANCIAL INFORMATION FOR JUNE 30, 2021

	Pension Trust Funds		
	PERSI Base Plan	Firefighters' Retirement Fund	Judges' Retirement Fund
<b>ASSETS</b>			
Cash and cash equivalents	\$ 19,049,095	\$ 442,786	\$ 569,925
Investments—at fair value			
Fixed income investments			
Domestic	4,918,461,564	114,327,019	26,423,492
International	13,007,770	302,359	69,882
Idaho commercial mortgages	767,461,999	17,839,245	4,123,043
Short-term investments	205,311,792	4,772,363	1,102,998
Real estate equities	1,195,338,663	27,785,010	6,421,728
Equity securities			
Domestic	7,949,587,475	184,783,926	42,707,635
International	2,645,426,719	61,491,535	14,212,048
Private equity	1,546,495,571	35,947,466	8,308,251
Mutual, collective, unitized funds			
Total investments	19,241,091,553	447,248,923	103,369,077
Receivables			
Investments sold	74,467,710	1,721,422	400,013
Administrative fee			
Contributions	6,743,783		
Interest and dividends	61,855,045	1,429,864	332,263
Total receivables	143,066,538	3,151,286	732,276
Assets used in plan operations	5,649,811		
Due from other plans			
Prepaid retiree benefits	94,033,173		
Total assets	19,502,890,170	450,842,995	104,671,278
<b>LIABILITIES</b>			
Accrued liabilities	16,576,705	350,650	79,485
Due to other plans	36,000		
Investments purchased	122,087,859	2,872,138	656,073
Total liabilities	138,700,564	3,222,788	735,558
<b>NET POSITION</b>			
Net position restricted for OPEB			
Net position restricted for pensions	19,364,189,606	447,620,207	103,935,720
Total net position	\$ 19,364,189,606	\$ 447,620,207	\$ 103,935,720

See Notes to Financial Statements



## FINANCIAL SECTION

Pension Trust Funds		Other Trust Funds		Totals	
PERSI Choice Plan		Sick Leave Insurance Reserve Fund			
414(k)	401(k)	State	Schools	2022	2021
\$ 121,742	\$ 2,120,939	\$ 1,278	\$ 24,084	\$ 22,329,849	\$ 11,429,477
		125,327,452	183,265,882	5,367,805,409	5,936,216,332
				13,380,011	22,367,668
				789,424,287	889,471,623
	2,029,823			213,216,976	307,237,051
				1,229,545,401	997,820,261
		94,916,049	137,216,719	8,409,211,804	10,100,591,036
		23,794,006	34,390,745	2,779,315,053	3,409,237,025
				1,590,751,288	1,409,319,906
57,052,197	1,265,405,806			1,322,458,003	1,455,209,901
57,052,197	1,267,435,629	244,037,507	354,873,346	21,715,108,232	24,527,470,803
				76,589,145	51,245,576
10,112	181,948			192,060	197,281
	1,247,523			7,991,306	8,355,738
147,241	3,157,197			66,921,610	64,563,489
157,353	4,586,668	—	—	151,694,121	124,362,084
				5,649,811	7,249,565
			36,000	36,000	—
		516,721	972,898	95,522,792	88,819,050
57,331,292	1,274,143,236	244,555,506	355,906,328	21,990,340,805	24,759,330,979
				17,624,624	18,011,074
14,651	525,931	52,720	24,482	36,000	—
				125,616,070	122,721,611
14,651	525,931	52,720	24,482	143,276,694	140,732,685
		244,502,786	355,881,846	600,384,632	707,463,850
57,316,641	1,273,617,305			21,246,679,479	23,911,134,444
\$ 57,316,641	\$ 1,273,617,305	\$ 244,502,786	\$ 355,881,846	\$ 21,847,064,111	\$ 24,618,598,294

## FINANCIAL SECTION

### PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

#### STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2022 WITH COMPARATIVE FINANCIAL INFORMATION FOR JUNE 30, 2021

	Pension Trust Funds		
	PERSI Base Plan	Firefighters' Retirement Fund	Judges' Retirement Fund
<b>ADDITIONS</b>			
Contributions			
Members	\$ 315,161,350		\$ 908,857
Employers	476,416,795	2,901,920	5,120,089
Rollovers in	—		
<b>Total contributions</b>	<b>791,578,145</b>	<b>2,901,920</b>	<b>6,028,946</b>
Investment income (loss)			
Net appreciation (depreciation) in fair value of investments	(2,364,562,304)	(54,660,080)	(12,705,655)
Interest, dividends and other investment income	349,587,197	8,081,184	1,884,095
Less investment expenses	(64,412,396)	(1,488,980)	(342,702)
<b>Total investment income (loss)-net</b>	<b>(2,079,387,503)</b>	<b>(48,067,876)</b>	<b>(11,164,262)</b>
Other-net	407,053	—	2,393
<b>Total net additions (losses)</b>	<b>(1,287,402,305)</b>	<b>(45,165,956)</b>	<b>(5,132,923)</b>
<b>DEDUCTIONS</b>			
Benefits and refunds paid to members and beneficiaries	1,158,174,929	19,014,750	8,166,744
Administrative expenses	9,984,308	56,863	106,053
<b>Total deductions</b>	<b>1,168,159,237</b>	<b>19,071,613</b>	<b>8,272,797</b>
<b>INCREASE/(DECREASE) IN NET POSITION</b>	<b>(2,455,561,542)</b>	<b>(64,237,569)</b>	<b>(13,405,720)</b>
<b>NET POSITION</b>			
Beginning of year	21,819,751,148	511,857,776	117,341,440
End of year	<u>\$ 19,364,189,606</u>	<u>\$ 447,620,207</u>	<u>\$ 103,935,720</u>

See Notes to Financial Statements

## FINANCIAL SECTION

Pension Trust Funds		Other Trust Funds		Totals	
PERSI Choice Plan		Sick Leave Insurance Reserve Fund			
414(k)	401(k)	State	Schools	2022	2021
\$ —	\$ 76,423,883	\$ —	\$ —	\$ 392,494,090	\$ 363,267,745
—	8,511,252	(182)	(2,109)	492,947,765	466,291,478
—	16,230,934	—	—	16,230,934	17,153,438
—	101,166,069	(182)	(2,109)	901,672,789	846,712,661
(6,475,896)	(164,972,964)	(36,072,280)	(52,437,579)	(2,691,886,758)	5,011,331,538
198,771	21,030,405	—	—	380,781,652	381,737,044
(15,530)	(3,355,649)	(110,072)	(139,988)	(69,865,317)	(62,732,961)
(6,292,655)	(147,298,208)	(36,182,352)	(52,577,567)	(2,380,970,423)	5,330,335,621
—	—	386	1,393	411,225	388,839
(6,292,655)	(46,132,139)	(36,182,148)	(52,578,283)	(1,478,886,409)	6,177,437,121
4,223,665	72,056,313	5,459,867	12,739,283	1,279,835,551	1,195,024,994
352,550	2,192,812	48,539	71,098	12,812,223	11,617,203
4,576,215	74,249,125	5,508,406	12,810,381	1,292,647,774	1,206,642,196
(10,868,870)	(120,381,264)	(41,690,554)	(65,388,664)	(2,771,534,183)	4,970,794,924
68,185,511	1,393,998,569	286,193,340	421,270,510	24,618,598,294	19,647,803,370
<u>\$ 57,316,641</u>	<u>\$ 1,273,617,305</u>	<u>\$ 244,502,786</u>	<u>\$ 355,881,846</u>	<u>\$ 21,847,064,111</u>	<u>\$ 24,618,598,294</u>

## FINANCIAL SECTION

# PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

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### NOTE 1. GENERAL DESCRIPTION OF THE FUNDS

**General** — The Public Employee Retirement System of Idaho (the “System” or “PERSI”) is the administrator of seven plans including three defined benefit retirement plans, the Public Employee Retirement Fund Base Plan (“PERSI Base Plan”), the Firefighters’ Retirement Fund (FRF); and the Judges’ Retirement Fund (JRF); and two defined contribution plans, the Public Employee Retirement Fund Choice Plans 401(k) and 414(k) (“PERSI Choice Plan”). PERSI also administers two Sick Leave Insurance Reserve Trust Funds, which qualify as other post employment 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 Annual Comprehensive Financial Report. The basic financial statements of the System include the financial activities of all of the above funds. A five member retirement board (the “Board”), appointed by the Governor and confirmed by the Idaho Senate, manages the System. State law requires that two members of the Board be active PERSI members with at least ten years of service and three members who are Idaho citizens not members of the System except by reason of having served on the Board. Responsibilities of the Board include selecting the funding agents, establishing funding policy, and setting contribution rates.

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

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

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

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

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

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

## FINANCIAL SECTION

As of June 30, 2022 and 2021, the number of participating employer units in the PERSI Base Plan was:

	2022	2021
Cities	160	160
School districts	186	182
Highway and water districts	141	139
State subdivisions	90	99
Counties	44	44
Other	219	211
Total	840	835

As of June 30, 2022 and 2021, the number of benefit recipients and members in the PERSI Base Plan consisted of the following:

	2022	2021
Members:		
Active	74,409	73,563
Terminated and vested	15,489	14,539
Retirees and beneficiaries	53,190	50,891
Total	143,088	138,993

FRF has 22 participating employer units all consisting of fire departments that also participate in PERSI. As of June 30, 2022, there were 448 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, 2022, JRF had 55 active members and 113 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.

## FINANCIAL SECTION

**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 \$3,926,540,125 and \$8,188,212, respectively, for the year ended June 30, 2022.

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 since June 30, 2021. 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.

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, 2022, the employee rate was 7.16% for general employees and 9.13% 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.

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, 2022, 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 24.69% from January 1, 2022 through June 30, 2022 (2.39% from July 1, 2021 through December 31, 2021) compounded monthly per annum, and are refundable. Withdrawal of such accumulated contributions results in forfeiture of the member's accrued benefit; however, state law does include provisions for reinstatement of forfeited service upon repayment of the accumulated contributions plus interest.

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

## FINANCIAL SECTION

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

The PERSI Choice Plans made up of a qualified 401(k) plan and a 414(k) plan. The assets of the two plans within the PERSI Choice Plans are commingled for investment purposes. Participants can direct their investment mix with some trading frequency restrictions. Participants have fifteen investment options: two balanced funds, four fixed income funds and eight equity funds and one specialty fund. Participants investing in the Total Return Balanced Fund and the PERSI Short-Term Investment Portfolio pay investment management fees of .27% and .10%, respectively. Since inception of the plans, participants have paid investment management fees for all other options.

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

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

As of June 30, 2022, there were 43,080 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, 2022, there were 9,941 participants with both Choice Plan 401(k) and 414(k) plans. There were 25,264 participants with only Choice Plan 401(k), and 7,875 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.

## FINANCIAL SECTION

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 System administers these trusts on behalf of the participating employers. Employers' contributions are a measure of pay 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, 2022 valuation.

	State	Schools
Members:		
Active	20,919	34,775
Retirees and beneficiaries	6,415	7,401
Total	27,334	42,176

*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.

In the November 2021 Board Meeting, the PERSI Board extended the rate holiday for employer contributions for Schools and for State to June 30, 2026 and June 30, 2031, respectively. There were no contributions received in the current fiscal year because of the holiday.



## FINANCIAL SECTION

### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The significant GASB standards affecting the System are:

- GASB Statement No. 34, *Financial Statements – and Management's Discussion and Analysis for State and Local Governments*,
- GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*,
- GASB Statement No. 38, *Certain Financial Statement Note Disclosures*,
- GASB Statement No. 40, *Deposit and Investment Risk Disclosures*,
- GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section*,
- GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*,
- GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*,
- GASB Statement No. 67, *Financial Reporting for Pension Plans*,
- GASB Statement No. 68, *Financial Reporting for Pensions as amendment of GASB Statement No. 27*,
- GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*,
- GASB Statement No. 72, *Fair Value Measurement and Application*,
- GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*,
- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Other Than Pension Plans*,
- GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Government*,
- GASB Statement No. 82, *Pension Issues*,
- GASB Statement No. 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

## FINANCIAL SECTION

empowered in its sole discretion to limit, control, and designate the types and amounts of investments. The Board has adopted an investment policy including policy related to deposit and investment risks identified in GASB Statement No. 40, *Deposit and Investment Risk Disclosures*.

The fair value of investments is based on published market prices and quotations from major investment brokers, when available. Mortgages have been valued on the basis of their future principal and interest payments discounted at prevailing interest rates for similar instruments of matching duration. The fair value of real estate investments is based on industry practice. For recent acquisitions, cost closely approximates fair value. The fair value of longer term real estate holdings is estimated based on the System's consultant assessments and/or independent appraisals. Short-term investments are reported at 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 8.0% of total investments. PERSI's real estate and commercial mortgage investments are 6.2% 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 Annual Comprehensive 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.

## FINANCIAL SECTION

The following are the Board's adopted asset allocation policies for the Pension Trust Funds (DB Plans, adopted November 2019) and for the Sick Leave Insurance Reserve Funds (Sick Leave, adopted March 2021), as of June 30, 2022:

<u>Asset Class</u>	<b>2022</b>	
	<b>DB Plans</b>	<b>Sick Leave</b>
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 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, 2021, from which the summarized information was derived.

## FINANCIAL SECTION

### 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	\$ 18,512,221
FDIC insured/collateralized	3,057,847
Uninsured and uncollateralized	<u>759,781</u>
 Total	 <u>\$ 22,329,849</u>

#### **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

## FINANCIAL SECTION

Investments at fair value as of June 30, 2022, are as follows:

Domestic fixed income	\$ 5,059,212,075
Co-mingled domestic fixed income (Sick Leave Insurance Reserve Funds)	308,593,334
International fixed income	13,380,011
Idaho commercial mortgages	789,424,287
Short-term investments	213,216,976
Real estate	1,229,545,401
Domestic equities	8,177,079,036
Co-mingled domestic equity (Sick Leave Insurance Reserve Funds)	232,132,768
International equities	2,721,130,302
Co-mingled international equity (Sick Leave Insurance Reserve Funds)	58,184,751
Private equity	1,590,751,288
Mutual, collective, and unitized funds	1,322,458,003
<b>Total Investments</b>	<b><u><u>\$21,715,108,232</u></u></b>

**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.

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, 2022, the System had futures contracts with a fair value of \$(2,008,739), 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 the derivative amounts are not significant, they have been included within the risk disclosure.

## FINANCIAL SECTION

As of June 30, 2022, the System had the following net futures contracts exposure:

<b>Futures</b>	<b>Exposure covered</b>
<b>Cash and Cash Equivalents</b>	<b>by contract</b>
90 Day Eurodollar	\$ 112,307,825
3mo Euro Euribor	17,053,276
90 Day Eurodollar	16,657,463
Australian Dollar Foreign Currency	8,016,760
Japanese Yen Foreign Currency	3,893,138
Mexican Peso Foreign Currency	2,839,680
British Pound Foreign Currency	1,982,338
Euro Foreign Currency	1,580,700
Canadian Dollar Foreign Currency	388,500
3Mo Secured Overnight Financing Rate Futures (CME)	211,263
Fed Fund 30 Day	(42,750,305)
<b>Total Cash and Cash Equivalents</b>	<u>122,180,638</u>
<b>Fixed Income</b>	
US 5yr Treasury Note	293,758,250
US Ultra Bond	27,627,531
US Long Bond	6,515,375
Euro-Bund	2,488,673
Euro-Oat	2,462,045
Australian 10yr Bond	2,452,743
Euro BOBL	1,687,848
US 10yr Ultra	(382,125)
Euro-BUXL 30yr Bond	(1,025,963)
US 2yr Treasury Note	(1,680,125)
US 10yr Treasury Note	(270,014,188)
<b>Total Fixed Income</b>	<u>63,890,064</u>
<b>Net Futures Exposure</b>	<u>\$ 186,070,702</u>

Option contracts are contractual agreements giving the purchaser the right, but not the obligation, to purchase or sell a financial instrument at a specified price within a specified time. The option's price is usually a small percentage of the underlying asset's value. Options strategies used by the System are designed to provide exposures to positive market moves and limit exposures to interest rate and currency fluctuations. At June 30, 2022, the Base Plan, TRF, JRF, and FRF had option contracts payable with a fair value of \$85,059, which is included in Domestic Fixed Income and \$(447,758) which is included in Investments Purchased.

## FINANCIAL SECTION

At June 30, 2022, the System had the following net options exposure:

<b>OPTIONS</b>	<b>Exposure covered by contract</b>
<b>Fixed Income</b>	
Cash/Cash Equivalents-Purchased Call Options	\$ 8,340
Fixed Income-Purchased Call Options	76,719
<b>Total Fixed Income</b>	<u>85,059</u>
<b>Investments Purchased</b>	
Cash/Cash Equivalents-Written Call Options	(117,344)
Fixed Income-Written Call Options	(321,617)
Fixed Income-Written Put Options	(8,797)
<b>Total Investments Purchased</b>	<u>(447,758)</u>
<b>Net Option Exposure</b>	<u><u>\$ (362,699)</u></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, 2022, the System had entered into forward currency contracts to sell foreign currencies with a fair value of \$40,826,617 and had entered into forward currency contracts to buy foreign currencies with a fair value of \$(41,549,256). Forward currency contracts are receivables or payables reported as investments sold or investments purchased. A net unrealized gain of \$(722,639) at June 30, 2022 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 prepayments, which are likely to occur in declining interest rate environments, thereby reducing the value of the securities. Details regarding interest rate risk for these investments are included in the Interest Rate Risk section on pages 30-31.

**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, 2022, the System had invested in TIPS with a fair value of \$2,183,310,784.



## FINANCIAL SECTION

### 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, 2022, the System's fixed income assets that are not government guaranteed represented 44.99% of the fixed income portfolio. The System's fixed income assets are shown with current credit ratings in the table below.

Credit Quality S&P Rating Level	PERSI/FRF Base Plans		JRF		Total Return Fund		
	Domestic	Int'l	Domestic	Int'l	Domestic	Int'l	Total
<b>Short-Term</b>							
A-1+	\$ 52,757,115	\$ —	\$ 276,989	\$ —	\$ 2,754,726	\$ —	\$ 55,788,830
A-1	42,314,072	—	222,160	—	2,209,440	—	44,745,672
A-2	9,439,472	—	49,560	—	492,885	—	9,981,917
<b>Long Term</b>							
AAA	110,912,840	—	582,322	—	5,791,343	—	117,286,505
AA*	349,767,566	—	1,836,374	—	18,263,205	—	369,867,145
A	455,011,985	—	2,388,935	—	23,758,569	—	481,159,489
BBB	567,770,021	5,463,682	2,980,945	28,686	29,646,260	285,287	606,174,881
BB	25,834,866	—	135,640	—	1,348,974	—	27,319,480
B	2,599,873	—	13,650	—	135,753	—	2,749,276
CCC**	4,949,101	—	25,984	—	258,419	—	5,233,504
CC**	632,991	—	3,323	—	33,052	—	669,366
D**	204,484	—	1,074	—	10,677	—	216,235
Not rated	118,853,255	7,668,058	624,012	40,259	6,205,954	400,390	133,791,928
<b>Total Credit Risk fixed</b>	<b>1,741,047,641</b>	<b>13,131,740</b>	<b>9,140,968</b>	<b>68,945</b>	<b>90,909,257</b>	<b>685,677</b>	<b>1,854,984,228</b>
<b>Income Securities</b>							
U.S. Government	3,492,938,637	—	18,338,866	—	182,384,702	—	3,693,662,205
Pooled Investments-(unrated)	25,243,548	—	132,535	—	1,318,098	—	26,694,181
Pooled Investments-SLIRF (unrated)	—	—	—	—	—	—	308,593,334
Idaho Mortgages	785,301,244	—	4,123,043	—	41,004,709	—	830,428,996
<b>Total</b>	<b>\$ 6,044,531,070</b>	<b>\$ 13,131,740</b>	<b>\$ 31,735,412</b>	<b>\$ 68,945</b>	<b>\$ 315,616,766</b>	<b>\$ 685,677</b>	<b>\$ 6,714,362,944</b>

\*Includes US Government Agencies implicitly guaranteed by US Government: FHLB \$6,852,961; FHLMC \$62,058,488; FNMA \$127,816,159

\*\*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.



## FINANCIAL SECTION

Each portfolio is managed in accordance with operational guidelines that are specific as to expected portfolio characteristics that usually, but not always, include credit quality and exposure levels. The System's investment policy requires managers to provide PERSI with expected credit risk exposures in their portfolio guidelines. If the actual credit risk exposure falls outside of these expectations, managers will be required to report these occurrences to staff and these disclosures are to be made available to the Board.

### ***D. Custodial Credit Risk***

Custodial credit risk is the risk that in the event of a financial institution or bank failure, the System would not be able to recover the value of their deposits and investments that are in the possession of an outside party. The System mitigates custodial credit risk by requiring in policy, to the extent possible, that investments be clearly marked as to PERSI ownership and be registered in the System's name. All securities are required to be delivered to a third-party institution mutually agreed upon by the bank and the System.

The System's cash and deposits are swept daily by the System's custodian and cash manager into short-term investment funds. Clearwater Advisors, LLC is the System's cash manager and invests the bulk of the System's cash, approximately 84.3%, in short-term instruments held at the custodian bank. Of the remaining cash and deposits at June 30, 2022 approximately 3.7% or, \$7,815,955, was held by various counterparties not in the System's name. The remainder, approximately 12.0%, is invested in custodial bank-maintained collective investment funds.

### ***E. Concentration of Credit Risk***

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

Per the Systems Investment policy, managers will provide expected concentration of credit risk exposures in their portfolio guidelines. If the concentration of credit risk exceeds expectations, managers are required to report these occurrences to Staff and these disclosures are to be made available to the Board. For the portfolio as a whole, Staff will report to the Board at a regular Board Meeting if the exposure to a non-US government guaranteed credit exceeds 5% of the System's invested assets.

### ***F. Interest Rate Risk***

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

## FINANCIAL SECTION

Effective duration of domestic fixed income assets by security type:

Investment	Fair Value Allocations				
	Effective Duration in Years	PERSI/FRF DB Plans	Judges' Plan	Total Return Fund	Total
<b>Domestic</b>					
Asset-backed Securities	2.98	\$ 19,496,165	\$ 102,360	\$ 1,017,997	\$ 20,616,522
Asset-backed Securities	N/A	4,212,987	22,119	219,982	4,455,088
Mortgages	3.29	25,355,313	133,122	1,323,934	26,812,369
Mortgages	N/A	531,522	2,791	27,754	562,067
Commercial Paper	0.17	108,207,329	568,118	5,650,074	114,425,521
Commercial Paper	N/A	75,653	397	3,950	80,000
Corporate Bonds	7.76	1,139,807,162	5,984,294	59,515,328	1,205,306,784
Corporate Bonds	N/A	1,639,281	8,607	85,596	1,733,484
Fixed Income Derivatives	65.14	(1,456,950)	(7,649)	(76,075)	(1,540,674)
Fixed Income Derivatives	N/A	(607,229)	(3,188)	(31,707)	(642,124)
Government Agencies	8.20	80,097,027	420,531	4,182,287	84,699,845
Government Bonds	7.93	1,431,993,137	7,518,349	74,771,895	1,514,283,381
Government Mortgage-backed Securities	5.81	200,931,458	1,054,944	10,491,689	212,478,091
Government Mortgage-backed Securities	N/A	1,124,981	5,906	58,741	1,189,628
Pooled Investments	—	36,876,595	193,612	1,925,521	38,995,728
Pooled Investments-SLIRF Domestic Fixed Income	N/A	—	—	—	308,593,334
Private Placements	4.58	136,902,956	718,777	7,148,424	144,770,157
Private Placements	N/A	9,378,652	49,240	489,709	9,917,601
TIPS	9.39	2,064,663,787	10,840,039	107,806,958	2,183,310,784
Idaho Mortgages	—	785,301,244	4,123,043	41,004,709	830,428,996
<b>Total</b>		<b>\$6,044,531,070</b>	<b>\$ 31,735,412</b>	<b>\$ 315,616,766</b>	<b>\$ 6,700,476,582</b>

Effective duration of international fixed income assets by security type:

International	Fair Value Allocations				
	Effective Duration in Years	PERSI/FRF DB Plans	Judges' Plan	Total Return Fund	Total
Government Bonds	6.45	\$ 13,131,740	\$ 68,945	\$ 685,677	\$ 13,886,362
<b>Total</b>		<b>\$ 13,131,740</b>	<b>\$ 68,945</b>	<b>\$ 685,677</b>	<b>\$ 13,886,362</b>

### G. Foreign Currency Risk

Foreign currency risk is the risk that changes in currency exchange rates will adversely impact the fair value of an investment. The System's currency risk exposures, or exchange rate risk, primarily reside within the international equity investment holdings. The System expects the managers of these holdings to maintain adequately diversified portfolios to limit foreign currency risk. Per the System's investment policy, the individual manager guidelines will outline the expected current exposures (either specifically or through ranges of security exposures to particular currency areas) of the underlying portfolio and if the actual currency exposure differs from the expected, managers are to be required to report these occurrences to Staff and these disclosures are to be made available to the Board. Currency gains and losses will result from exchange rate fluctuations. The System's exposure to foreign currency risk expressed in U.S. dollars as of June 30, 2022, is highlighted in the table that follows. Negative fair values related to variable-rate debt instruments that are highly sensitive to changes in interest rates.

## FINANCIAL SECTION

Currency	Short-term Investments	Equity	Fixed Income	Total USD Equivalent Fair Value
Argentina Peso	\$ 3,999	\$ —	\$ —	3,999
Australian Dollar	683,999	75,131,992	(16,694)	75,799,297
Brazil Real	70,828	16,500,594	—	16,571,422
Canadian Dollar	9,832,335	35,399,826	—	45,232,161
Chilean Peso	19,095	824,174	—	843,269
Chinese R Yuan Hk	(2,037,536)	—	—	(2,037,536)
Chinese Yuan Renminbi	109,952	—	433,363	543,315
Danish Krone	2,830,465	145,133,622	—	147,964,087
Euro Currency Unit	19,604,145	954,007,901	(161,694)	973,450,352
Hong Kong Dollar	71,720	241,387,627	—	241,459,347
Hungarian Forint	—	2,498,122	—	2,498,122
Indian Rupee	608,582	—	—	608,582
Indonesian Rupiah	1,011,875	6,941,295	3,181,278	11,134,448
Israeli Shekel	110,596	7,425,108	—	7,535,704
Japanese Yen	2,797,155	356,518,162	836,181	360,151,498
Kenyan Shilling	—	1,866,505	—	1,866,505
Malaysian Ringgit	16	8,584,830	—	8,584,846
Mexican Peso	(3,483,624)	32,838,763	8,268,284	37,623,423
New Taiwan Dollar	72,419	48,230,643	—	48,303,062
New Zealand Dollar	11,901	1,115,427	—	1,127,328
Norwegian Krone	1,440,440	10,489,060	—	11,929,500
Philippines Peso	—	5,889,376	—	5,889,376
Polish Zloty	58,907	—	—	58,907
Pound Sterling	(802,262)	522,859,447	—	522,057,185
Romanian Leu	—	2,153,549	—	2,153,549
Russian Ruble	30,411	—	886,148	916,559
Singapore Dollar	1,191	30,985,529	—	30,986,720
South African Rand	111	25,529,914	—	25,530,025
South Korean Won	763,091	68,911,844	—	69,674,935
Swedish Krona	347,800	43,016,072	—	43,363,872
Swiss Franc	9,831,018	232,620,745	—	242,451,763
Thailand Baht	(29)	7,958,042	—	7,958,013
Turkish Lira	—	1,726,925	—	1,726,925
<hr/>				
Total value of investments subject to foreign currency risk	\$ 43,988,600	\$ 2,886,545,094	\$ 13,426,866	\$ 2,943,960,560

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

For the years ended June 30, 2022 and 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (9.61)% and 27.61%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

## FINANCIAL SECTION

### NOTE 4. FAIR VALUE

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

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

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

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

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

## FINANCIAL SECTION

The following table presents fair value measurements as of June 30, 2022:

Instruments by Fair Value Level	Total	Level 1	Level 2	Level 3
<b>Fixed Income Securities:</b>				
U.S. Government	\$ 3,710,852,190	\$ 3,684,756,533	\$ 26,095,657	\$ —
Asset backed-Securitized	450,517,650	—	434,721,177	15,796,473
Corporate	1,030,258,406	—	1,029,159,945	1,098,461
Idaho Mortgages	830,428,996	—	830,428,995	—
Non-U.S. Government	140,949,211	—	140,229,467	719,744
<b>Total Fixed Income Securities</b>	<b>6,163,006,453</b>	<b>3,684,756,533</b>	<b>2,460,635,241</b>	<b>17,614,678</b>
<b>Equities:</b>				
Domestic	6,763,094,852	6,763,079,996	—	14,856
Developed Markets	2,944,470,512	2,942,944,698	—	1,525,814
Emerging Markets	498,483,622	497,266,910	—	1,216,712
<b>Total Equities</b>	<b>10,206,048,986</b>	<b>10,203,291,604</b>	<b>—</b>	<b>2,757,382</b>
Preferred Securities	17,170,845	9,074,158	809,683	7,287,004
Mutual Funds-Defined Contribution investment options	108,253,846	108,032,437	221,409	—
<b>Total investments by fair value level*</b>	<b>\$ 16,494,480,130</b>	<b>\$ 14,005,154,732</b>	<b>\$ 2,461,666,333</b>	<b>\$ 27,659,064</b>

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

Investments measured at the net asset value	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice
<b>Private Equity Partnerships:</b>				
Growth Equity	\$ 64,401,179	\$ 132,339,718	N/A	N/A
Corporate Finance/Buyout	1,366,569,908	765,977,768	N/A	N/A
Distressed Debt	23,308,456	26,563,204	N/A	N/A
Co/Direct Investment	119,954,632	44,441,270	N/A	N/A
Secondaries	78,629,923	132,946,377	N/A	N/A
Venture Capital	20,514,866	37,307,176	N/A	N/A
<b>Private Real Estate:</b>				
Open Ended Co-mingled Insurance Company separate account	93,702,323	N/A	N/A	N/A
Multifamily properties (Olympic)	59,283,606	N/A	N/A	N/A
Value added apartments	311,741,142	N/A	N/A	N/A
Value added offices	20,642,010	N/A	N/A	N/A
Value added retail	51,770,198	N/A	N/A	N/A

## FINANCIAL SECTION

Investments measured at the net asset value (Continued)	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice
Office/Industrial properties	\$ 97,010,627	N/A	N/A	N/A
Core Office	186,578,074	N/A	N/A	N/A
Industrial	348,749,765	N/A	N/A	N/A
Development properties	123,933,378	N/A	N/A	N/A
<b><u>Collective Funds:</u></b>				
REIT Index Collective Fund	4,930,994	N/A	Daily	Daily
TIPS Index Collective Fund	6,242,386	N/A	Daily	Daily
US Broad Equity Market Index Collective Fund	20,303,065	N/A	Daily	Daily
Emerging Equity Market Index Fund	3,044,479	N/A	Daily	Daily
US Large Cap Equity Market Index Collective Fund	53,946,904	N/A	Daily	Daily
US Bond Market Index Collective Fund	13,346,549	N/A	Daily	Daily
International Equity Index Collective Fund	9,670,879	N/A	Daily	Daily
US Small/Midcap Equity Index Collective Fund	24,807,373	N/A	Daily	Daily
BNYM Mellon DB NSL Emerging Market Stock Index Fund - Non-DC	833,945,645	N/A	Daily	2 days
Bernstein Emerging Markets Value Delaware Business Trust	404,778,968	N/A	Weekly	5 days
<b><u>Unitized Fund:</u></b>				
Short-Term Investment Portfolio account	43,547,370	N/A	Daily	Daily
<b><u>Sick Leave Insurance Reserve Trust Funds:</u></b>				
Russell 3000 Index Fund	232,132,768	N/A	Daily	Same day
Government Credit Bond Index Fund	308,593,334		Daily	1 day
MSCI ACWI Ex-US Strategy Fund	58,184,752	N/A	Daily	3 days
Total investments measured at the Net Asset Value (NAV)	<u>4,984,265,553</u>			
<b>Total investments measured at fair value</b>	<u><u>\$ 21,478,745,683</u></u>			

## FINANCIAL SECTION

### Investment derivative instruments by fair value

	Total	Level 1	Level 2	Level 3
Foreign Exchange Contracts-Receivable	\$ 40,826,617	\$ —	\$ 40,826,617	\$ —
Foreign Exchange Contracts-Payable	(41,549,256)	—	(41,549,256)	—
Futures	(2,371,438)	(2,371,438)	—	—
Swap Collateral	60,000	—	60,000	—
<b>Total Investment derivative instruments</b>	<b>\$ (3,034,077)</b>	<b>\$ (2,371,438)</b>	<b>\$ (662,639)</b>	<b>—</b>

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

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

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

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



## FINANCIAL SECTION

the measurement date of the Plan. A gatekeeper is used to monitor values, cash flows, and provide due diligence for new investments. The fair values presented may differ from actual amounts realized from these investments.

### **Real Estate:**

*Real Estate Investment Trusts (REITs)* are publicly traded securities and are included with Equities: Domestic, Level 1, as those securities are traded in an active market.

*Private Real Estate* 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, 2022 and 2021, are as follows:

	PERSI Base Plan 2022	FRF 2022	JRF 2022
Total pension liability	\$23,288,243,222	\$ 242,329,263	\$ 125,836,363
Plan fiduciary net position	19,349,485,162	447,620,207	103,935,720
Employers' net pension liability (asset)	<u>\$ 3,938,758,060</u>	<u>\$ (205,290,944)</u>	<u>\$ 21,900,643</u>
Plan fiduciary net position as a percentage of total pension liability	<u>83.09 %</u>	<u>184.72 %</u>	<u>82.60 %</u>
	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>

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, 2022, 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 2015 through 2020. Demographic assumptions, including mortality, for JRF were studied for the period 2013 through 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%	2.30%	2.30%
Salary increases including inflation	3.05%	3.05%**	3.05%*
Investment rate of return-net of investment fees	6.35%	6.35%	6.35%
Cost of Living (COLA) adjustments	1.00%**	***	***

\*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.

\*\*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%.
	5% of Fire and Police active member deaths are assumed to be duty related. This assumption was adopted July 1, 2021.
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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Cash	0.00%	0.00%
Large Cap	18.00%	4.50%
Small/Mid Cap	11.00%	4.70%
International Equity	15.00%	4.50%
Emerging Markets Equity	10.00%	4.90%
Domestic Fixed	20.00%	(0.25)%
TIPS	10.00%	(0.30)%
Real Estate	8.00%	3.75%
Private Equity	8.00%	6.00%

*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.

## FINANCIAL SECTION

*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:

	<b>1% Decrease 5.35%</b>	<b>Current Discount Rate 6.35%</b>	<b>1% Increase 7.35%</b>
Employers' net pension liability (asset) - PERSI	\$6,951,522,210	\$3,938,758,060	\$ 1,472,888,533
Employers' net pension liability (asset) - FRF	(183,840,119)	(205,290,944)	(223,918,693)
Employers' net pension liability (asset) - JRF	34,745,075	21,900,643	10,937,453

## 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, 2022 and 2021, is as follows.

#### State Members

	<u>2022</u>	<u>2021</u>
Total OPEB liability	\$ 103,036,122	\$ 104,239,022
Plan fiduciary net position	244,502,786	286,193,340
Employers' net OPEB liability (asset)	<u>\$ (141,466,664)</u>	<u>\$ (181,954,318)</u>
Plan fiduciary net position as a percentage of total OPEB liability (asset)	<u>237.0%</u>	<u>275.0%</u>

#### School Members

	<u>2022</u>	<u>2021</u>
Total OPEB liability	\$ 279,754,781	\$ 276,050,086
Plan fiduciary net position	355,881,846	421,270,510
Employers' net OPEB liability (asset)	<u>\$ (76,127,065)</u>	<u>\$ (145,220,424)</u>
Plan fiduciary net position as a percentage of total OPEB liability (asset)	<u>127.0%</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, 2022. 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, 2022 was 50% Fixed income, 39.3% US/Global equity, and 10.7% International equity.

<u>Actuarial Assumptions</u>	<u>Sick Leave Insurance Reserve Funds</u>
Inflation	2.30%
Salary increases including inflation	3.05%
Investment rate of return-net of investment fees	5.45%

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

Even though history provides a valuable perspective for setting the investment return assumption, we rely primarily on an approach which builds upon the latest capital market assumptions. The

## FINANCIAL SECTION

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 here.

Asset Class	Target Allocation	Expected Rate of Return (Arithmetic)
Broad U.S. Equity	39.3%	8.53%
Global Ex U.S. Equity	10.7%	9.09%
Fixed Income	50.0%	2.80%
Cash Equivalents	0.0%	2.25%

*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:

<b>State &amp; School Members</b>	<b>1% Decrease 4.45%</b>	<b>Discount Rate 5.45%</b>	<b>1% Increase 6.45%</b>
State Members-Net OPEB Liability/(Asset)	\$ (132,207,077)	\$ (141,466,664)	\$ (149,716,144)
School Members-Net OPEB Liability/(Asset)	\$ (53,711,462)	\$ (76,127,065)	\$ (96,622,612)

## FINANCIAL SECTION

### NOTE 7. ASSETS USED IN PLAN OPERATIONS

Assets used in plan operations at June 30, 2022 and 2021, consist of the following:

	2022	2021
Buildings and improvements	\$ 6,060,426	\$ 6,021,556
Less accumulated depreciation	(5,264,543)	(4,867,316)
Total buildings and improvements	795,883	1,154,240
Equipment	799,398	866,449
Less accumulated depreciation	(462,786)	(484,614)
Total equipment	336,612	381,835
Computer software development - Arrivos	11,968,297	11,968,297
Less accumulated amortization	(7,450,981)	(6,254,807)
Total computer software development - Arrivos	4,517,316	5,713,490
Equipment - Arrivos	254,114	254,114
Less accumulated depreciation	(254,114)	(254,114)
Total equipment	—	—
Total assets used in plan operations	\$ 5,649,811	\$ 7,249,565

Depreciation expense is a component of administrative expense. For the year ended June 30, 2022, depreciation expense on the buildings and improvements was \$397,227. The equipment had a total depreciation expense of \$123,175 for 2022.

## FINANCIAL SECTION

### NOTE 8. OTHER POST EMPLOYMENT BENEFITS

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



**FINANCIAL SECTION**

**PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO**  
***REQUIRED SUPPLEMENTARY INFORMATION***  
***JUNE 30, 2022***

## 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

	2022	2021	2020	2019	2018
<b>Total pension liability changes for the year</b>					
Service cost <sup>(1)</sup>	\$ 596,927,904	\$ 513,205,361	\$ 484,964,767	\$ 461,646,272	\$ 437,257,407
Interest <sup>(1)(2)</sup>	1,397,434,963	1,388,578,112	1,321,253,945	1,250,119,942	1,202,947,872
Effect of plan changes	274,272,094	5,638,304	372,935,449	—	84,200,000
Effect of economic/demographic gains or losses	457,371,784	26,369,372	166,634,457	(105,480,176)	(38,113,799)
Effect of assumptions changes or inputs	—	1,136,086,143	—	—	104,724,103
Benefit payments, including refunds of member contributions	(1,129,444,374)	(1,092,389,237)	(1,012,529,440)	(975,200,330)	(909,678,264)
<b>Net change in total pension liabilities</b>	<b>1,596,562,371</b>	<b>1,977,488,055</b>	<b>1,333,259,178</b>	<b>631,085,708</b>	<b>881,337,319</b>
Total pension liability - beginning	21,691,680,851	19,714,192,796	18,380,933,618	17,749,847,910	16,868,510,591
Total pension liability - ending	23,288,243,222	21,691,680,851	19,714,192,796	18,380,933,618	17,749,847,910
<b>Plan net position</b>					
Contributions - employer	476,416,795	450,951,588	430,638,154	390,080,902	369,139,113
Contributions - employee	315,161,350	294,084,814	280,790,591	257,060,511	243,950,654
Net investment income (loss)	(2,073,323,125)	4,734,923,136	463,879,610	1,301,966,592	1,283,658,926
Other	—	—	—	—	—
Benefit payments, including refunds of member contributions	(1,129,444,374)	(1,092,389,237)	(1,012,529,440)	(975,200,330)	(909,678,264)
Administrative expense	(9,984,308)	(8,972,053)	(10,179,831)	(9,276,642)	(8,922,335)
<b>Net change in plan net position</b>	<b>(2,421,173,662)</b>	<b>4,378,598,248</b>	<b>152,599,084</b>	<b>964,631,033</b>	<b>978,148,094</b>
Plan net position - beginning	21,770,658,824	17,392,060,576	17,239,461,492	16,274,830,459	15,296,682,365
Plan net position - ending	<u>19,349,485,162</u>	<u>21,770,658,824</u>	<u>17,392,060,576</u>	<u>17,239,461,492</u>	<u>16,274,830,459</u>
<b>Plan net pension liability (asset) - ending</b>	<b><u>\$3,938,758,060</u></b>	<b><u>\$ (78,977,973)</u></b>	<b><u>\$2,322,132,220</u></b>	<b><u>\$1,141,472,126</u></b>	<b><u>\$1,475,017,451</u></b>

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

<sup>(1)</sup> Service cost and interest on total pension liability are measured after reflecting the effect of plan changes but before reflecting the assumption changes.

<sup>(2)</sup> Includes interest on total pension liability, service cost, plan changes, and benefit payments.

See Notes to Required Supplementary Information

## FINANCIAL SECTION

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2017	2016	2015	2014
\$ 406,910,895	\$ 397,283,921	\$ 384,419,252	\$ 376,800,000
1,129,286,928	1,088,670,726	1,045,505,462	992,942,358
12,200,000	67,800,000	150,400,000	(1,300,000)
273,580,592	(104,512,779)	(105,531,304)	(111,248,209)
—	13,100,000	—	74,600,000
<u>(864,785,159)</u>	<u>(824,524,533)</u>	<u>(770,593,410)</u>	<u>(729,094,149)</u>
957,193,256	637,817,335	704,200,000	602,700,000
15,911,317,335	15,273,500,000	14,569,300,000	13,966,600,000
16,868,510,591	15,911,317,335	15,273,500,000	14,567,300,000
356,367,389	335,610,100	321,240,628	310,986,283
237,032,668	220,866,936	211,468,780	203,890,954
1,692,713,855	202,329,942	367,820,877	2,000,619,926
—	25,283	16,767	—
(864,785,159)	(824,524,533)	(770,593,410)	(729,094,149)
<u>(8,810,136)</u>	<u>(6,806,655)</u>	<u>(6,434,462)</u>	<u>(6,787,811)</u>
1,412,518,617	(72,498,927)	123,519,180	1,779,615,203
13,884,163,748	13,956,662,675	13,833,143,496	12,053,528,293
<u>15,296,682,365</u>	<u>13,884,163,748</u>	<u>13,956,662,675</u>	<u>13,833,143,496</u>
<u><u>\$1,571,828,226</u></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	2022	2021	2020	2019	2018
<b>Total pension liability changes for the year</b>					
Service cost	\$ —	\$ —	\$ —	\$ —	\$ —
Interest <sup>(1)</sup>	14,749,137	15,415,347	18,555,434	19,216,525	19,841,800
Effect of plan changes	—	—	—	—	(615,405)
Effect of economic/demographic gains or losses	4,963,948	(6,986,802)	(4,019,534)	(9,593,204)	(9,182,411)
Effect of assumptions changes or inputs	—	—	—	—	1,386,562
Benefit payments, including refunds of member contributions	(19,014,750)	(18,828,213)	(19,073,931)	(18,929,519)	(18,934,403)
<b>Net change in total pension liabilities</b>	698,335	(26,403,239)	(4,538,031)	(9,306,198)	(7,503,857)
Total pension liability - beginning	241,630,928	268,034,167	272,572,198	281,878,396	289,382,253
Total pension liability - ending	242,329,263	241,630,928	268,034,167	272,572,198	281,878,396
<b>Plan net position</b>					
Contributions - employer <sup>(2)</sup>	2,901,920	2,549,471	8,660,397	3,926,915	7,706,226
Contributions - employee	—	—	4,503	4,540	4,368
Net investment income (loss)	(48,067,876)	111,249,774	11,090,094	36,330,366	31,124,311
Benefit payments, including refunds of member contributions	(19,014,750)	(18,828,213)	(19,073,931)	(18,929,519)	(18,934,403)
Administrative expense	(56,863)	(46,585)	(73,557)	(55,031)	(29,833)
<b>Net change in plan net position</b>	(64,237,569)	94,924,447	607,506	21,277,271	19,870,669
Plan net position - beginning	511,857,776	416,933,329	416,325,823	395,048,552	375,177,883
Plan net position - ending	447,620,207	511,857,776	416,933,329	416,325,823	395,048,552
<b>Plan net pension liability (asset) - ending</b>	<u>\$ (205,290,944)</u>	<u>\$ (270,226,848)</u>	<u>\$ (148,899,162)</u>	<u>\$ (143,753,625)</u>	<u>\$ (113,170,156)</u>

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

<sup>(1)</sup> Includes interest on total pension liability, service cost, benefit payments, and plan changes. Measured before reflecting effect of the assumption changes.

<sup>(2)</sup> Includes Fire Insurance Premium Tax.

See Notes to Required Supplementary Information

## FINANCIAL SECTION

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2017	2016	2015	2014
\$ —	\$ —	\$ —	\$ —
20,041,184	20,496,009	21,479,861	21,888,712
(68,748)	(557,863)	(2,100,000)	—
(3,116,488)	(7,446,350)	(15,100,408)	(5,629,912)
—	—	—	—
<u>(19,294,441)</u>	<u>(19,476,228)</u>	<u>(19,874,275)</u>	<u>(19,958,800)</u>
(2,438,493)	(6,984,432)	(15,594,822)	(3,700,000)
291,820,746	298,805,178	314,400,000	318,100,000
289,382,253	291,820,746	298,805,178	314,400,000
7,452,987	7,198,597	11,305,473	14,200,323
4,385	6,329	6,168	9,095
41,488,825	5,083,454	9,357,909	50,966,862
(19,294,441)	(19,476,228)	(19,874,275)	(19,958,800)
<u>(43,022)</u>	<u>(58,873)</u>	<u>(153,719)</u>	<u>—</u>
29,608,734	(7,246,721)	641,556	45,217,480
345,569,149	352,815,870	352,174,314	306,956,837
<u>375,177,883</u>	<u>345,569,149</u>	<u>352,815,870</u>	<u>352,174,314</u>
<u>\$ (85,795,630)</u>	<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

	2022	2021	2020	2019	2018
<b>Total pension liability changes for the year</b>					
Transfer in from JRF	\$ —	\$ —	\$ —	\$ —	\$ —
Service cost <sup>(1)</sup>	3,834,828	3,489,980	3,343,947	3,177,846	2,962,939
Interest <sup>(1)(2)</sup>	7,728,109	8,127,424	7,930,143	7,502,002	7,329,407
Effect of economic/demographic gains or losses	551,964	(106,337)	(962,452)	2,627,021	(400,640)
Effect of assumptions changes or inputs	—	2,489,739	—	—	—
Benefit payments, including refunds of member contributions	(8,166,744)	(7,679,687)	(7,639,712)	(7,168,403)	(6,691,558)
<b>Net change in total pension liabilities</b>	<b>3,948,157</b>	<b>6,321,119</b>	<b>2,671,926</b>	<b>6,138,466</b>	<b>3,200,148</b>
Total pension liability - beginning	121,888,206	115,567,087	112,895,161	106,756,695	103,556,547
Total pension liability - ending	125,836,363	121,888,206	115,567,087	112,895,161	106,756,695
<b>Plan net position</b>					
Contributions - employer	5,120,089	5,066,720	4,878,534	4,688,762	4,278,996
Contributions - employee	908,857	875,812	845,925	778,864	714,804
Net investment income (loss)	(11,161,869)	25,476,975	2,535,628	6,936,823	6,938,171
Transfer in	—	—	—	—	—
Other	—	—	12,960	13,200	—
Benefit payments, including refunds of member contributions	(8,166,744)	(7,679,687)	(7,639,712)	(7,168,403)	(6,691,558)
Administrative expense	(106,053)	(104,054)	(127,095)	(121,305)	(104,949)
<b>Net change in plan net position</b>	<b>(13,405,720)</b>	<b>23,635,766</b>	<b>506,240</b>	<b>5,127,941</b>	<b>5,135,464</b>
Plan net position - beginning	117,341,440	93,705,674	93,199,434	88,071,493	82,936,029
Plan net position - ending	103,935,720	117,341,440	93,705,674	93,199,434	88,071,493
<b>Plan net pension liability - ending</b>	<b>\$ 21,900,643</b>	<b>\$ 4,546,766</b>	<b>\$ 21,861,413</b>	<b>\$ 19,695,727</b>	<b>\$ 18,685,202</b>

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

<sup>(1)</sup> Service cost and interest are measured after reflecting the effect of plan changes but before reflecting the effect of assumption changes.

<sup>(2)</sup> Includes interest on total pension liability, service cost, plan changes, assumption changes, and benefit payments.

See Notes to Required Supplementary Information

## FINANCIAL SECTION

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2017	2016	2015
\$ —	\$ —	\$ 92,302,982
3,179,411	3,110,818	3,251,679
7,055,599	6,888,876	6,589,779
265,945	(1,647,589)	284,788
—	—	—
(6,173,415)	(5,974,937)	(5,577,389)
4,327,540	2,377,168	96,851,839
99,229,007	96,851,839	—
103,556,547	99,229,007	96,851,839
3,946,599	3,370,587	3,595,417
630,392	623,754	629,077
9,157,849	1,092,130	2,049,895
—	—	75,864,300
—	2,571	2,063
(6,173,415)	(5,974,937)	(5,577,389)
(74,035)	(133,096)	(95,733)
7,487,390	(1,018,991)	76,467,630
75,448,639	76,467,630	—
82,936,029	75,448,639	76,467,630
\$ 20,620,518	\$ 23,780,368	\$ 20,384,209

## 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

<b>PERSI Base Plan</b>	2022	2021	2020	2019	2018
Total Pension Liability	\$23,288,243,222	\$21,691,680,851	\$19,714,192,796	\$18,380,933,618	\$17,749,847,910
Plan net position	19,349,485,162	21,770,658,824	17,392,060,576	17,239,461,492	16,274,830,459
Net pension liability (asset)	<u>\$3,938,758,060</u>	<u>\$ (78,977,973)</u>	<u>\$2,322,132,220</u>	<u>\$1,141,472,126</u>	<u>\$1,475,017,451</u>
Plan net position as a percentage of total pension liability	83.09 %	100.36 %	88.22 %	93.79 %	91.69 %
Covered payroll	\$3,926,540,125	\$3,716,726,113	\$3,546,033,069	\$3,382,051,785	\$3,200,396,203
Net pension liability as a percentage of covered payroll	100.31 %	(2.12)%	65.49 %	33.75 %	46.09 %
<b>Firefighters' Retirement Fund</b>	2022	2021	2020	2019	2018
Total Pension Liability	\$ 242,329,263	\$ 241,630,928	\$ 268,034,167	\$ 272,572,198	\$ 281,878,396
Plan net position	447,620,207	511,857,776	416,933,329	416,325,823	395,048,552
Net pension liability (asset)	<u>\$(205,290,944)</u>	<u>\$(270,226,848)</u>	<u>\$(148,899,162)</u>	<u>\$(143,753,625)</u>	<u>\$(113,170,156)</u>
Plan net position as a percentage of total pension liability	184.72 %	211.83 %	155.55 %	152.74 %	140.15 %
Covered payroll	\$ 78,865,896	\$ 85,896,222	\$ 78,657,631	\$ 78,284,032	\$ 74,848,287
Net pension liability (asset) as a percentage of covered payroll	(260.30)%	(314.60)%	(189.30)%	(183.63)%	(151.20)%
<b>Judges' Retirement Fund</b>	2022	2021	2020	2019	2018
Total Pension Liability	\$(125,836,363)	\$ 121,888,206	\$ 115,567,087	\$ 112,895,161	\$ 106,756,695
Plan net position	103,935,720	117,341,440	93,705,674	93,199,434	88,071,493
Net pension liability (asset)	<u>\$ (21,900,643)</u>	<u>\$ 4,546,766</u>	<u>\$ 21,861,413</u>	<u>\$ (19,695,727)</u>	<u>\$ 18,685,202</u>
Plan net position as a percentage of total pension liability	82.60 %	96.27 %	81.08 %	82.55 %	82.50 %
Covered payroll	\$ 8,188,212	\$ 8,102,863	\$ 7,801,909	\$ 6,731,755	\$ 6,178,081
Net pension liability as a percentage covered of payroll	267.47 %	56.11 %	280.21 %	292.58 %	302.44 %

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

2017	2016	2015	2014
\$16,868,510,591	\$15,911,317,335	\$15,273,500,000	\$14,569,300,000
15,296,682,365	13,884,163,748	13,956,662,675	13,833,143,496
\$1,571,828,226	\$2,027,153,587	\$1,316,837,325	\$ 736,156,504
90.68 %	87.26 %	91.38 %	94.95 %
\$3,089,555,264	\$2,895,430,105	\$2,791,109,393	\$2,702,945,352
50.88 %	70.01 %	47.18%	27.24 %

2017	2016	2015	2014
\$ 289,382,253	\$ 291,820,746	\$ 298,805,178	\$ 314,400,000
375,177,883	345,569,149	352,815,870	352,174,314
\$ (85,795,630)	\$ (53,748,403)	\$ (54,010,692)	\$ (37,774,314)
129.65 %	118.42 %	118.08 %	112.01 %
\$ 70,568,501	\$ 68,017,833	\$ 63,780,545	\$ 63,017,405
(121.58)%	(79.02)%	(84.68)%	(59.94)%

2017	2016	2015	2014
\$ 103,556,547	\$ 99,229,007	\$ 96,851,839	\$ —
82,936,029	75,448,639	76,467,630	—
\$ 20,620,518	\$ 23,780,368	\$ 20,384,209	\$ —
80.09 %	76.03 %	78.95 %	0.00 %
\$ 6,162,190	\$ 6,097,302	\$ 6,149,339	\$ —
334.63 %	390.01 %	331.49 %	0.00 %

## FINANCIAL SECTION

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

#### SCHEDULE OF CONTRIBUTIONS FISCAL YEARS 2013-2022

#### PERSI Base Plan

Fiscal Year	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
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
2022	463,066,559	476,416,795	(13,350,236)	3,926,540,125	12.13

#### Firefighters' Retirement Fund

Fiscal Year	Actuarially Determined Contribution	Actual Employer Contribution <sup>(1)</sup>	Contribution Deficiency (Excess)	Covered Payroll <sup>(2)</sup>	Contribution as a % of Covered Payroll
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
2022	—	2,901,920	(2,901,920)	78,865,896	3.68

<sup>(1)</sup> Contribution shown in this column includes the Fire Insurance Premium Tax. Starting in fiscal year 2021, there were no employer contributions other than the Fire Insurance Premium Tax.

<sup>(2)</sup> Covered Payroll for the Firefighters' Retirement Fund is the total annual payroll of all firefighters in the participating fire departments, including firefighters who are not eligible to participate.

See Notes to Required Supplementary Information

## FINANCIAL SECTION

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

#### SCHEDULE OF CONTRIBUTIONS FISCAL YEARS 2015-2022

Fiscal Year	Judges' Retirement Fund				
	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
2022	3,367,812	5,120,089	(1,752,277)	8,188,212	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, 2022**

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**Investment Returns**

	<u>2022</u>	<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	(9.6)%	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, 2022

#### Sick Leave Insurance Reserve Fund - State

	2022	2021	2020	2019
<b>Total OPEB liability changes for the year</b>				
Service cost <sup>(1)</sup>	\$ 4,679,986	\$ 4,715,656	\$ 3,939,068	\$ 4,326,780
Interest <sup>(1)(2)</sup>	5,789,278	5,650,851	7,105,202	6,592,557
Effect of plan changes	—	—	—	—
Effect of economic/demographic gains or losses	3,360,108	(2,555,609)	(2,161,468)	1,415,058
Effect of assumptions changes or inputs	(9,572,405)	8,214,660	(10,060,579)	—
Benefit payments, including refunds of member contributions	(5,459,867)	(5,083,113)	(4,739,183)	(4,611,044)
<b>Net change in total OPEB liabilities</b>	<b>\$ (1,202,900)</b>	<b>\$ 10,942,445</b>	<b>\$ (5,916,960)</b>	<b>\$ 7,723,351</b>
Net OPEB liability - beginning	<u>\$ 104,239,022</u>	<u>\$ 93,296,577</u>	<u>\$ 99,213,537</u>	<u>\$ 91,490,186</u>
Total OPEB liability - ending	<u><u>\$ 103,036,122</u></u>	<u><u>\$ 104,239,022</u></u>	<u><u>\$ 93,296,577</u></u>	<u><u>\$ 99,213,537</u></u>
<b>Plan net position</b>				
Contributions - employer	\$ (182)	\$ (682)	\$ 4,494,217	\$ 7,497,670
Net investment income (loss)	(36,181,966)	56,875,563	9,556,026	16,085,961
Other	—	—	—	—
Benefit payments, including refunds of member contributions	(5,459,867)	(5,083,113)	(4,739,183)	(4,611,044)
Administrative expense	(48,539)	(47,914)	(47,225)	(47,183)
<b>Net change in plan net position</b>	<b>\$ (41,690,554)</b>	<b>\$ 51,743,854</b>	<b>\$ 9,263,835</b>	<b>\$ 18,925,404</b>
Plan net position - beginning	<u>\$ 286,193,340</u>	<u>\$ 234,449,486</u>	<u>\$ 225,185,651</u>	<u>\$ 206,260,247</u>
Plan net position - ending	<u><u>\$ 244,502,786</u></u>	<u><u>\$ 286,193,340</u></u>	<u><u>\$ 234,449,486</u></u>	<u><u>\$ 225,185,651</u></u>

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

<sup>(1)</sup> Service cost and interest cost are measured after reflecting the changes of benefit terms but before reflecting the changes of assumptions.

<sup>(2)</sup> Includes interest on total OPEB liability, service cost, changes of benefit terms, and benefit payments.

See Notes to Required Supplementary Information

## FINANCIAL SECTION

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2018	2017
\$ 4,170,390	\$ 4,043,479
6,207,620	6,223,171
(5,771,416)	—
—	—
186,986	—
(4,671,380)	(5,010,974)
\$ 122,200	\$ 5,255,676
\$ 91,367,986	\$ 86,112,310
\$ 91,490,186	\$ 91,367,986
\$ 7,161,239	\$ 7,136,693
17,316,960	12,294,424
—	—
(4,671,380)	(5,010,974)
(44,182)	(41,148)
\$ 19,762,637	\$ 14,378,995
\$ 186,497,610	\$ 172,118,615
\$ 206,260,247	\$ 186,497,610

## FINANCIAL SECTION

# PUBLIC EMPLOYEE RETIREMENT SICK LEAVE INSURANCE RESERVE FUND

### SCHEDULE OF CHANGES IN NET OPEB LIABILITY (ASSET) YEAR ENDED JUNE 30, 2022

#### Sick Leave Insurance Reserve Fund - Schools

	2022	2021	2020	2019
<b>Total OPEB liability changes for the year</b>				
Service cost <sup>(1)</sup>	\$ 11,701,233	\$ 10,733,979	\$ 8,694,499	\$ 9,108,050
Interest <sup>(1)(2)</sup>	15,339,907	13,972,195	17,727,484	16,607,049
Effect of plan changes	—	—	—	—
Effect of economic/demographic gains or losses	1,425,881	11,913,355	5,125,806	2,499,644
Effect of assumptions changes or inputs	(12,023,043)	18,963,947	(35,485,232)	—
Benefit payments, including refunds of member contributions	(12,739,283)	(12,412,041)	(11,886,179)	(11,930,829)
<b>Net change in total OPEB liabilities</b>	<b>\$ 3,704,695</b>	<b>\$ 43,171,435</b>	<b>\$ (15,823,622)</b>	<b>\$ 16,283,914</b>
Net OPEB liability - beginning	<u>\$ 276,050,086</u>	<u>\$ 232,878,651</u>	<u>\$ 248,702,273</u>	<u>\$ 232,418,359</u>
Total OPEB liability - ending	<u><u>\$ 279,754,781</u></u>	<u><u>\$ 276,050,086</u></u>	<u><u>\$ 232,878,651</u></u>	<u><u>\$ 248,702,273</u></u>
<b>Plan net position</b>				
Contributions - employer	\$ (2,109)	\$ (3,637)	\$ 8,967,109	\$ 16,432,554
Net investment income (loss)	(52,576,174)	77,748,673	14,518,013	24,690,082
Other	—	—	—	—
Benefit payments, including refunds of member contributions	(12,739,283)	(12,412,041)	(11,886,179)	(11,930,829)
Administrative expense	(71,098)	(71,722)	(72,369)	(72,453)
<b>Net change in plan net position</b>	<b>\$ (65,388,664)</b>	<b>\$ 65,261,273</b>	<b>\$ 11,526,573</b>	<b>\$ 29,119,354</b>
Plan net position - beginning	<u>\$ 421,270,510</u>	<u>\$ 356,009,237</u>	<u>\$ 344,482,664</u>	<u>\$ 315,363,310</u>
Plan net position - ending	<u><u>\$ 355,881,846</u></u>	<u><u>\$ 421,270,510</u></u>	<u><u>\$ 356,009,237</u></u>	<u><u>\$ 344,482,664</u></u>

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

(1) Service cost and interest cost are measured after reflecting the changes of benefit terms but before reflecting the changes of assumptions.

(2) Includes interest on total OPEB liability, service cost, changes of benefit terms, and benefit payments.

See Notes to Required Supplementary Information

## FINANCIAL SECTION

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<u>2018</u>	<u>2017</u>
\$ 8,778,843	\$ 7,692,471
15,779,480	14,272,064
—	—
10,851,176	—
486,017	—
<u>(12,186,675)</u>	<u>(13,155,040)</u>
\$ 23,708,841	\$ 8,809,495
<u>\$ 208,709,518</u>	<u>\$ 200</u>
<u>\$ 232,418,359</u>	<u>\$ 8,809,695</u>
\$ 15,599,238	\$ 14,763,323
26,546,106	18,873,664
—	—
(12,186,675)	(13,155,040)
<u>(67,805)</u>	<u>(63,192)</u>
\$ 29,890,864	\$ 20,418,755
<u>\$ 285,472,446</u>	<u>\$ 265,053,691</u>
<u>\$ 315,363,310</u>	<u>\$ 285,472,446</u>



## FINANCIAL SECTION

# PUBLIC EMPLOYEE RETIREMENT SICK LEAVE INSURANCE RESERVE FUND

### SCHEDULE OF NET OPEB LIABILITY (ASSET) YEAR ENDED JUNE 30, 2022

#### State Members

	2022	2021	2020	2019
Total OPEB liability	\$103,036,122	\$104,239,022	\$ 93,296,577	\$ 99,213,537
Plan fiduciary net position	244,502,786	286,193,340	234,449,486	225,185,651
Employers' net OPEB liability (asset)	<u>\$(141,466,664)</u>	<u>\$(181,954,318)</u>	<u>\$(141,152,909)</u>	<u>\$(125,972,114)</u>
Plan fiduciary net position as a percentage of total plan liability (asset)	<u>237.0 %</u>	<u>275.0 %</u>	<u>251.0 %</u>	<u>227.0 %</u>
Covered payroll (In millions)	\$ 1,180.6	\$ 1,111.6	\$ 1,382.8	\$ 1,153.5
Net OPEB as a percentage of covered payroll	(12.0) %	(16.4) %	(10.2) %	(10.9) %

#### School Members

	2022	2021	2020	2019
Total OPEB liability	\$279,754,781	\$276,050,086	\$232,878,651	\$248,702,273
Plan fiduciary net position	355,881,846	421,270,510	356,009,237	344,482,664
Employers' net OPEB liability (asset)	<u>\$(76,127,065)</u>	<u>\$(145,220,424)</u>	<u>\$(123,130,586)</u>	<u>\$(95,780,391)</u>
Plan fiduciary net position as a percentage of total plan liability (asset)	<u>127.0 %</u>	<u>153.0 %</u>	<u>153.0 %</u>	<u>138.5 %</u>
Covered payroll (In millions)	\$ 1,603.5	\$ 1,497.2	\$ 1,507.1	\$ 1,380.9
Net OPEB as a percentage of covered payroll	(4.7)%	(9.7)%	(8.2)%	(6.9)%

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

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<u>2018</u>	<u>2017</u>
\$91,490,186	\$91,367,986
<u>206,260,247</u>	<u>186,497,610</u>
<u><u>\$(114,770,061)</u></u>	<u><u>\$(95,129,624)</u></u>
<u>225.4 %</u>	<u>201.1 %</u>

<u>2018</u>	<u>2017</u>
\$232,418,359	\$208,709,518
<u>315,363,310</u>	<u>285,472,446</u>
<u><u>\$(82,944,951)</u></u>	<u><u>\$(76,762,928)</u></u>
<u>135.7 %</u>	<u>136.8 %</u>

## FINANCIAL SECTION

### PUBLIC EMPLOYEE RETIREMENT SICK LEAVE INSURANCE RESERVE FUND

#### SCHEDULE OF CONTRIBUTIONS - OPEB YEAR ENDED JUNE 30, 2022

<b>Sick Leave Insurance Reserve Fund - State</b>					
Fiscal Year	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
2017	\$ 4,282,016	\$ 7,136,693	\$ (2,854,677)	\$1,097,952,769	0.65 %
2018	4,186,570	7,161,239	(2,974,669)	1,101,729,077	0.65
2019	4,383,253	7,497,670	(3,114,417)	1,153,487,692	0.65
2020	4,978,210	4,494,217	483,993	1,382,836,000	0.33
2021	3,557,248	(682)	3,557,930	1,111,640,064	—
2022	4,840,519	(182)	4,840,701	1,180,614,285	—

<b>Sick Leave Insurance Reserve Fund - Schools</b>					
Fiscal Year	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
2017	\$ 8,064,000	\$ 14,763,323	\$ (6,699,323)	\$1,240,615,378	1.19 %
2018	8,913,850	15,599,238	(6,685,388)	1,310,860,336	1.19
2019	9,390,031	16,432,554	(7,042,523)	1,380,886,891	1.19
2020	9,645,294	8,967,109	678,185	1,507,077,143	0.60
2021	9,132,736	(3,637)	9,136,373	1,497,169,775	—
2022	12,186,762	(2,109)	12,188,871	1,603,521,347	—

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 INVESTMENT RETURNS - SICK LEAVE INSURANCE RETIREMENT FUND  
YEAR ENDED JUNE 30, 2022**

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Annual money weighted rate of return, net of investment expenses	2022	2021	2020	2019	2018	2017
State	(12.8)%	23.2%	4.2%	7.8%	9.4%	13.3%
Schools	(12.7)%	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.

Note: Sick Leave Insurance Retirement Funds began being tracked as 2 separate Funds in 2022.

See Notes to Required Supplementary Information

## FINANCIAL SECTION

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

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2022

**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, 2022 for PERSI, as of June 30, 2022 for FRF and as of June 30, 2022 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, 2022	June 30, 2022	June 30, 2022
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	100+ years	N/A	15.8 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 Funds as of June 30, 2022.

Actuarial Assumptions	<u>Sick Leave Insurance Reserve Funds</u>
Inflation	2.30%
Salary increases including inflation	3.05%
Investment rate of return *	5.45%

\*net of investment expenses

**FINANCIAL SECTION**

**PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO**

***ADDITIONAL SUPPLEMENTARY SCHEDULES  
JUNE 30, 2022***

## FINANCIAL SECTION

### PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

#### SCHEDULE OF INVESTMENT EXPENSES YEAR ENDED JUNE 30, 2022

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##### INVESTMENT AND RELATED SERVICES:

Adelante Capital Management	\$ 2,959,791
AEW Capital Management, LP	12,674,140
BCA Research, Inc.	11,588
Bernstein, Sanford C.	6,167,151
Bloomberg, LP	71,927
BLS Capital	5,373,139
BNY Mellon Trust	2,630,340
Brandes Investment Partners, LP	2,111,314
Business Entity Data B.V.	91
Capital Economics (N.A.) Ltd	12,600
Clearwater Advisors, LLC	845,187
Consensus Economics, Inc.	694
D.B. Fitzpatrick & Co., Inc.	3,653,036
Donald Smith & Company	2,848,529
Ernst & Young LLP	17,628
Fiera Capital, Inc.	4,496,041
Genesis Investment Management, LLP	2,751,047
Hamilton Lane Advisors, LLC	30,000
Income Research + Management Inc.	474,565
Longview Partners (Guernsey) Ltd	3,536,804
Macro Research Board (MRB)	5,000
Mellon Investments Corporation	1,706,016
Mondrian Investment Partners	1,801,795
Mountain Pacific Investment Advisors, Inc	2,895,061
MSCI, Inc.	2,000
Peregrine Capital Management	4,041,188
Prudential Property Investment Separate Account	390,147
State Street Global Advisors	1,253,912
Walter Scott & Partners Ltd	3,999,482
Wells Fargo Bank, NA	41,640
Western Asset	636,950
Yardeni Research, Inc.	7,500
<b>TOTAL INVESTMENT AND RELATED SERVICES</b>	<b>67,446,303</b>

##### CONSULTING AND OTHER SERVICES:

Alban Row Investments, LLC	84,103
Callan LLC	549,031
Eide Bailly LLP	66,750
Empower Retirement	232,074

*continued*

## FINANCIAL SECTION

Foster Garvey PC	468,386
Hamilton Lane Advisors, LLC	245,000
Ice Miller LLP	164
Jenks, John R.	77,113
Klausner, Kaufman, Jensen & Levinson	63,665
Korn Ferry	185,000
Lee, Thomas	13,079
Milliman, Inc.	376,432
Murray Devine	12,500
Skjervem, John D	1,216
Storer, Robert	4,022
Walls, Garret A	1,764
Whiteford, Taylor, & Presto	1,215
Williams, Ashbel	37,500
<b>TOTAL CONSULTING AND OTHER SERVICES</b>	<u>2,419,014</u>
<b>TOTAL</b>	<u><u>\$ 69,865,317</u></u>

*concluded*



## FINANCIAL SECTION

### PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

#### SCHEDULE OF ADMINISTRATIVE EXPENSES YEAR ENDED JUNE 30, 2022

PORTFOLIO-RELATED EXPENSES:	
Personnel expenses	\$ 708,695
Operating expenses	128,279
	<u>836,974</u>
OTHER ADMINISTRATIVE EXPENSES:	
Personnel expenses	4,476,971
Operating expenses	3,010,649
Building depreciation expense	397,227
Equipment depreciation expense	123,175
Software amortization expense	1,196,175
	<u>9,204,197</u>
SICK LEAVE FUND EXPENSES — Administrative expenses	<u>119,637</u>
JUDGES' FUND EXPENSES -- Administrative expenses	<u>106,053</u>
DEFINED CONTRIBUTION FUND - Administrative expenses	<u>2,545,362</u>
TOTAL	<u><u>\$ 12,812,223</u></u>



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the pension and other trust funds of the Public Employee Retirement System of Idaho (the System or PERSI), as of and for the year ended June 30, 2022, 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 12, 2022.

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

## FINANCIAL SECTION

### Report on Compliance and Other Matters

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

### Purpose of this Report

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

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

Boise, Idaho  
October 12, 2022