



Schedule of Employer Allocations and Collective Other  
Postemployment Benefit Amounts  
June 30, 2018

**Public Employee Retirement System  
of Idaho Sick Leave Insurance  
Reserve Fund – School Members**

Public Employee Retirement System of Idaho Sick Leave Insurance Reserve Fund –  
School Members  
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## Independent Auditor's Report

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

### **Report on Schedule of Allocations and Net Other Postemployment Benefit (OPEB) Amounts by Employer**

We have audited the accompanying schedule of employer allocations of Public Employee Retirement System of Idaho Sick Leave Insurance Reserve Fund – School Members (the Fund) as of and for the year ended June 30, 2018 and related notes. We have also audited the totals for the columns titled net OPEB liability (asset), total deferred outflows of resources, total deferred inflow of resources and plan OPEB expense (expense offset) (specified column totals) included in the accompanying schedule of collective OPEB amounts (collectively the Schedules) of the Fund as of and for the year ended June 30, 2018, and related notes.

### **Management's Responsibility for the Schedules**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on the schedule of employer allocations and specified column totals included in the schedule of collective OPEB amounts based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule of employer allocations and specified column totals included in the schedule of collective OPEB amounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule of employer allocations and specified column totals included in the schedule of collective OPEB amounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the schedule of employer allocations and specified column totals included in the schedule of collective OPEB amounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the schedule of employer allocations and specified column totals included in the schedule of collective OPEB amounts 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 Fund's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the schedule of employer allocations and specified column totals included in the schedule of collective OPEB amounts.

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

**Opinions**

In our opinion, the Schedules referred to above present fairly, in all material respects, the employer allocations and net OPEB liability (asset), total deferred outflows of resources, total deferred inflow of resources, and plan OPEB expense (expense offset) for the total of all participating entities for the Fund as of and for the year ended June 30, 2018, in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Public Employee Retirement System of Idaho (the System) as of and for the year ended June 30, 2018, and our report thereon, dated October 10, 2018, expressed an unmodified opinion on those financial statements.

**Restriction on Use**

Our report is intended solely for the information and use of the Fund's management, the System's retirement board, fund employers and their auditors and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Erik Sully LLP". The signature is written in black ink and is positioned above the typed name and date.

Boise, Idaho  
October 10, 2018

Public Employee Retirement System of Idaho Sick Leave Insurance Reserve Fund –  
 School Members  
 Schedule of Employer Allocations  
 June 30, 2018

Employer	Total Employer Contributions	Employer Proportionate Allocation
Aberdeen School District	\$ 43,219	0.002771087
Alturas International Academy	11,116	0.000712728
American Falls School District	81,872	0.005249415
American Heritage Charter School	12,989	0.000832820
Another Choice Virtual Charter School	20,576	0.001319278
Anser of Idaho Inc	17,341	0.001111859
Arbon School District	1,453	0.000093162
Avery School District	1,286	0.000082455
Basin School District	23,172	0.001485727
Bear Lake School District	51,853	0.003324676
Bingham Academy	7,915	0.000507489
Blackfoot Charter Comm Learning Center	20,721	0.001328575
Blackfoot School Dis	190,741	0.012229805
Blaine County School District	379,796	0.024351508
Bliss School District	11,552	0.000740683
Boise Ind School Dis	1,871,606	0.120002391
Bonneville School District	529,746	0.033965902
Boundary County School District	84,417	0.005412593
Bruneau-Grandview School District	19,461	0.001247787
Buhl School District	57,142	0.003663793
Butte County School District	23,374	0.001498679
Caldwell School District	313,921	0.020127778
Camas County School District	12,166	0.000780052
Cambridge School District	11,978	0.000767997
Canyon-Owyhee School District (COSSA)	35,409	0.002270331
Cascade School District	18,771	0.001203547
Cassia County School District	270,466	0.017341559
Castleford School District	17,247	0.001105832
Challis Joint School District	23,116	0.001482136
Chief Tahgee Elementary Academy	10,698	0.000685927
Clark County School District	13,339	0.000855261
Clearwater/Orofino Joint School District	80,080	0.005134516
Coeur d'Alene Charter Academy	30,019	0.001924738
Coeur d'Alene School District	543,626	0.034855851
Compass Public Charter School	36,209	0.002321625
Cottonwood School District	28,092	0.001801184
Council Valley School District	15,703	0.001006835

Public Employee Retirement System of Idaho Sick Leave Insurance Reserve Fund –  
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Employer	Total Employer Contributions	Employer Proportionate Allocation
Culdesac Joint School District	9,583	0.000614436
Dietrich School District	13,979	0.000896296
Emmett School District	128,624	0.008247028
Falconridge Charter School	11,222	0.000719525
Filer School District	75,143	0.004817969
Firth School District	33,425	0.002143122
Fruitland School District	76,740	0.004920364
Garden Valley School District	16,548	0.001061014
Gem Prep Nampa	7,565	0.000485048
Gem Prep Pocatello	4,318	0.000276859
Genesee School District	25,532	0.001637044
Glenns Ferry Joint School District	23,996	0.001538560
Gooding Joint School District	57,345	0.003676809
Grace School District	28,323	0.001815995
Hagerman Joint School District	19,269	0.001235477
Hansen School District	21,640	0.001387499
Heritage Academy	8,702	0.000557949
Heritage Community Charter School	17,976	0.001152573
Highland Joint School District	15,795	0.001012733
Homedale School District	50,572	0.003242542
Horseshoe Bend School District	16,486	0.001057038
I Succeed Virtual High School	12,377	0.000793580
Idaho Association of School Administrators	2,267	0.000145354
Idaho Arts Charter School	41,015	0.002629773
Idaho Bureau of Education Services for the Deaf and Blind	39,360	0.002523658
Idaho College and Career Readiness Academy	5,249	0.000336552
Idaho Digital Learning Academy	36,413	0.002334705
Idaho Distance Education Academy	21,509	0.001379100
Idaho Education Association	22,732	0.001457515
Idaho Falls School District	514,005	0.032956631
Idaho High School Activity Association	5,073	0.000325267
Idaho School Board Association	6,753	0.000432984
Idaho School District Council	1,038	0.000066554
Idaho Science & Technology Charter School	12,021	0.000770754
Idaho Virtual Academy	49,087	0.003147328
Idaho Virtual Education Partners, Inc.	14,700	0.000942525
Inspire Virtual Charter School	21,852	0.001401092
Jerome School District	162,892	0.010444201

Public Employee Retirement System of Idaho Sick Leave Insurance Reserve Fund –  
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<b>Employer</b>	<b>Total Employer Contributions</b>	<b>Employer Proportionate Allocation</b>
Kamiah Joint School District	26,501	0.001699174
Kellogg School District	74,072	0.004749299
Kendrick School District	17,673	0.001133146
Kimberly School District	87,833	0.005631618
Kootenai Bridge Academy	7,770	0.000498192
Kootenai School District	13,837	0.000887192
Kootenai Technical Education Campus	8,449	0.000541727
Kuna Joint School District	251,350	0.016115892
Lake Pend Oreille School District	221,486	0.014201092
Lakeland School District	243,950	0.015641424
Lapwai School District	50,796	0.003256904
Legacy Public Charter School	9,250	0.000593085
Lewiston Independ School District	334,803	0.021466677
Liberty Charter School Inc	16,191	0.001038124
Mackay School District	12,629	0.000809738
Madison School District	256,508	0.016446610
Marsh Valley Joint School District	54,500	0.003494395
Marsing School District	40,998	0.002628706
McCall Donnelly School District	86,772	0.005563602
Meadows Valley School District	12,077	0.000774328
Melba School District	35,588	0.002281804
Meridian Charter High School Inc	13,043	0.000836274
Meridian Medical Arts Charter School	12,864	0.000824777
Meridian School District	1,740,811	0.111616164
Middleton School District	170,159	0.010910158
Midvale School District	9,358	0.000599999
Minidoka County School District	198,560	0.012731149
Monticello Montessori Charter School	7,723	0.000495170
Moscow Charter School	7,273	0.000466322
Moscow School District	216,165	0.013859951
Mountain Home School District	172,691	0.011072505
Mountain View School District	73,878	0.004736861
Mullan School District	15,197	0.000974376
Murtaugh School District	17,838	0.001143750
Nampa School District	637,474	0.040873133
New Plymouth School District	51,114	0.003277302
NezPerce Joint School District	13,143	0.000842723

Public Employee Retirement System of Idaho Sick Leave Insurance Reserve Fund –  
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<b>Employer</b>	<b>Total Employer Contributions</b>	<b>Employer Proportionate Allocation</b>
North Gem School District	12,137	0.000778206
North Star Charter School	38,102	0.002443022
North Valley Academy Charter School	10,518	0.000674389
Notus School District	23,293	0.001493456
Oneida School District	43,645	0.002798419
Palouse Prairie Education Organization	7,827	0.000501823
Parma School District	50,111	0.003212966
Pathways in Education - Nampa, Inc.	5,556	0.000356248
Payette River Regional Technical Academy	4,070	0.000260962
Payette School District	76,854	0.004927665
Pleasant Valley School District	1,260	0.000080776
Plummer-Worley Joint School District	33,751	0.002164027
Pocatello Community Charter School	13,786	0.000883909
Pocatello School District	629,588	0.040367531
Post Falls Sch District	285,615	0.018312852
Potlatch School District	34,961	0.002241621
Prairie School District	634	0.000040648
Preston School District	103,052	0.006607414
Richard McKenna Charter Hi School	14,770	0.000947023
Richfield School District	13,486	0.000864661
Rigby School District	213,686	0.013700952
Ririe School District	34,998	0.002243973
Rockland School District	14,482	0.000928549
Rolling Hills Charter School	10,098	0.000647468
Sage International School of Boise	44,982	0.002884121
Salmon River Jt School District	12,834	0.000822856
Salmon School District	39,027	0.002502302
Sandpoint Charter School	24,023	0.001540315
Shelley Joint School District	104,819	0.006720715
Shoshone School District	30,547	0.001958572
Snake River School District	88,590	0.005680164
Soda Springs School District	46,003	0.002949566
South Lemhi School District	9,001	0.000577097
St Anthony School District (FremontCoSD)	109,828	0.007041865
St Maries School District	56,387	0.003615406
STEM Charter Academy	14,595	0.000935775
Sugar-Salem School District	66,218	0.004245722



Public Employee Retirement System of Idaho Sick Leave Insurance Reserve Fund –  
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June 30, 2018

<u>Employer</u>	<u>Total Employer Contributions</u>	<u>Employer Proportionate Allocation</u>
Swan Valley School District	4,457	0.000285793
Syringa Mountain School	6,718	0.000430738
Taylors Crossing Public Charter School	14,996	0.000961522
Teton School District	106,205	0.006809597
The Academy, Inc.	17,110	0.001097046
The Village Charter School	16,798	0.001077030
Thomas Jefferson Charter School	17,581	0.001127231
Three Creek School District	599	0.000038415
Troy School District	19,757	0.001266784
Twin Falls School District	437,055	0.028022787
Upper Carmen Charter School	6,827	0.000437718
Valley School District	33,720	0.002162044
Vallivue School District	394,049	0.025265365
Victory Charter School	14,808	0.000949425
Vision Charter School	26,068	0.001671408
Wallace School District	36,240	0.002323638
Weiser School District	74,946	0.004805341
Wendell School District	46,609	0.002988457
West Bonner County School District	74,178	0.004756087
West Jefferson School District	35,444	0.002272590
West Side School District	32,654	0.002093657
White Pine Charter School	15,815	0.001014020
Whitepine Joint School District	21,488	0.001377744
Wilder School District	22,436	0.001438528
Xavier Charter School	23,077	0.001479618
<b>Total employer contributions</b>	<b>\$ 15,596,406</b>	<b>1.000000000</b>

Public Employee Retirement System of Idaho Sick Leave Insurance Reserve Fund – School Members  
 Schedule of Collective OPEB Amounts  
 June 30, 2018

Deferred Outflows of Resources			Deferred Inflows of Resources					
Changes of Assumptions	Differences Between Expected and Actual Experience	Total Deferred Outflows of Resources Excluding Employer Specific Amounts*	Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	Changes of Assumptions	Differences Between Expected and Actual Experience	Total Deferred Inflows of Resources Excluding Employer Specific Amounts*	Plan OPEB Expense (Expense offset)	June 30, 2018 Net OPEB Liability (Asset)
\$ 420,339	\$ 9,384,801	\$ 9,805,140	\$ 4,927,058	\$ -	\$ -	\$ 4,927,058	\$ 4,539,133	\$ (82,944,951)

\* Employer specific amounts are excluded from this schedule.

Public Employee Retirement System of Idaho Sick Leave Insurance Reserve Fund –  
School Members  
Notes to Schedule of Employer Allocations and Collective OPEB Amounts  
June 30, 2018

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**Note 1 - Significant Accounting Policies**

The Public Employee Retirement System of Idaho Sick Leave Insurance Reserve Fund – School Members (the Fund) is administered by the Public Employee Retirement System of Idaho (the System). Employer contributions to the Fund are calculated on eligible compensation for active members reported by employers.

The Schedule of Collective OPEB Amounts presents the deferred inflow of resources, deferred outflow of resources, OPEB expense (expense offset) and net OEPEB liability (asset) at the Fund level. The Schedule of Employer Allocations (collectively, the Schedules) reflects current year employer contributions and includes the following for each individual employer:

- Employer name
- The amount of employer contributing entity’s contributions for the period July 1, 2017 to June 30, 2018, (the fiscal year).
- The employer contributing entity’s contributions as a percentage of total employer contributions, as defined by state statute.

The Schedule of Employer Allocations has been rounded and presenting the first nine decimal places.

**Basis of Accounting**

Contributions for employers and the net OPEB liability (asset) are recognized on an accrual basis of accounting. The fiscal year 2018 employer contribution total used as the denominator for the allocation calculation in the schedule of employer allocations can be reconciled to the System’s CAFR for the fiscal year ended June 30, 2018, as follows:

Contributions from employers per CAFR	\$ 15,599,238
Reconciliation differences adjusted in the schedule of employer allocations	<u>(2,832)</u>
Contributions per schedule of employer allocations	<u><u>\$ 15,596,406</u></u>

**Use of Estimates in the Preparation of the Schedules**

The preparation of the Schedules in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain amounts and disclosures. Actual results could differ from those estimates.

Public Employee Retirement System of Idaho Sick Leave Insurance Reserve Fund –  
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 Notes to Schedule of Employer Allocations and Collective OPEB Amounts  
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**Components of Net OPEB Liability (Asset)**

The components of the net OPEB liability (asset) of the System, for participating employers, as of June 30, 2018 are as follows:

Total OPEB liability	\$ 232,418,359
Fund fiduciary net position	<u>315,363,310</u>
Employers' net OPEB liability (asset)	<u><u>\$ (82,944,951)</u></u>
Fund fiduciary net position as a percentage of total OPEB asset	<u><u>135.69%</u></u>

The net OPEB liability (asset) is calculated using a discount rate of 7.05%, which is the expected rate of return on investments reduced by investment and administrative expenses. The net OPEB liability was determined by an actuarial valuation as of July 1, 2017, and rolled forward to June 30, 2018. 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 liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

**Actuarial Assumptions**

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

Inflation	3.00 percent
Salary increases	3.75 percent
Salary inflation	3.75 percent
Investment rate of return	7.05 percent, net of OPEB plan investment expense
Health care trend rate	N/A*

\* Health care trend rate is not applicable as the benefit is based on the unused sick leave hours at retirement and is calculated as a fixed dollar amount that can be applied to premiums.

The long-term expected rate of return on OPEB Fund 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 OPEB 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 approach used 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 more conservative than the current allocation of the System'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.

Public Employee Retirement System of Idaho Sick Leave Insurance Reserve Fund –  
School Members  
Notes to Schedule of Employer Allocations and Collective OPEB Amounts  
June 30, 2018

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Asset Class	Target Allocation	Long-Term Expected Nominal Rate of Return (Arithmetic)	Long-Term Expected Real Rate of Return (Arithmetic)
Core Fixed Income	30.00%	3.05%	0.80%
Broad US Equities	55.00%	8.30%	6.05%
Developed Foreign Equities	15.00%	8.45%	6.20%
Assumed Inflation - Mean		2.25%	2.25%
Assumed Inflation - Standard Deviation		1.50%	1.50%
Portfolio Arithmetic Mean Return		6.75%	4.50%
Portfolio Standard Deviation		12.54%	12.54%
Portfolio Long-Term (Geometric) Expected Rate of Return		6.13%	3.77%
Assumed Investment Expenses		0.40%	0.40%
Portfolio Long-Term (Geometric) Expected Rate of Return, Net of Investment Expenses		5.73%	3.37%
Portfolio Long-Term Expected Real Rate of Return, Net of Investment Expenses			4.19%
Portfolio Standard Deviation			14.16%
<b>Valuation Assumptions Chosen by PERSI Board</b>			
Long-Term Expected Real Rate of Return, Net of Investment Expenses			4.05%
Assumed Inflation			3.00%
<b>Long-Term Expected Geometric Rate of Return, Net of Investment Expenses</b>			<b>7.05%</b>

Discount rate – The discount rate used to measure the total OPEB liability was 7.05%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the Fund’s 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 Fund 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.

Public Employee Retirement System of Idaho Sick Leave Insurance Reserve Fund –  
School Members

Notes to Schedule of Employer Allocations and Collective OPEB Amounts  
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Sensitivity of the net OPEB liability (asset) to changes in the discount rate – The following presents the net OPEB liability (asset) of the Fund’s employers calculated using the discount rate of 7.05% as well as what the employer’s liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease (6.05%)	Current Discount Rate (7.05%)	1% Increase (8.05%)
Employer's net OPEB liability (asset)	\$ (73,237,748)	\$ (82,944,951)	\$ (92,061,459)

**Deferred Inflow of Resources and Deferred Outflow of Resources**

Each employer will need to calculate two additional types of deferred outflows of resources and deferred inflows of resources which are employer specific amounts. These amounts relate the (1) net impact from changes in proportion (allocation percentage) between the periods; and (2) contributions made to the plan subsequent to the measurement date and before the end of the employer’s reporting period.

**Plan OPEB Expense**

Plan OPEB expense consists of changes that are expensed immediately. The following table provides the detail of the plan OPEB expense:

Service costs and interest	\$ 24,558,323
Expected investment return	(20,387,283)
Administrative expenses	67,805
Amortization of difference between expected and actual experience	1,466,375
Amortization of changes of assumptions	65,678
Amortization of net difference between projected and actual investment earnings on OPEB Plan investments	(1,231,765)
Plan OPEB expense	\$ 4,539,133

The amortization period is based on the remaining expected service lives of all employees that are provided with OPEB through the System determined at the beginning of the measurement period. The amortization period was calculated at 7.4 years. The amortization of the net difference between projected and actual investment earnings on OPEB plan investments is amortized over a closed 5 year period inclusive of this fiscal year.

