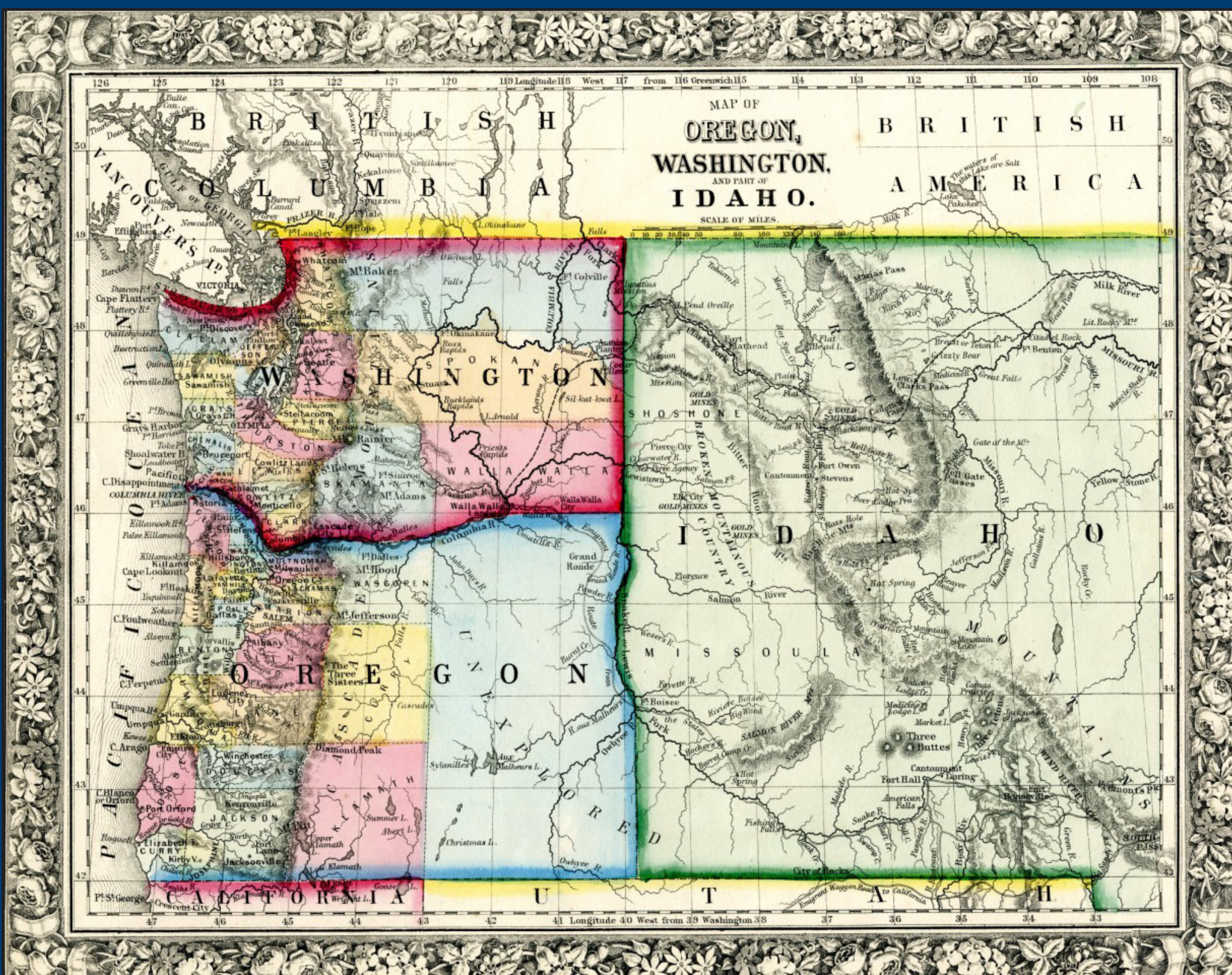
P E R S I

Public Employee Retirement System of Idaho
A Component Unit of the State of Idaho

2012 Comprehensive Annual Financial Report
As of and for Fiscal Year Ended June 30, 2012



Public Employee Retirement System of Idaho
A Component Unit of the State of Idaho

PERSI
Public Employee Retirement System of Idaho

Comprehensive Annual Financial Report
As of and for Fiscal Year Ended June 30, 2012

This 2012 Comprehensive Annual Financial Report was prepared by:

Financial:	James E. Monroe, CPA, Financial Officer
	Debbie Buck, CGFM, Financial Operations Manager
	Brenda Cronin, CPA, Senior Accountant
	Cecile McMonigle, Portfolio Accountant
Investments:	Robert M. Maynard, Chief Investment Officer
	Richelle Sugiyama, Investment Officer
Administration:	Patrice A. Perow, Public Information Officer

Thanks and appreciation to those who provided accurate, timely information for this report.
Cover map, sesquicentennial seal, and Idaho facts courtesy of the Idaho Historical Society.

C.L. "BUTCH" OTTER
GOVERNOR

March 4, 2012

Dear Friends,

On March 4, 2013, we will reach a significant landmark in Idaho history: the 150th anniversary of the creation of Idaho Territory. Please join us in commemorating this achievement by participating in the "Get Territorial: Idaho at 150" initiative, a grassroots effort among State agencies, communities, and individuals across the state to educate Idahoans about their heritage and commemorate the 150-year milestone.

President Abraham Lincoln signed the act creating Idaho Territory on March 4, 1863. The territorial period witnessed some of the Idaho's most significant historical events, which still impact the lives of Idahoans today – including establishment of Boise as the capital city; the creation of public school districts; and the adoption of the Idaho Constitution. This era produced the geographical boundaries and the political and economic foundations for the future State of Idaho.

It is fitting that on the eve of Idaho's 2013 Territorial Sesquicentennial, Idaho should reflect upon the accomplishments of those Idahoans, past and present, who have collectively formed this great State. Idahoans are proud of their heritage and demonstrate the spirit and perseverance that is shaping Idaho's future.

The Idaho State Historical Society has created a toolkit that will help you get involved with this initiative in your community. This toolkit and information about "Get Territorial: Idaho at 150" can be found at www.history.idaho.gov.

Thank you for your support and participation, and we look forward to commemorating Idaho's Territorial Sesquicentennial with you.

As Always – Idaho, "Esto Perpetua"

C.L. "Butch" Otter
Governor of Idaho

Executive Director
Idaho State Historical Society

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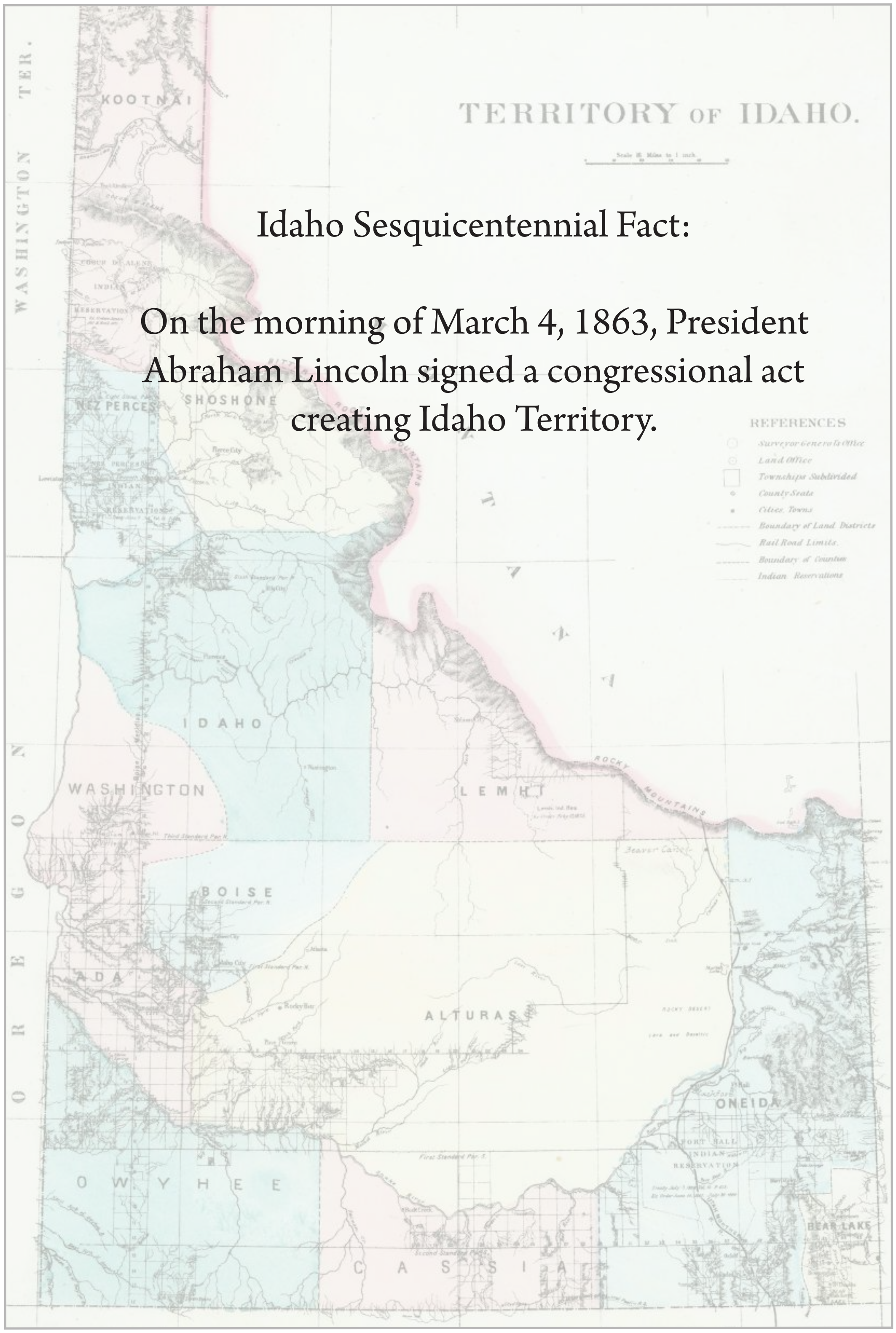
STATISTICAL SECTION

Introductory Section



Idaho Sesquicentennial Fact:

On the morning of March 4, 1863, President Abraham Lincoln signed a congressional act creating Idaho Territory.

Helping Idaho public employees build a secure retirement.

PERSI MISSION STATEMENT

To provide a sound retirement system and high quality service and education to help Idaho public employees build a secure retirement.

CORE VALUES

VISION

To be the premier public retirement system, respected by customers, peers, and the community, and known for professional service, technological advancement, and fund stability.

FIDUCIARY DUTY OF LOYALTY

The primary duty of the Retirement Board and PERSI staff, as fiduciaries, is that of loyalty, or acting with an "eye single" to the interests of the beneficiaries. PERSI is required by law to make all its decisions solely in the interest of the beneficiaries and to avoid, at all costs, serving the interests of any other party not a beneficiary of the system.

C.L. "Butch" Otter, Governor, State of Idaho

RETIREMENT BOARD

Jody B. Olson, Chairman
Term expires July 1, 2017

Jeff Cilek
Term expires July 1, 2015

William "Bill" Deal
Term expires July 1, 2013

Joy Fisher
Term expires July 1, 2014

J. Kirk Sullivan
Term expires July 1, 2016

PERSI ADMINISTRATIVE STAFF

Donald D. Drum, Executive Director
Cheri Campbell, Human Resources
Joanna Guilfoy, Deputy Attorney General
Robert M. Maynard, Chief Investment Officer
Ray Polzin, Deputy Director
Patrice Perow, Public Information Officer
Wayne Ellis, Project Manager
James E. Monroe, Chief Financial Officer
Debbie Buck, Financial Operations Manager
Diane Kaiser, Defined Contribution Manager
Larry Sweat, Information Technology Manager
Kimberlee Hall Member Services Manager
Lisa Conn, Retirement Services Supervisor
Melody Hodges, Answer Center and Processing Center Supervisor

PROFESSIONAL CONSULTANTS

Actuary:	Milliman, Inc., Boise, ID	
Auditor:	Eide Bailly LLP, Boise, ID	
Medical:	Sedgwick CMS, Memphis, TN United Review Services, Inc., Piscataway, NJ	
Investment:	Callan Associates, Inc., San Francisco, CA CS Capital Management, Inc., Atlanta, GA Berkadia Commercial Mortgage, LLC Horsham, PA Hamilton Lane Advisors, LLC, Philadelphia, PA	Alban Row, LLC, Mt. Pleasant, SC Robert Storer, Juneau, AK Chartwell Consulting, LLC, Bedford, NH
Legal:	Foster Pepper, PLLC, Seattle, WA Ice Miller, LLP, Columbus, OH Whiteford, Taylor & Preston, LLP, Baltimore, MD	
Other:	Xerox HR Solutions, LLC, Woburn MA Mellon Transition Management Services, San Francisco, CA	
Investment Custodians:	Bank of New York Mellon Asset Servicing, Pittsburgh, PA Wells Fargo Bank of Idaho, Boise, ID	

Investment Managers:

Advent International Corp., Boston, MA
Adelante Capital Management LLC, Berkeley, CA
American Securities Opportunities Associates, LLC, New York, NY
Apollo Management, LP, Purchase, NY
Bank of New York Mellon, San Francisco, CA
Baring America Asset Management, Inc., Boston, MA
Blackstone Group, LP, New York, NY
Brandes Investment Partners, LP, San Diego, CA
Bridgepoint Capital LTD, London
Capital Guardian Trust Company, Brea, CA
Cascade Affordable Housing, LLC Seattle, WA
Cerberus Capital Management, L.P., New York, NY
Clearwater Advisors LLC, Boise, ID
CVC Capital Partners Advisory Co. LTD, London
D.B. Fitzpatrick & Co., Inc., Boise, ID
Donald Smith & Co., Inc., New York, NY
Endeavour Capital Partners, L.P., Portland, OR
Enhanced Equity Partners, LLC, New York, NY
EPIC Ventures, LLC, Salt Lake City, UT
First Reserve Corporation, Greenwich, CT
Frazier Technology Ventures Management, LP, Seattle, WA
FS Private Investments, LLC, New York, NY
Galen Management, LLC, Stamford, CT
Genesis Asset Managers, LTD, London
Goense Bounds Management, LP, Chicago, IL
Hamilton Lane Advisors, LLC, Baja Cynwyd, PA
Hamilton Lane, G.P., Baja Cynwyd, PA
Highway 12 Capital Partners, LLC, Boise, ID
Ida-West Operating Services, Inc., Boise, ID
JH Whitney Equity Partners VI, LLC, New Canaan, CT
Kohlberg Kravis Roberts & Co., LP, New York, NY
Kohlberg Management, LLC, Mt Kisko NY
Leonard Green & Partners, LP, Los Angeles, CA
Lindsay Goldberg & Bessemer, LLC, New York, NY
Littlejohn Associates, LLC, Greenwich, CT
Longview Partners, LP, London
McCown De Leeuw & Co. IV, LLC, Menlo Park, CA
Mondrian Investment Partners, LTD., London
Mountain Pacific Investment Advisers, Inc., Boise, ID
Nautic Partners, LLC, Providence, RI
Olympic Investors, LLC, Seattle, WA
Pareto Partners, LLC, London
Peregrine Capital Management, Inc., Minneapolis, MN
Providence Equity Partners, LLC, Providence, RI
Prudential Investment Management LLC, Newark, NJ
Sanford C. Bernstein & Co. LLC, New York, NY
State Street Global Advisors, Boston, MA
TPG Capital, LP, Fort Worth, TX
The Gores Group, LLC, Los Angeles, CA
The Koll Company, LLC, Newport Beach CA
Tukman Grossman Capital Management, Inc., Larkspur, CA
Veritas Capital, LP New York, NY
W. Capital Partners, LLC, New York, NY
Western Asset Management Co., Pasadena, CA
Zesiger Capital Group, LLC, New York, NY

Additional information on the above-mentioned investment professionals can be found on pages 68-69 in the Investment Section of this report.

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Public Employee Retirement System of Idaho

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

Public Pension Coordinating Council

Public Pension Standards Award For Funding and Administration

2012

Presented to

Public Employee Retirement System of Idaho

In recognition of meeting professional standards for
plan funding and administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Alan H. Winkle

Alan H. Winkle
Program Administrator

Organizational Chart

Retirement Board

Manager	Staff			
Donald D. Drum Executive Director	**Cheri Campbell** Human Resources/Mgmt. Asst.	**Erin Duran** Admin. Assist.1	**Joanne Guilfoy** Deputy Attorney General	
Robert M. Maynard Chief Investment Officer	**Richelle Sugiyama** Investment Officer	**Rose Marie Sawicki** Administrative Assistant 1	**Investment Managers** See Investment Section for a managers list pp 68-69	
Ray Polzin Deputy Director	**Patrice Perow** Public Information Officer	**Mike Mitchell** Training Specialist	**Vacant** Training Specialist	**Steve Jones** Technical Writer
Wayne Ellis Project Manager				
James E. Monroe Chief Financial Officer	**Cecile McMonigle** Portfolio Accountant	**Mike Young** Portfolio Accountant	**Tess Myers** Admin. Assist. 1	
	JoAnne Dieffenbach Financial Technician	**Sharon Simon** Financial Support Technician		
Debbie Buck Financial Operations Manager	**Alice Brown** Financial Technician	**Barbara Weirick** Financial Technician	**Vacant** Financial Technician	**Vacant** Financial Technician
	Brenda Cronin Financial Specialist Sr.	**Bev Ross** Financial Technician	**Linda Whitney** Financial Technician	
Diane Kaiser DC Plan Manager	**Daryl King** Admin. Assist. 1			
Larry Sweat Information Technology Manager	**Nancy Fauver** IT Database Analyst	**Joy Fereday** IT Programmer Analyst Sr.	**Ryan Evey** IT Programmer Analyst Sr.	**Kris Colt** IT Production Spec.
	Branden Kennah IT Information Sys Tech Sr.	**Stacy Parr** Web Developer	**Randy Graybeal** IT Network Analyst	
Kimberlee Hall Member Services Manager				
Lisa Conn, Supervisor Member Services Retirement Center	**Catherine Atchison** Retirement Specialist	**Susan Strouth** Retirement Specialist	**Lisa Mabe** Retirement Specialist	**Sherry Slocum** Admin. Assist. 1
	Lynn Duncan Retirement Specialist	**Jennifer** Whitley Retirement Specialist	**Kari Caven** Retirement Specialist	**Kathi Kaufman** Customer Service. 2
	Cindy Eastman Retirement Specialist	**Shasta Luper** Retirement Specialist	**Open** Retirement Specialist	**Linda Parker** Customer Service. 2
Melody Hodges, Supervisor Member Services Answer & Processing Center	**Andrea Colglazier** Customer Service 2	**Brett Harper** Customer Service 2	**Katherine Pearce** Customer Service. 2	**Stephen Mytrysak** Customer Service 2
	Gerry Sjol Customer Service 2	**Lenna Strohmeyer** Technical Records Specialist 1	**JD Stewart** Technical Records Specialist 1	**Dotty Cluck** Customer Service 1
	Cathy Andrews Imaging Specialist	**Kay Prince** Technical Records Specialist 1	**Denice McGee** Technical Records Specialist 1	
Vacant Quality Assurance				

THE SYSTEM

The Public Employee Retirement System of Idaho (the System) is the administrator of six fiduciary funds. This includes two defined benefit retirement plans, the Public Employee Retirement Fund Base Plan (PERSI Base Plan) and the Firefighters' Retirement Fund (FRF); two defined contribution plans, the Public Employee Retirement Fund Choice Plan 401(k) and 414(k) (PERSI Choice Plans); and two Sick Leave Insurance Reserve Trust Funds – one for state employers and one for school district employers.

The Retirement Board consists of five members, each appointed by the Governor to fulfill a 5-year term. The Board meets monthly to conduct System business, usually on the fourth Tuesday of each month at 8:30 a.m. at PERSI's headquarters office in downtown Boise.

Administrative expenditures consisting of the personnel costs, operating expenditures, and capital outlay necessary to operate the System are limited to those approved and appropriated by the Legislature for that purpose. In Fiscal Year 2012 (FY12), these costs totaled $6,335,771 including $237,917 in depreciation, which is not a cash expenditure and, therefore, not appropriated.

The majority of the System's 63 staff works in the headquarters office located at 607 North 8th Street, Boise, Idaho. There are two staff members in the Coeur d'Alene office, and three in the Pocatello office. The Executive Director and investment personnel are exempt positions appointed by the Retirement Board to serve at its pleasure. The Deputy Director and Public Information Officer are exempt positions serving under the Executive Director. The Deputy Attorney General is assigned to PERSI by the Office of the Attorney General. All other staff members serve under statutes and personnel rules governing classified state service.

The System staff oversees the investment of the trust corpus and new contributions with professional investment managers and funding agents. The Retirement Board maintains fiduciary responsibility for investment policy, asset allocation, and the selection of individual investment managers as discussed in the Investment Section.

SUMMARY OF PLAN PROVISIONS

DEFINED BENEFIT "BASE PLAN" PROVISIONS

Note: The items in parentheses are the provisions applicable to members designated as either PERSI firefighters or as PERSI police officer members for retirement purposes.

MEMBER CONTRIBUTION RATE

The employee contribution rate is set by statute at 60% (72%) of the employer rate. As of June 30, 2012, it was 6.23% (7.69%).

EMPLOYER CONTRIBUTION RATE

The employer contribution rate set by the Retirement Board was 10.39% (10.73%) as of June 30, 2012.

SERVICE RETIREMENT

ELIGIBILITY

Five years of service and age 65 (age 60 or between 60 and 65, depending on the ratio of police officer/firefighter service to total credited service).

AMOUNT OF ALLOWANCE

For each year of credited service, the monthly service retirement allowance as of June 30, 2012, was 2% (2.3% for police/firefighters) of the monthly average salary of the member's highest 42 consecutive months.

MINIMUM MONTHLY BENEFIT ALLOWANCE

Until February 29, 2012: for each year of service, the monthly minimum benefit allowance was $23.68 ($28.41) to a maximum of the member's accrued benefit. Effective March 1, 2012, the monthly minimum benefit allowance was $23.91 ($28.70).

NORMAL FORM

Regular retirement allowance for retiree's life only, plus a lump sum death benefit if the retiree dies before allowances are paid, total accumulated employee contributions and interest.

OPTIONAL FORMS

Retirees may also choose 50% or 100% contingent annuitant options as well as Social Security “bridge” options. These are actuarial equivalents of the normal form based on the mortality and interest assumptions adopted by the Retirement Board. The allowance is payable for the life of the retiree and designated contingent annuitant.

EARLY RETIREMENT

ELIGIBILITY

Five years of service and age 55 (age 50 or between 50 and 55, depending on the ratio of police officer/firefighter service to total credited service).

AMOUNT OF ALLOWANCE

Unreduced accrued service retirement allowance if age plus service, upon separation from employment, total 90 (80, or between 80 and 90, depending on the ratio of police officer/firefighter service to total credited service); otherwise, the accrued service retirement allowance is reduced 3% for each of the first 5 years by which the early retirement date precedes the date the member would be eligible to receive the unreduced benefit, and by 5.75% for each additional year to a maximum of a second 5 years. The unreduced benefit entitlement may be either at the service retirement eligibility date or the date eligible for the rule of 90(80).

FORMS

Regular retirement allowance; contingent annuitant allowances for the life of the retiree and a designated contingent annuitant; Social Security level income option for the life of the retiree only or for the life of the retiree and designated survivor.

DISABILITY RETIREMENT

ELIGIBILITY

Active members must have 5 years of service, be unable to perform work of *any* kind, and be expected to remain disabled for life. They are eligible from first day on the job if the disability is due to occupational causes.

AMOUNT OF ALLOWANCE

Projected service retirement allowance based on the highest 42-consecutive month average salary at the time of disability. The benefit is calculated using the accrued service at the time of disability plus the service which would have accrued through service retirement age had the disability not occurred. If a member has less than 360 months of service as of the date he is eligible for disability retirement, he will be given credit for the months of service he would have earned from the date of disability to the date he would have reached Service Retirement Age (65 for general members/62 for police and firefighters) had he not become disabled (360 months of credited service maximum). In other words, PERSI will give members up to 30 years of credit or to Service Retirement Age, whichever comes first. Monthly allowance is payable after all temporary compensation ceases and is offset by the amount payable as income benefit under worker's compensation law, except when offset by Social Security. Effective July 1, 2009, public safety officers who are injured in the line of duty and determined to be permanently disabled under Idaho Code 59-1302(12), may be eligible to receive a one-time, lump-sum payment of $100,000.

NORMAL FORM

Regular retirement allowance to normal service retirement age when retirement benefit changes to service retirement allowance with its optional forms available.

DEATH BENEFITS

AFTER RETIREMENT

Under the normal form of the retirement allowance, a Social Security adjustment option, or a disability retirement, the balance, if any, of the member's accumulated contributions and interest at retirement over all payments received is paid to the beneficiary in a lump sum. In the case of a disability retirement, the beneficiary may waive the lump sum if the retiree is married so that the spouse will receive a lifetime monthly allowance, or the beneficiary may take a lump-sum payment of two times the amount in the member’s account at the time of disability retirement minus any amount paid. Under the contingent annuitant options, the designated annuitant receives a lifetime monthly benefit following the member's death. If the survivor dies before the balance of the member's accumulated contributions and interest has been paid, the balance will be paid to the beneficiary in a lump sum. If the member's designated contingent annuitant predeceases him/her, the member's allowance will be recalculated to a single life payment.

BEFORE RETIREMENT

1 Non-vested Members:

  a Beneficiary receives a lump sum payment of the member's accumulated contributions plus interest.

2 Vested Members:

  a Beneficiary receives a lump sum payment of two times the member's accumulated contributions plus interest.

  b If the member is married, and the spouse is the sole beneficiary, the spouse may select a lump sum payment or a lifetime monthly benefit.

  c If the member is married, but the spouse is not the sole beneficiary, the beneficiary may waive the lump sum, in which case, a lifetime monthly benefit is available to the surviving spouse.

3 A $100,000 death benefit for duty-related deaths for police officers/firefighters became effective July 1, 2003.

SEPARATION BENEFIT

Accumulated member contributions with regular interest is payable upon becoming an inactive member separated from eligible employment. The Regular Interest Rate in effect for FY12 was 18.16% from January 1 through June 30, 2012 (10.74% from July 1 through December 31, 2011) compounded monthly per annum.

POSTRETIREMENT ADJUSTMENTS

An annual postretirement adjustment based on and limited by a cost-of-living factor reflecting the changes in the Consumer Price Index (CPI) is effective in March each year. If the CPI change from August of the previous year to August of the second previous year is 1% or more, a 1% mandatory adjustment is made. The Board may authorize additional discretionary adjustments based on the CPI increase (up to a total maximum annual COLA of 6% or the CPI rate, whichever is lower) if it determines that the System can do so and still maintain an appropriately funded position as required by Idaho Code Section 59-1355(1). When discretionary COLA adjustments in excess of the 1% are authorized by the Board, they are reported to the Legislature. If the Legislature has not acted on the Board adjustment by the 45th day of the legislative session, the discretionary COLA, if any, becomes effective on March 1 of that year.

The Board is also authorized to award postretirement adjustments for prior years in which the actual amount of adjustment was less than the CPI for those years. If the CPI change is downward, in no event will any benefit be reduced below its initial amount.

The net COLA authorized and implemented March 1, 2012 was 1%.

PERSI
Public Employee Retirement System of Idaho

Governor C.L. "Butch" Otter

Retirement Board
Jody B. Olson, Chairman
Jeff Cilek
William W. Deal
Joy Fisher
J. Kirk Sullivan

Executive Director
Donald D. Drum

PHONES
Answer Center 208-334-3365
Fax 208-334-3805
Toll-free:1-800-451-8228

Employer Service Center
1-866-887-9525

Mailing Address
P.O. Box 83720
Boise, ID 83720-0078

BOISE
607 North 8th Street
Boise, ID 83702-5518

POCATELLO
850 East Center, Ste. "D"
Pocatello, ID 83201

COEUR D' ALENE
2005 Ironwood Pkwy.
Coeur d' Alene, ID 83814

Choice Plan Record Keeper
1-866-437-3774

November 19, 2012

Dear Governor Otter, Legislators, and Members of the Retirement System:

We are pleased to present to you the Public Employee Retirement System of Idaho (the System) comprehensive annual financial report, for the fiscal year ended June 30, 2012 (FY12). This financial report is a historical perspective of benefits, services, and fiscal activities of the System. Included is a summary of our actuarial valuations, an independent auditors' report, an investment summary, and a statistical section.

Generally accepted accounting principles require management to provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The System's MD&A can be found immediately following the independent auditors' report.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to PERSI for its comprehensive annual financial report for the fiscal year ended June 30, 2011. This was the 21st consecutive year PERSI has achieved this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

For the 10th consecutive year, PERSI has been awarded the *Public Pension Coordinating Council Standards Award*. This award signifies that PERSI complies with the standard benchmarks for public defined benefit systems in the United States. The standards require a high level for the following: comprehensive benefit program, funding adequacy, accepted actuarial and audit practices, investment policy and evaluation, and member communications. This award is given to 50 to 60 public retirement systems each year.

This Letter of Transmittal is intended to serve as an overview of the System and to convey information on the topics that follow.

PLAN HISTORY

The Public Employment Retirement System of Idaho (PERSI) was created by the thirty-seventh Legislature, Regular Session of 1963 with funding effective July 1, 1965. It is a tax qualified, defined benefit system to which both the member and the employer contribute. Participation in the System is mandatory for eligible state and school district employees and available to other public employers and their employees on a contractual basis.

When the Teachers Retirement System of Idaho was abolished, members of that system were integrated into PERSI, and all other eligible school district employees became PERSI members effective July 1, 1967.

Legislative amendments since 1965 have made it possible for municipal police officer retirement funds to merge with the System, and two of the five police officer systems have since merged. The other three are being phased out, and police officers hired since 1969 have become PERSI members.

Legislation in 1979 mandated the Firefighters' Retirement Fund be administered by PERSI effective October 1, 1980. Paid firefighters who were members of the original system retained their original benefit entitlement, while paid firefighters hired after October 1, 1980, were entitled to PERSI benefits. An actuarial valuation of the firefighter member benefit entitlement is conducted at least every other year, separate from the annual PERSI valuation.

In January 2001, PERSI implemented a "Gain Sharing" program as a way to distribute $155 million in excess investment earnings back to our active members, retirees, and employer members. Retirees received their gain sharing as a "13th check." Employers received their share as a contribution "holiday." Some 53,000 eligible active members received their portion as deposits into newly created defined contribution (DC) accounts. This new plan, named the "PERSI Choice 401 (k) Plan," supplemented PERSI's traditional Defined Benefit (DB) "Base" Plan. It allowed employees for the first time to actively participate in saving for their retirement.

At the time of inception, the Choice Plan was somewhat unique in the public sector. PERSI obtained permission from the Internal Revenue Service to expand a grandfathered State 401(k) to our members statewide. While some public employees were familiar with 457 or 403(b) plans, a 401(k) was something new to them. Many of our members had never had the opportunity to make such pre-tax voluntary contributions.

SERVICES PROVIDED

The ability of the System to serve both employee and employer members at the local level through the Boise, Pocatello, and Coeur d' Alene offices remains a key factor for efficient administration. The merging of other retirement systems with PERSI, plus statutory amendments over the years, have produced both multiple and diverse member benefit entitlements and administrative requirements. These can best be analyzed and explained to the members through personal contact with knowledgeable System staff members.

In its 47th year of operation, the System continued a wide range of services to both employee and employer members. Members may visit the PERSI Web site, call, email, or visit one of the three offices for personal information and assistance regarding credited service, account balances, eligibility, benefit options and amounts, and other retirement matters.

Members receive advance notice of service retirement qualification and are provided with estimates of monthly allowances. They also receive information regarding the availability of alternate forms of retirement payments. Retirement applications are processed in a timely fashion, and monthly payments are made promptly. Direct deposit of benefit payments is available to retired members as is withholding for income tax, medical insurance, or other purposes.

System retirees are provided notices whenever their net benefit amount changes. This notice gives retirees a list of their itemized deductions from their gross benefit. Retirees may also access the past 24 monthly notices on the PERSI secure web site, as well as past 1099 tax statements.

Separation and death benefits are paid in an orderly manner and as rapidly as possible. Employee contributions and earned interest are posted to individual member accounts each month, and an annual statement is provided to each member confirming their average monthly salary, credited service, contributions, and earned interest. In addition, a report of benefits accrued to date is provided along with an estimate of benefits projected ahead to various retirement ages.

PERSI's employer units are responsible for reporting and handling retirement transactions and activities. They are provided regular training and assistance through monthly newsletters, employer training sessions throughout the State, and personal contacts with PERSI staff, as needed. Employer records and reporting procedures are reviewed each year for accuracy and compliance with statutory provisions.

Upon request, public employers interested in affiliation with the System are counseled and provided with information regarding employee benefits, cost, and procedures associated with joining. Conversely, employers considering withdrawal are provided information and employee benefit projections to enable them to make an informed decision.

Pre-retirement and financial planning workshops, offered on a regular basis throughout the State, cover financial planning, budgeting, investment basics, and Social Security, Medicare, and System benefits.

EMPLOYEE AND EMPLOYER MEMBERSHIP

During FY 2012, the number of active PERSI members decreased from 65,798 to 65,270. The number of retired members or annuitants receiving monthly allowances increased from 35,334 to 37,150. The number of inactive members who have not been paid a separation benefit increased from 25,489 to 26,682. Of these inactive members, 10,823 have achieved vested eligibility. Total membership in PERSI increased from 126,621 to 129,102 during the fiscal year. There are currently 752 public employers in Idaho who are PERSI members. Participating employers are listed in the Statistical Section of this report.

MANAGEMENT RESPONSIBILITY

The System's management is responsible for the complete and fair presentation of the data and the accompanying disclosures in this report. The financial statements and supplemental schedules included in this report have been prepared in accordance with generally accepted accounting principles for governmental accounting and reporting as pronounced or adopted by the Governmental Accounting Standards Board.

INDEPENDENT AUDIT

The System is audited annually, and for the fiscal year ended June 30, 2012, the audit was conducted by Eide Bailly, LLP, an independent firm of Certified Public Accountants. Refer to the Independent Auditors' Report for their audit opinion.

INTERNAL ACCOUNTING CONTROL

As an agency of the State of Idaho, the System's administrative expenses are subject to the State's budget controls. Management is responsible for maintaining a system of internal accounting control designed to provide reasonable assurance transactions are executed in accordance with management's general or specific authorization and are recorded as needed to maintain accountability for assets to permit preparation of financial statements. Internal controls have inherent limitations and their costs should not outweigh their benefits. Internal control procedures have been established, and a budget report is prepared for the Board. We believe the internal controls in effect during FY 2012 adequately safeguard the assets and provide reasonable assurance regarding the proper recording of financial transactions.

FINANCIAL HIGHLIGHTS

Collection of employer and employee contributions, as well as income and gains from investments, provides the reserves necessary to finance retirement benefits. These income sources totaled $684,704,181 for all pension funds during the fiscal year ended June 30, 2012.

ADDITIONS:	
Contributions	$ 521,269,612
Transfers/Rollovers In	9,576,929
INVESTMENT INCOME:	
Net Appreciation (Depreciation) in Fair Value of Investments	(101,608,701)
Interest, Dividends and Other Investment Income	297,899,261
Less: Investment Expenses	(42,461,439)
Net Investment Income	153,829,121
OTHER INCOME	28,519
Total Additions	$ 684,704,181

The payment of benefits is the primary expense of a retirement system. The payments, together with the expenses to administer the Plan, constitute the total expenses of the System. Expenses for FY 2012 are as follows:

DEDUCTIONS:	
Benefits and Refunds	$ 686,091,409
Administrative Expenses	6,335,771
Transfers/Rollovers Out	14,943,046
Total Deductions	$ 707,370,226

ACTUARIAL PRESENT VALUE OF FUTURE BENEFITS

Future benefits include all benefits estimated to be payable to plan members (retirees and beneficiaries, terminated employees entitled to benefits but not yet receiving them, and current active members) as a result of their service through the valuation date and their expected future salary. The actuarial present value of future benefits as of the valuation date is the present value of the cost to finance benefits payable in the future, discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment. Simply put, it is the amount that would have to be invested on the valuation date so the amount invested plus investment earnings will provide sufficient assets to pay total future benefits when due.

The actuarial present value was calculated as part of an actuarial valuation at July 1, 2012. Significant actuarial assumptions used include: a gross investment return rate of present and future assets of 7.5% compounded annually, (7.0% plus 0.50% for expenses); projected salary increases of 3.75% per year compounded annually, attributable to general wage increases; additional projected salary increases attributable to seniority/merit, up to 6.5% per year, depending on service and employee classification, and; 1.00% per year attributable to postretirement benefit increases.

At June 30, 2012, the unfunded actuarial liability on a current contribution basis was as follows:

Unfunded Actuarial Liability on Current Contribution Basis (in millions):

	Valuation Date: July 1, 2012 Benefit Date: July 1, 2012
A. Actuarial Present Value of All Future Benefits for Contributing Members, Former Contributing Members and Their Survivors	$ 16,830.5
B. Actuarial Present Value of Total Future Normal Costs for Present Members	$ 3,433.8
C. Actuarial Liability [A - B]	$ 13,396.7
D. ORP Contributions	$ 47.0
E. Actuarial Liability Funded by PERSI Contributions [C-D]	$ 13,349.7
F. Actuarial Value of Assets Available for Benefits	$ 11,306.2*
G. Unfunded Actuarial Liability (funding excess) [E-F]	$ 2,043.5
H. Amortization Period on Valuation Date, Based on Contribution Rate Established as of Benefit Date	14.8 years
I. Funded Ratio [F/E]	84.7%**

* The total available assets are $11.617.4 billion, but are reduced by $311.2 million for assets used in plan operations and funds earmarked to provide excess benefits to former members of the Firefighters' Retirement Fund and the Idaho Falls Police Retirement Fund.

** Recognizes the impact of the March 1, 2012 COLA and the scheduled contribution rate increases adopted during the 2011-2012 year.

ECONOMIC CONSIDERATIONS

The System operates within a dynamic economic environment, as do all investment funds. The objective of the Retirement Board is to minimize the effect of these external influences, where possible, by diversifying among a broad range of asset classes and investment management styles, both domestically and internationally. Such diversification, combined with prudent management by experienced investment professionals, increases the probability the earnings objective will be achieved. The investment return for Fiscal Year 2012 was 1.2% net of investment expenses.

Defined benefit pension systems plan for and make decisions based on the long term (20 to 25 year) nature of pension funding and benefits. PERSI is funded on a sound actuarial basis, which protects future benefits for participants. Over the long-term, the Plan's investment assets have exceeded their expected returns. Short-term fluctuations in investment performance make good headline news, but are much less important when viewed in the long range context of pension plans. Sound investment strategies that are, in the words of CIO Bob Maynard, "Simple, Transparent, and Focused" along with reasonable actuarial assumptions are the key ingredients to a successful, well funded pension plan.

INVESTMENT STRATEGY AND POLICIES

The Retirement Board utilizes and directs agents to provide whatever investment management and custodial functions best achieve the System's investment objectives. The Board establishes asset allocation policy, diversification guidelines, custodial functions including safe-guarding of investments, and investment guidelines and restrictions. Each money manager is generally granted full discretion in making investment decisions within their guidelines. The Board, staff, and consultants monitor and evaluate investment results. The Board, in its administration of this System and management of the investment program, is guided by the fiduciary standards in Section 59-1301 of the Idaho Code and the Idaho Uniform Prudent Investor Act, in Sections 68-501 through 68-514 of the Idaho Code and is empowered in its sole discretion to limit, control, and designate the types, kinds, and amounts of investments.

PERSI's total fund return was 1.2% net of all expenses for Fiscal Year 2012 due to a struggling investment market. The policy benchmark return is 7.0%, net of all expenses. PERSI continues to rank in the top quartile over the long term when compared to our peer universe of other state-wide public pension funds across the country.

The investment mix at fair value as of the end of Fiscal Year 2012 was 59% domestic equity and global equity, 14% international equity, 27% percent fixed income. The System's investment outlook is long term, allowing the portfolio to take advantage of the favorable risk-return characteristics of equities by placing more emphasis on this category. The portfolio is broadly diversified with additional diversification achieved through domestic and international investing. See the Management's Discussion and Analysis and Investment Section of this report for more detailed analysis and information.

FUNDING STATUS

The funding objective of PERSI is to accumulate sufficient assets to ensure funds will be available to meet current and future benefit obligations to participants on a timely basis. If the level of funding is high, the ratio of assets to the actuarial accrued liability is also greater, which means better investment income potential. Each year an independent actuary engaged by PERSI calculates the amount of the annual contribution the plans must make to fully meet their obligations to retired employees. As of June 30, 2012, the PERSI Base Plan had an amortization period of 14.8 years and a funding ratio of 84.7% of the present value of the projected benefits earned by employees. The closed Firefighters' Retirement Fund remains at an amortization period of 1.6 years, as of the last valuation in 2011. For GASB reporting purposes, the Notes to Required Supplemental Schedules on page 53 provides detailed information on each plan's remaining amortization period. The actuarial method for calculating accrued liability for both plans is Entry Age Normal with the objective of maintaining employer contributions approximately level as a percent of member payroll. For a more in-depth discussion of PERSI's funding, see Management's Discussion and Analysis and the Actuarial Section of this report.

MAJOR INITIATIVES

To ensure high-level operations going forward, early in 2012 PERSI reorganized. Even small changes can be difficult; but it can be especially hard when reporting lines and responsibilities are affected. Few of PERSI's operational areas have gone untouched, yet the staff proved to be resilient. The existing Retirement Service Center and the Answer and Processing Center were reorganized into a single Member Services Center. The Fiscal Department, which already included the Employer Service Center, added the Choice 401(k) Plan staff to its operations, and the Communications and Education Departments became a single team. These changes had the goals of improved productivity, fewer redundancies, and better communications among the PERSI staff.

PERSI knew for some time its pension administration system was nearing the end of its lifespan. Without decisive action, it would only be a matter of time until our ability to offer efficient and effective customer service to members could be compromised. We began identifying what it would take for PERSI to successfully meet the challenges of a growing retiree population and to process the ever-increasing amount of data associated with that growth. After identifying our goals and establishing a plan, PERSI got approval from the Idaho Legislature in fiscal year 2012 to begin the three-year, $13 million project to replace its ailing pension administration system. Implementation of the first phase of the Idaho Retirement Information System (IRIS) began in earnest in FY2012 with the employer-reporting component. It is critical to have an easy accurate way for employers to transmit payroll information to PERSI. With the new system, every employer will begin full reporting and will have tools to assist in eligibility determination, an enhancement welcomed by everyone. The IRIS upgrade was necessary to ensure PERSI's ability to accurately process the data required to maintain retirement records and pay benefits to thousands of Idaho public employees. The project is on schedule for full implementation in January 2015.

ACKNOWLEDGMENTS

This financial report of the Public Employee Retirement System of Idaho was prepared by staff under the leadership of the Retirement Board. It is intended to provide complete and reliable information as a basis for making management decisions, as a means of determining compliance with legal provisions, and as a method of determining responsible stewardship for the assets contributed by the members and their employers.

This report is being sent to the Governor, State Legislators, and other interested parties.

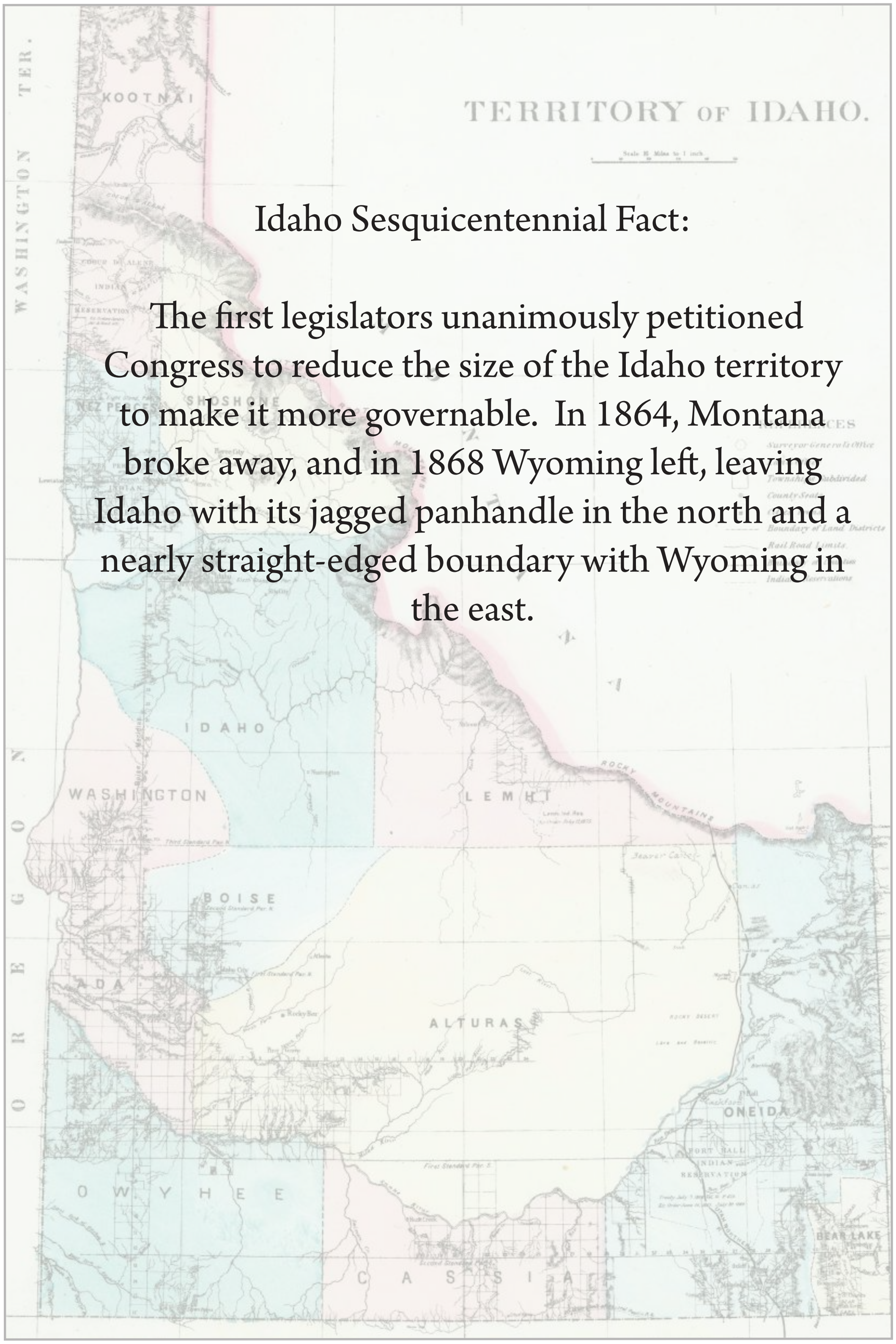
Respectfully submitted,

Jody B. Olson, Chairman

Donald D. Drum, Executive Director

James E. Monroe, Financial Officer

Financial Section



Idaho Sesquicentennial Fact:

The first legislators unanimously petitioned Congress to reduce the size of the Idaho territory to make it more governable. In 1864, Montana broke away, and in 1868 Wyoming left, leaving Idaho with its jagged panhandle in the north and a nearly straight-edged boundary with Wyoming in the east.

Helping Idaho public employees build a secure retirement.

INDEPENDENT AUDITORS' REPORT

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

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, 2012, as listed in the table of contents. These financial statements are the responsibility of the management of the System. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year comparative information has been derived from the System's financial statements and, in our report dated October 12, 2011, we expressed an unqualified opinion on the respective financial statements of the pensions and other trust funds.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the pension and other trusts as of June 30, 2012, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2012, on our consideration of the System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information on pages 20 through 27 and 51 through 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the System's basic financial statements as a whole. The introductory, investment, actuarial and statistical sections are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying financial information listed as supplemental schedules in the table of contents are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole. The introductory, investment, actuarial and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

October 18, 2012
Boise, Idaho

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2012

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, 2012. The June 30, 2011 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 six fiduciary funds. These consist of two defined benefit pension trust funds – the PERSI Base Plan and the Firefighters' Retirement Fund (FRF), two defined contribution pension trust funds – the PERSI Choice Plan 414(k) and 401(k), and two Sick Leave Insurance Reserve trust funds – State and Schools.

Financial Highlights

- Plan net assets for all pension and other funds administered by the System decreased over $22.6 million during Fiscal Year 2012 and increased $1.9 billion during the Fiscal Year 2011. The decrease in the defined benefit plans was primarily due to a gross investment return for the year of 1.6%, combined with benefits paid and administrative expenses exceeding contributions received. The increases in the Choice Plan 401(k) and Sick Leave Insurance Reserve Fund were due to contributions exceeding benefits and expenses in addition to market changes. Changes in net assets for the years ended June 30, 2012 and 2011 were as follows:

	2012	2011
PERSI Base Plan	($53,357,404)	$1,783,121,915
Firefighters' Retirement Fund	(2,654,810)	43,299,306
PERSI Choice Plan 414(k)	(3,335,382)	6,599,836
PERSI Choice Plan 401(k)	28,336,805	79,435,878
Sick Leave Insurance Reserve Fund - State	4,591,981	20,988,099
Sick Leave Insurance Reserve Fund - Schools	3,752,765	33,572,713
Total decrease/increase in plan net assets	($22,666,045)	$1,967,017,747

- Assets for the two defined benefit plans, the PERSI Base Plan and the FRF, are pooled for investment purposes. For the Fiscal Years ended June 30, 2012 and 2011, 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 414(k) and 401(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.

	2012	2011
PERSI Defined Benefit Plans	1.2%	20.3%
Sick Leave Insurance Reserve Fund	2.2%	23.0%

- All of the plans experienced investment gains in Fiscal Year 2012 as a result of positive market performance. Net investment income for all of the funds administered by the System for the Fiscal Years ended June 30, 2012 and 2011, was $154 million and $2.1 billion, respectively.

	2012	2011
Net investment income:		
PERSI Base Plan	$137,217,232	$1,928,840,263
Firefighters' Retirement Fund	3,485,154	49,210,516
PERSI Choice Plan 414(k)	625,534	10,566,899
PERSI Choice Plan 401(k)	6,406,117	58,521,506
Sick Leave Insurance Reserve Fund - State	2,298,334	19,114,477
Sick Leave Insurance Reserve Fund - Schools	3,796,750	31,830,496
Total net investment income	$153,829,121	$2,098,084,157

As of June 30, 2012 and 2011, the funding ratio (actuarial value of assets divided by actuarial accrued liability) and amortization period (estimated time to payoff unfunded liability) for the unfunded actuarial liability for the Base Plan is as shown below. The valuation for the Firefighters' Retirement Fund is completed every other year.

	2012 Funding Ratio	Amortization Period	2011 Funding Ratio	Amortization Period
PERSI Base Plan	84.7%	14.8	90.2%	8.2
Firefighters' Retirement Fund	N/A	N/A	93.2%	1.6

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 funding ratio listed above gives an indication of how well this objective has been met at a specific point in time. The higher the funding ratio, the better the plan is funded. For more detailed information and history of the funding ratio, see the Schedule of Funding Progress on page 51 of this report. In 2012 the actuarial funding ratio for the two defined benefit plans declined from 2011 primarily because investment performance was below the actuarial expected rate. The amortization period increased for the same reason.

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 statement of plan net assets as of June 30, 2012 and 2011 indicates the net assets available to pay future payments and gives a snapshot at a particular point in time. The statement of changes in plan net assets for the years ended June 30, 2012 and 2011 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 asset value on the statement of net assets. 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 33 - 48 of this report.

Required Supplementary Information — The required supplementary information consists of Schedules of Funding Progress and Schedules of Employer Contributions and related notes concerning the funding status for the defined benefit pension trust funds. These schedules provide historical trend information, illustrating the changes in the funded status over time.

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

Comparative Financial Statements

Defined Benefit Pension Trust Funds — The PERSI Base Plan and the Firefighters' Retirement Fund are qualified plans under 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 Assets

	As of June 30, 2012	As of June 30, 2011	$ Change	% Change
Assets:				
Cash and cash equivalents	$ 3,173,858	$ 2,444,733	$ 729,125	29.8 %
Investments sold receivable	672,706,973	827,108,863	(154,401,890)	(18.7)%
Other receivables	42,150,562	43,864,545	(1,713,983)	(3.9)%
Investments — at fair value	11,725,165,283	11,754,330,934	(29,165,651)	(0.2)%
Prepaid retiree benefits	49,570,384	45,959,398	3,610,986	7.9 %
Capital assets — net of accumulative depreciation	2,914,853	2,211,905	702,948	31.8 %
Total assets	12,495,681,913	12,675,920,378	(180,238,465)	(1.4)%
Liabilities:				
Investments purchased payable	866,217,329	990,103,226	(123,885,897)	(12.5)%
Benefits and refunds payable	456,639	547,344	(90,705)	(16.6)%
Other liabilities	11,592,044	11,841,693	(249,649)	(2.1)%
Total liabilities	878,266,012	1,002,492,263	(124,226,251)	(12.4)%
Net assets available for benefits	$ 11,617,415,901	$ 11,673,428,115	$ (56,012,214)	(0.5)%

The decrease in fair market value of investments was affected by an investment return of 1.6% for the Fiscal year combined with benefits and administrative expenses paid exceeding contributions received. 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 balance sheet 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.

Defined Benefit Pension Trust Funds Changes in Net Assets

	Year Ended June 30, 2012	Year Ended June 30, 2011	$ Change	% Change
Additions:				
Member contributions	$ 179,179,174	$ 178,429,591	$ 749,583	0.4 %
Employer contributions	290,630,196	292,488,559	(1,858,363)	(0.6)%
Investment income	140,702,386	1,978,050,779	(1,837,348,393)	(92.9)%
Other additions	24,089	37,716	(13,627)	(36.1)%
Total additions	610,535,845	2,449,006,645	(1,838,470,800)	(75.1)%
Deductions:				
Benefits and refunds paid	660,316,628	616,611,884	43,704,744	7.1 %
Administrative expenses	6,231,431	5,973,540	257,891	4.3 %
Total deductions	666,548,059	622,585,424	43,962,635	7.1 %
Changes in net assets available for benefits	$ (56,012,214)	$ 1,826,421,221	$ (1,882,433,435)	(103.1)%

Investment income for the Fiscal Year 2012 was $140.7 million as a result of the gross investment return of 1.6%. Contributions and other additions totaled $469.8 million resulting in total additions of $610.5 million. The benefits and administrative expenses paid of $666.5 million exceeded additions by $56 million for the year which is reflected in the change in net assets. This negative cash flow is normal for a mature plan and has been included in our long-range actuarial planning. Investment income over a pension system's longer investment horizon (20-25 years) fills in the gap. For Fiscal Year 2011 the change in net assets increased by $1.8 billion due to a 20.7% gross investment return. The increase in benefits and refunds paid was a result of increased number of retirees, increased separation benefits, and the annual 1% Cost of Living Adjustment (COLA) increase for benefits paid to retirees.

Defined Contribution Pension Trust Funds

During Fiscal Year 2012, 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 PERSI Choice Plans were created during Fiscal Year 2001. 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.

Defined Contribution Pension Trust Funds Net Assets

	As of June 30, 2012	As of June 30, 2011	$ Change	% Change
Assets:				
Cash	$ 60,840	$ 9,687	$ 51,153	528.1 %
Short-term investments	609,833	670,767	(60,934)	(9.1)%
Investments — at fair value	451,913,014	426,909,547	25,003,467	5.9 %
Receivables	1,414,042	1,406,305	7,737	0.6 %
Total assets	453,997,729	428,996,306	25,001,423	5.8 %
Net assets available for benefits	$ 453,997,729	$ 428,996,306	$25,001,423	5.8 %

Net assets available for benefits increased from Fiscal Year 2011 to Fiscal Year 2012. The change reflects a positive return in the investment market and an increase in employer contributions. The increase 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.

Defined Contribution Pension Trust Funds Changes in Net Assets

	Year Ended June 30, 2012	Year Ended June 30, 2011	$ Change	% Change
Additions:				
Member contributions	$ 32,417,476	$ 33,068,567	$ (651,091)	(2.0)%
Employer contributions	383,189	180,556	202,633	112.2 %
Investment income	7,031,651	69,088,405	(62,056,754)	(89.8)%
Transfers and rollovers in	9,576,929	7,469,551	2,107,378	28.2 %
Total additions	49,409,245	109,807,079	(60,397,834)	(55.0)%
Deductions:				
Benefits and refunds paid	9,464,776	10,110,544	(645,768)	(6.4)%
Transfers and rollovers out	14,943,046	13,660,821	1,282,225	9.4 %
Total deductions	24,407,822	23,771,365	636,457	2.7 %
Changes in net assets available for benefits	$ 25,001,423	$ 86,035,714	$ (61,034,291)	(70.9)%

The Changes in Net Assets Available for Benefits was impacted for the year by a positive investment return for the Fiscal Year. Member contributions declined due to a decrease in the number of employees with salary deferrals. Transfers in and transfers out represent rollovers from/to other plans. Changes in employer contributions vary up or down according to individual employers' desire to match employee contributions. The decrease in benefits and refunds paid is a result of a decrease in the number of retirees receiving benefits.

Other Trust Funds

During Fiscal Year 2012, the System administered two Sick Leave Insurance Reserve Fund (SLIRF) trusts. The PERSI SLIRF 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 within the Fund.

Sick Leave Insurance Reserve Funds Net Assets

	As of June 30, 2012	As of June 30, 2011	$ Change	% Change
Assets:				
Cash	$ 74,998	$ 74,925	$ 73	0.1 %
Investments — at fair value	280,604,369	272,288,926	8,315,443	3.1 %
Prepaid insurance premiums	1,295,919	1,257,700	38,219	3.0 %
Due from other funds	1,575,032	1,580,554	(5,522)	(0.3)%
Total assets	283,550,318	275,202,105	8,348,213	3.0 %
Liabilities — other liabilities	32,647	29,180	3,467	11.9 %
Net assets available for benefits	$ 283,517,671	$ 275,172,925	$ 8,344,746	3.0 %

Net assets available for benefits increased in Fiscal Year 2012 from Fiscal Year 2011 because of positive investment returns and contributions exceeding benefits paid.

Sick Leave Insurance Reserve Funds Changes in Net Assets

	Year Ended June 30, 2012	Year Ended June 30, 2011	$ Change	% Change
Additions:				
Employer contributions	$ 18,659,577	$ 18,983,312	$ (323,735)	(1.7)%
Investment income	6,095,084	50,944,973	(44,849,889)	(88.0)%
Other additions	4,430	4,720	(290)	(6.1)%
Total additions	24,759,091	69,933,005	(45,173,914)	(64.6)%
Deductions:				
Benefits and refunds paid	16,310,005	15,267,853	1,042,152	6.8 %
Administrative expenses	104,340	104,340	-	.0 %
Total deductions	16,414,345	15,372,193	1,042,152	6.8 %
Changes in net assets available for benefits	$ 8,344,746	$ 54,560,812	$ (46,216,066)	(84.7)%

The Changes in Net Assets Available for Benefits was impacted by a 2.2% net return, producing $6.1 million in investment income, compared to $50.9 million for Fiscal year 2011. The decrease in other additions was due to a decrease in interest earnings on the cash balance held at the State Treasurer's Office.

Plan Membership

This table reflects PERSI Base Plan and PERSI Choice Plans membership at the beginning and end of the Fiscal Year.

Changes in Plan Membership

	Base Plan			Choice Plan		
	2012	2011	Change	2012	2011	Change
Active participants	65,270	65,798	(0.8)%	42,577	43,391	(1.9)%
Vested - Base Plan	44,016	43,545	1.1 %			
Non-vested - Base Plan	21,254	22,253	(4.5)%			
Actively contributing - Choice Plan				12,863	10,523	22.2 %
Retirees and beneficiaries	37,150	35,334	5.1 %	101	117	(13.7)%
Terminated vested	10,823	10,468	3.4 %	11,997	11,561	3.8 %

While the above table reflects changes in active participants, the following table demonstrates the changes in Base Plan retirees and beneficiaries during the period.

Changes in Retirees and Beneficiaries (Base Plan)

	2012	2011
Beginning — July 1	35,334	33,625
New Retirements	2,769	2,629
Death of retiree/beneficiary	(953)	(920)
Ending — June 30	37,150	35,334

Investment Activities

Long-term (20-25 year) asset growth is vital to the Defined Benefit Plans' current and continued financial stability. Therefore, trustees have a fiduciary responsibility to act with prudence and discretion when making plan investment decisions. To assist the Board in this area, a comprehensive formal investment policy is updated periodically. As managers are added, specific detailed investment guidelines are developed, adopted, and become part of that manager's agreement.

Portfolio performance is reviewed monthly by the Board and its consultants. Performance is evaluated individually, by money manager style, and collectively by investment type and for the aggregate portfolio. Investment types include both domestic and international equities, domestic and international fixed income, private equity and real estate.

Economic Factors

At July 1, 2012, PERSI's Base Plan had a funded ratio of 84.7% and an amortization period on the unfunded actuarial liability of 14.8 years. The investment return net of all expenses for 2012 was 1.2% compared to the assumed return of 7.0%. There were actuarial gains resulting from actual salaries being lower than actuarial assumptions. As a result of the periodic experience study, the PERSI board adjusted the net return assumption downward .25% from 7.25% to 7.0%. The total actuarial loss (change in unfunded actuarial accrued liability) for Fiscal Year 2012 was approximately $800 million increasing the Unfunded Actuarial Accrued Liability from $1.23 to $2.04 billion. These results and decisions enable PERSI to meet the mandate set by the legislature when it created PERSI to "Provide a secure retirement for public employees in Idaho".

Since inception, the cumulative funding of the plan is 56% investment income, 28% employer contributions and 16% 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 PERSI Board of Trustees.

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

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PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

STATEMENTS OF PLAN NET ASSETS – PENSION TRUST FUNDS AND OTHER TRUST FUNDS JUNE 30, 2012 WITH COMPARATIVE FINANCIAL INFORMATION FOR JUNE 30, 2011

	Pension Trust Funds			
	PERSI Base Plan	Firefighters' Retirement Fund	PERSI Choice Plan 414(k)	PERSI Choice Plan 401(k)
ASSETS				
Cash and cash equivalents	$ 3,094,881	$ 78,977	$ -	$ 60,840
Investments—at fair value				
Fixed income investments				
Domestic	2,645,903,996	67,519,471	-	-
International	77,183,077	1,969,595	-	-
Idaho commercial mortgages	477,166,837	12,176,576	-	-
Short-term investments	409,287,999	10,444,411	-	609,833
Real estate equities	515,333,906	13,150,542	-	-
Equity securities				
Domestic	4,170,203,989	106,417,303	-	-
International	2,157,306,082	55,051,190	-	-
Private equity	981,016,257	25,034,052	-	-
Mutual, collective, unitized funds	-	-	56,881,539	395,031,475
Total investments	11,433,402,143	291,763,140	56,881,539	395,641,308
Receivables				
Investments sold	656,044,232	16,662,741	-	-
Contributions	3,766,391	-	-	206,598
Interest and dividends	37,433,407	950,764	181,553	1,025,891
Total receivables	697,244,030	17,613,505	181,553	1,232,489
Assets used in plan operations - net	2,914,853	-	-	-
Due from other plans	-	-	-	-
Prepaid retiree benefits	49,570,384	-	-	-
Total assets	12,186,226,291	309,455,622	57,063,092	396,934,637
LIABILITIES				
Accrued liabilities	9,776,477	240,535	-	-
Benefits and refunds payable	456,639	-	-	-
Due to other plans	1,575,032	-	-	-
Investments purchased	844,761,397	21,455,932	-	-
Total liabilities	856,569,545	21,696,467	-	-
NET ASSETS HELD IN TRUST	$ 11,329,656,746	$ 287,759,155	$ 57,063,092	$ 396,934,637

See notes to Financial Statements

Other Trust Funds			
Sick Leave Insurance Reserve Fund		Totals	
State	Schools	2012	2011
$ 41,859	$ 33,139	$ 3,309,696	$ 2,529,345
31,880,990	47,327,526	2,792,631,983	2,539,110,644
-	-	79,152,672	63,640,758
-	-	489,343,413	495,368,651
-	-	420,342,243	372,503,807
-	-	528,484,448	454,230,391
61,438,900	102,540,367	4,440,600,559	4,495,260,949
14,185,997	23,230,589	2,249,773,858	2,702,204,531
-	-	1,006,050,309	904,970,896
-	-	451,913,014	426,909,547
107,505,887	173,098,482	12,458,292,499	12,454,200,174
-	-	672,706,973	827,108,863
-	-	3,972,989	3,083,508
-	-	39,591,615	42,187,342
-	-	716,271,577	872,379,713
-	-	2,914,853	2,211,905
491,601	1,083,431	1,575,032	1,580,554
326,036	969,883	50,866,303	47,217,098
108,365,383	175,184,935	13,233,229,960	13,380,118,789
12,255	20,392	10,049,659	10,290,318
-	-	456,639	547,344
-	-	1,575,032	1,580,555
-	-	866,217,329	990,103,226
12,255	20,392	878,298,659	1,002,521,443
$ 108,353,128	$ 175,164,543	$ 12,354,931,301	$ 12,377,597,346

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

STATEMENTS OF CHANGES IN PLAN NET ASSETS - PENSION TRUST FUNDS AND OTHER TRUST FUNDS YEAR ENDED JUNE 30, 2012 WITH COMPARATIVE FINANCIAL INFORMATION FOR JUNE 30, 2011

	Pension Trust Funds			
	PERSI Base Plan	Firefighters' Retirement Fund	PERSI Choice Plan 414(k)	PERSI Choice Plan 401(k)
ADDITIONS				
Contributions				
Members	$ 179,168,074	$ 11,100	$ -	$ 32,417,476
Employers	277,143,887	13,486,309	-	383,189
Transfers and rollovers in	-	-	-	9,576,929
Total contributions	456,311,961	13,497,409	-	42,377,594
Investment income				
Net appreciation (depreciation) in fair value of investments	(102,816,241)	(2,611,410)	(564,614)	(1,861,880)
Interest, dividends and other investment income	280,961,467	7,136,086	1,392,274	8,409,434
Less investment expenses	(40,927,994)	(1,039,522)	(202,126)	(141,437)
Total investment income (loss) - net	137,217,232	3,485,154	625,534	6,406,117
Other- net	24,089	-	-	-
Total additions	593,553,282	16,982,563	625,534	48,783,711
DEDUCTIONS				
Benefits and refunds paid to members and beneficiaries	640,679,255	19,637,373	2,341,735	7,123,041
Administrative expenses	6,231,431	-	-	-
Transfers and rollovers out	-	-	1,619,181	13,323,865
Total deductions	646,910,686	19,637,373	3,960,916	20,446,906
INCREASE (DECREASE) IN NET ASSETS	(53,357,404)	(2,654,810)	(3,335,382)	28,336,805
NET ASSETS HELD IN TRUST				
Beginning of year	11,383,014,150	290,413,965	60,398,474	368,597,832
End of year	$ 11,329,656,746	$ 287,759,155	$ 57,063,092	$ 396,934,637

See notes to Financial Statements

Other Trust Funds			
Sick Leave Insurance Reserve Fund		Totals	
State	Schools	2012	2011
$ -	$ -	$ 211,596,650	$ 211,498,158
5,793,204	12,866,373	309,672,962	311,652,427
-	-	9,576,929	7,469,551
5,793,204	12,866,373	530,846,541	530,620,136
2,355,032	3,890,412	(101,608,701)	1,851,863,723
-	-	297,899,261	288,071,349
(56,698)	(93,662)	(42,461,439)	(41,850,915)
2,298,334	3,796,750	153,829,121	2,098,084,157
3,690	740	28,519	42,436
8,095,228	16,663,863	684,704,181	2,628,746,729
3,463,901	12,846,104	686,091,409	641,990,281
39,346	64,994	6,335,771	6,077,880
-	-	14,943,046	13,660,821
3,503,247	12,911,098	707,370,226	661,728,982
4,591,981	3,752,765	(22,666,045)	1,967,017,747
103,761,147	171,411,778	12,377,597,346	10,410,579,599
$ 108,353,128	$ 175,164,543	$ 12,354,931,301	$ 12,377,597,346

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

1. ***General*** — The Public Employee Retirement System of Idaho (the "System" or "PERSI") is the administrator of four pension plans including two defined benefit retirement plans, the Public Employee Retirement Fund Base Plan ("PERSI Base Plan") and the Firefighters' Retirement Fund (FRF); 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, one for state employers and one for school district employers.

Reporting Entity — The System is a fiduciary fund of the State of Idaho and is included in the State of Idaho Comprehensive Annual Financial Report. The basic financial statements of the System include the financial activities of all of the above funds. A retirement board (the "Board"), appointed by the Governor and confirmed by the Idaho Senate, manages the System, which includes selecting the funding agents, establishing funding policy, and setting contribution rates.

Defined Benefit Retirement Plans — 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.

State agencies, school districts, cities, counties, highway districts, water and sewer districts, and other political subdivisions contribute to the System. As of June 30, 2012 and 2011, the number of participating employer units in the PERSI Base Plan was:

	2012	2011
Cities	149	148
School districts	158	154
Highway and water districts	128	126
State subdivisions	96	96
Counties	42	41
Other	179	172
	752	737

As of June 30, 2012 and 2011, the number of benefit recipients and members in the System consisted of the following:

	2012	2011
Members, retirees and beneficiaries currently receiving benefits during the fiscal year and terminated employees entitled to benefits but not yet receiving them:		
Members:		
Active	65,270	65,798
Terminated and vested	10,823	10,468
Retirees and beneficiaries	37,150	35,334

FRF has 22 participating employer units all consisting of fire departments also participating in PERSI. As of June 30, 2012, there were 2 active members and 564 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.

The benefit payments for the PERSI Base Plan and FRF 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 is based on the increase in the statewide average firefighter’s wage.

The PERSI Base Plan and FRF 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 member contribution rates are defined, by state law, as a percentage of the employer contribution rate. FRF member contribution rates are fixed by state law. Employer contribution rates are recommended by periodic actuarial valuations and are subject to the approval of the Retirement Board and limitations set forth in state statute. Valuations 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.

Upon termination of employment, accumulated member contributions plus interest, accrued at 18.16% from January 1, 2012 through June 30, 2012 (10.74% from July 1, 2011 through December 31, 2011) compounded monthly per annum, 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.

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 are defined contribution pension 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 and recordkeeping purposes. Participants direct their investment mix with the some trading frequency restrictions. Participants have 12 investment options; two balance funds, seven equity funds and three fixed income funds.

The 401(k) portion of the PERSI Choice Plans was established February 1, 2001. On May 1, 2001, this Plan became open to voluntary employer matching contributions at rates determined by the employers. Beginning July 1, 2001 the plan became open to all active PERSI members. Beginning in January 2002, employees could make tax-deferred contributions up to 100% of their gross salary less deductions and subject to the Internal Revenue Service (IRS) annual contribution limit. 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. On February 1, 2001, all eligible Base Plan members who were active as of June 30, 2000, and eligible to receive gain sharing contributions, received an allocation.

The System contracts with Xerox HR Solutions (formerly known as ACS HR Solutions, LLC) for plan recordkeeping services. Participants may allocate their assets in 1% increments among the twelve investment options; however, if no allocation preference is indicated, a default investment election to the PERSI Total Return Fund is made. The PERSI Total Return Fund is a unitized fund comprised of investment accounts of the PERSI Base Plan.

All 752 PERSI employer units are eligible to have participating employees in the PERSI Choice Plan. As of June 30, 2012, there were 42,577 participants, with balances in the PERSI Choice Plans. Some of these participants are in both the 414(k) Plan and the 401(k) Plan. As of June 30, 2012, the Choice Plan 414(k) had 31,365 participants, and the Choice Plan 401(k) had 24,298. The administrative expenses of the PERSI Choice Plans are paid to Xerox and funded by the PERSI Base Plan. Investment management expenses are paid by participants.

Other Trust Funds —The Sick Leave Insurance Reserve Fund (SLIRF) 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 16, *Accounting for Compensated Absences* prior to the time of retirement.

The SLIRF 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 SLIRF are Idaho Code, Sections 67-5339, 33-1216, 59-1365, and 33-1228.

The SLIRF is a fund that exists for the payment of unused sick leave benefits in the form of insurance premiums for state employees and school district employees who separate from service by reason of retirement. The assets of the two trusts are commingled for investment purposes. The System administers these trusts on behalf of the participating employers. Employers' contributions are a percentage of payroll collected each pay cycle and are held in trust for future benefits.

The SLIRF is used to pay eligible postretirement insurance premiums on behalf of former employees based on unused accumulated sick leave at their retirement date. The school districts and the State are responsible for any unfunded benefit obligations, respectively, through contribution rate adjustments.

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 Service	Maximum Allowable Sick Leave Hours
0–10,400 (0–5 years)	420
10,401–20,800 (5–10 years)	480
20,801–31,200 (10–15 years)	540
31,201+ (15 years or more)	600

Members may use one-half of sick leave hours accrued up to the allowable maximum multiplied by their rate of compensation at retirement.

The rate for state agency contributions was 0.65% of covered salary at June 30, 2012.

Contribution percentages are based on the number of days of paid sick leave earned during the contract year for certified teachers. The sick leave contribution rates for schools are as follows:

Days Earned	Beginning - June 30, 2006
9–10 days	1.16 %
11–14 days	1.26
More than 14 days	Individual rate to be set by the Retirement Board based on current cost and actuarial data and reviewed biennially.

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 assets 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 System adheres to GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans.*

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, and the PERSI TRF (an option of the PERSI Choice Plan) are pooled for investment purposes as is disclosed in Note 3.

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

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 market value, when published market prices and quotations are available, or at cost plus accrued interest, which approximate market 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 8.9% of total investments. PERSI's real estate and commercial mortgage investments are 5.5% and 4.3% respectively of total investments.

Investment expenses presented within the Statement of Changes in Net Assets for the year ended June 30, 2012 do not include fees and costs for private equity investments nor does it include fees and commissions related to public equity transactions. These fees and costs are presented, for information purposes, within the Investment Section of PERSI's Comprehensive Annual Financial Report in the Schedule of Costs for Private Equity Partnerships and the Schedule of Broker Fees and Commissions. These costs are captured within the net asset value for investments as reported in the Statement of Net assets and the Statement of Changes in Net Assets. This is a change from prior years. Refer to Note 9 for additional information.

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.

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 net 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, 2011, from which the summarized information was derived.

New Accounting Standards – One GASB standard was implemented during the Fiscal Year ending June 30, 2012: GASB 59 – Financial Instruments Omnibus. The implementation of this standard had no significant impact on our statements in the current year.

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	$ 2,498,539
FDIC insured/collateralized	337,145
Uninsured and uncollateralized	474,012
Total	$ 3,309,696

B. Investments

Investments of the pension trust funds are reported at fair value. See Note 2 for more details. The Board of Trustees maintains a formal Statement of Investment Policy, which addresses governing provisions and additional guidelines for the investment process. In fulfilling its responsibilities, the Board of Trustees 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. For the year ended June 30, 2012, BNY Mellon Asset Servicing is the global custodian for the majority of the investments of the PERSI Base Plan, FRF, and PERSI Choice Plans.

Investments at fair value as of June 30, 2012 are as follows:

Investment Table

Domestic fixed income	$ 2,713,423,467
Co-mingled domestic fixed income (Sick Leave Insurance Reserve Fund)	79,208,516
International fixed income	79,152,672
Idaho commercial mortgages	489,343,413
Short-term investments	420,342,243
Real estate	528,484,448
Domestic equities	4,276,469,080
Domestic equities-convertibles	152,212
Co-mingled domestic equity (Sick Leave Insurance Reserve Fund)	163,979,267
International equities	2,212,357,272
Co-mingled international equity (Sick Leave Insurance Reserve Fund)	37,416,586
Private equity	1,006,050,309
Mutual funds, collective unitized funds	451,913,014
Total Investments	$ 12,458,292,499

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 GASB 40 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, 2012, the System had futures contracts with a fair value of $(6,105) 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. At June 30, 2012, the System had the following net futures contracts exposure:

	Exposure covered by contract
U.S. Treasury note futures	$ (13,613,125)
U.S. Treasury bond futures	(22,520,844)
US Ultra (Long Term Treasury) bond future	1,334,750

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, 2012, the System had option contracts payable with a fair value of $101,881, which is included in liabilities for Investments Purchased and $30,506, which is included in Domestic Fixed Income.

At June 30, 2012, the System had the following options contracts exposure:

	Exposure covered by contract
Cash and cash equivalents written put options	$ 2,756
Cash and cash equivalents purchased put options	7,350
Fixed income written call options	99,125
Fixed income purchased call options	23,156

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, 2012, the System had entered into forward currency contracts to sell foreign currencies with a fair value of $658,312,561 and had entered into forward currency contracts to buy foreign currencies with a fair value of $662,612,574. Forward currency contracts are receivables or payables reported as investments sold or investments purchased. Net unrealized losses of $4,300,013 at June 30, 2012 were recorded, which represent the loss 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 below.

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, 2012, the System had invested in TIPS with a fair value of $1,377,329,811.

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, 2012, the System's fixed income assets that are not government guaranteed represented 50% of the fixed income portfolio. The System's fixed income assets are shown with current credit ratings in the table on the following page.

Credit Quality of fixed income securities at fair value

Credit Quality S&P Rating Level	Domestic	International	Total
Short Term			
A-1+	$ 82,513,743	$ -	$ 82,513,743
A-1	43,599,242	-	43,599,242
A-2	19,334,085	-	19,334,085
Long Term			
AAA	52,071,653	45,914,283	97,985,936
AA*	332,594,081	-	332,594,081
A	230,955,646	22,246,128	253,201,774
BBB	124,444,613	2,080,339	126,524,952
BB	10,026,191	-	10,026,191
B	4,479,111	-	4,479,111
CCC	2,973,672	-	2,973,672
CC	1,320,071	-	1,320,071
C	-	-	-
D	410,969	-	410,969
Not rated	333,632,291	8,904,796	342,537,087
Total Credit Risk fixed income securities	1,238,355,368	79,145,546	1,317,500,914
U.S. Government	1,867,609,796	-	1,867,609,796
Pooled Investments	100,738,471	-	100,738,471
Idaho Mortgages	489,343,413	-	489,343,413
Total	$ 3,696,047,048	$ 79,145,546	$ 3,775,192,594

*Includes US Government Agencies implicitly guaranteed by US Government:
FFCB $1,060,046; FHLB $10,018,943; FHLMC $91,483,973; FNMA $92,544,646

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. Per the System's investment policy, these characteristics are established and monitored within each portfolio, with variances reported by the manager.

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 92.8%, in short-term instruments held at the custodian bank. Of the remaining cash and deposits at June 30, 2012, approximately 2.1% or, $9,166,661, was held by various counterparties not in the System's name. The remainder, approximately 5.1%, 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 net assets.

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 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 Systems investment policy, these characteristics are established and monitored within each portfolio, with variances reported by the manager. 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.

Effective duration of domestic fixed income assets by security type:

Investment		Fair Value	Effective Duration in Years
Asset-backed Securities	$	6,220,820	0.20
Asset-backed Securities		210,936	N/A
Mortgages		8,362,710	0.89
Mortgages		3	N/A
Commercial Paper		167,661,834	0.16
Corporate Bonds		475,678,671	6.41
Corporate Bonds		819,055	N/A
Fixed Income Derivatives		(75,304)	N/A
Government Agencies		62,780,038	6.52
Government Agencies		177,783	N/A
Government Bonds		532,285,080	5.67
Government Mortgage-backed Securities		328,849,551	1.29
Government Mortgage-backed Securities		12,214,735	N/A
Pooled Investments		21,529,955	0.08
Pooled Investments		79,208,516	N/A
Private Placements		43,759,706	3.96
Private Placements		131,694,829	N/A
TIPS		1,335,324,717	8.19
Idaho Mortgages		489,343,413	N/A
Total	$	3,696,047,048	

Effective duration of international fixed income assets by security type:

Investment		Fair Value	Effective Duration in Years
Asset Backed Securities	$	178,918	N/A
Corporate Bonds		4,621,385	5.24
Government Agencies		2,439,395	0.95
Government Bonds		71,905,848	4.86
Total	$	79,145,546	

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, individual manager contracts outline at a minimum, ranges of currency exposure which are monitored within each portfolio. Managers are required to report anticipated variances to the System for appropriate action. 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, 2012, is highlighted in the table that follows.

Currency exposures:

CURRENCY	Short-term Investments	Equity	Fixed Income	Total USD Equivalent Fair Value
AUSTRALIAN DOLLAR	$ (24,947,420)	$ 61,607,056	$ 7,564,559	$ 44,224,195
BRAZIL REAL	(586,711)	69,349,582	1,312,637	70,075,508
CANADIAN DOLLAR	(40,180,848)	36,022,622	41,332,927	37,174,701
CHILEAN PESO	-	1,733,644	-	1,733,644
CZECH KORUNA	109,136	1,856,735	-	1,965,871
DANISH KRONE	115,151	11,024,635	-	11,139,786
EGYPTIAN POUND	-	8,848,958	-	8,848,958
EURO CURRENCY UNIT	(66,634,703)	543,556,001	-	476,921,298
HONG KONG DOLLAR	737,382	211,906,376	-	212,643,758
HUNGARIAN FORINT	(166,202)	6,299,083	-	6,132,881
INDONESIAN RUPIAH	347,667	73,089,953	-	73,437,620
ISRAELI SHEKEL	78,892	6,011,526	-	6,090,418
JAPANESE YEN	(6,770,526)	318,566,525	-	311,795,999
KENYAN SHILLING	-	354,004	-	354,004
MALAYSIAN RINGGIT	38,852	10,116,861	508,483	10,664,196
MEXICAN NEW PESO	(3,562,160)	16,270,951	9,344,228	22,053,019
NEW TAIWAN DOLLAR	1,448,015	59,362,955	-	60,810,970
NEW TURKISH LIRA	279,630	60,238,715	-	60,518,345
NEW ZEALAND DOLLAR	1,294	533,151	-	534,445
NORWEGIAN KRONE	1,896,887	7,092,101	-	8,988,988
PHILIPPINES PESO	-	20,763,047	-	20,763,047
POLISH ZLOTY	(5,288,377)	8,345,338	6,623,267	9,680,228
POUND STERLING	(27,137,363)	352,613,735	8,702,458	334,178,830
RUSSIAN RUBEL (NEW)	-	3,503,756	-	3,503,756
S AFRICAN COMM RAND	(735,968)	75,530,255	4,397,490	79,191,777
SINGAPORE DOLLAR	3,542,325	26,022,616	-	29,564,941
SOUTH KOREAN WON	131,558	139,169,844	-	139,301,402
SRI LANKA RUPEE	-	391,983	-	391,983
SWEDISH KRONA	230,041	27,361,347	-	27,591,388
SWISS FRANC	(26,157,105)	91,101,249	-	64,944,144
THAILAND BAHT	311,874	40,809,470	-	41,121,344
ZIMBABWE DOLLAR (NEW)	-	552,387	-	552,387
Total value of investments to foreign currency risk	$ (192,898,679)	$ 2,290,006,461	$ 79,786,049	$ 2,176,893,831

4. ASSETS USED IN PLAN OPERATIONS

Assets used in plan operations at June 30, 2012, consist of the following:

	2012
Buildings and improvements	$ 5,515,888
Less accumulated depreciation	(3,642,191)
Total buildings and improvements	1,873,697
Computer software development - Galena	6,331,360
Less accumulated amortization	(6,331,360)
Total computer software development - Galena	-
Equipment	398,990
Less accumulated depreciation	(298,698)
Total equipment	100,292
Computer software development in progress - IRIS	799,995
Less accumulated amortization	-
Total computer software development - IRIS	799,995
Equipment - IRIS development in progress	140,869
Less accumulated depreciation	-
Total equipment	140,869
Total assets used in plan operations	$ 2,914,853

For the year ended June 30, 2012, depreciation expense on the buildings and improvements was $160,695. The equipment had a total depreciation expense of $77,222 for 2012. Computer software development costs for the Galena system were fully amortized as of June 30, 2006. In January 2012 development began on the IRIS system. Costs of the Idaho Retirement Information System (IRIS) are being capitalized and will be amortized following implementation. Equipment purchased for IRIS will be depreciated when placed in service. The balance on contracts pertaining to the completion of the IRIS project at June 30, 2012 was $12.2 million.

5. CONTRIBUTIONS

The System's funding policy for the PERSI Base Plan and FRF is determined by the Board within limitations, as defined by Idaho law. The funding policy provides for periodic employer contributions at actuarially determined rates (expressed as percentages of annual covered payroll), that are adequate to accumulate sufficient assets to pay benefits when due. Level percentages of payroll employer contribution rates are determined using the Entry Age Actuarial Cost Method for the PERSI Base Plan and a modified aggregate funding method for FRF. Under the Entry Age Actuarial Cost Method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit age. FRF amortizes the difference between the value of the FRF benefits not provided by the Base Plan and the FRF assets over the earnings of all firefighters. The PERSI Base Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. FRF amortizes any unfunded liability based on a level dollar amount. The maximum amortization period for the Base Plan permitted under Section 59-1322, Idaho Code, is 25 years. The maximum amortization period for FRF permitted under Section 59-1394, Idaho Code, is 50 years. The payroll for employees covered by the PERSI Base Plan and FRF was approximately $2,617,183,000 and $406,818, respectively for the year ended June 30, 2012.

Normal cost is 13.90% of covered payroll and the amount available to amortize the unfunded actuarial liability is 2.99% of covered payroll for the PERSI Base Plan. There is no normal cost associated with FRF, and all contributions to FRF are available to pay benefits and reduce the unfunded actuarial liability.

Effective June 30, 2011, the contribution rates for the optional retirement plan for Junior Colleges ended per Idaho Code 33-107B (4)(a)(ii). In July, 2007 Idaho Code 33-107A(4)(ii) was amended to reduce the payment rate and extend the payoff period for colleges and universities to pay off the unfunded liability obligation that resulted when the ORP was established. The rate was reduced from 3.03% to 1.4% and the payoff date extended from 2015 to 2025.

Optional retirement plan employees of higher education:

Colleges and universities	1.49%

In December 2011 the PERSI Board voted to delay for one year the planned Base Plan contribution rate increases scheduled to begin July 1, 2012.

The contribution rates for the year ended June 30, 2012 are:

Base Plan:

	Active Members		Employers	
	General/ Teacher	**Fire/ Police**	**General/ Teacher**	**Fire/ Police**
Contribution rate	6.23%	7.69%	10.39%	10.73%
Planned contribution rates:				
Effective July 1, 2013	6.79%	8.36%	11.32%	11.66%
Effective July 1, 2014	7.34%	9.03%	12.24%	12.58%
Effective July 1, 2015	8.19%	10.04%	13.65%	13.99%

FRF employer and employee contribution rates for firefighters hired before October 1, 1980, are 25.89% and 3.80%, respectively, in addition to the PERSI Police and Fire rates shown above. The employer contribution rate for firefighters hired after October 1, 1980, is 17.24%.

ACTUARIAL INFORMATION

The information presented in the Required Supplementary Information was prepared for GASB disclosure purposes and may differ from the funding determination as of the dates indicated. Additional information as of the latest actuarial valuation for GASB purposes is as follows:

	PERSI	**FRF**
Valuation date	July 1, 2012	July 1, 2011
Actuarial cost method	Entry age actuarial cost	Entry age actuarial cost
Amortization method	Level percentage of projected payroll — open	Level dollar amount — open
Remaining amortization period	25 years	30 years
Asset valuation method	Market value	Market value
Actuarial assumptions:		
Investment rate of return - gross	7.50 %	7.75 %
Projected salary increases	4.5 % - 10.25 %	4.00%
Includes salary inflation	3.75%	4.00%
Postretirement benefit increase	1.00 %	4.00%
Implied price inflation rate	3.25%	3.50%

SCHEDULES OF FUNDING PROGRESS
PUBLIC EMPLOYEE RETIREMENT FUND AND FIREFIGHTERS' RETIREMENT FUND
FISCAL YEAR 2012
(Dollars in millions) (UNAUDITED)

PERSI

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) (a.)	(3) PV of Future ORP Contributions	(4) Unfunded AAL (UAAL) (2)-(1)-(3) (b.)	(5) Funded Ratios (1) : [(2)-(3)] (c.)	(6) Annual Covered Payroll (d.)	(7) UAAL as a Percentage of Covered Payroll (4) : (6)
July 1, 2012	13,306.2	13,396.7	47.0	2,043.5	84.7	2,619.6	78.0

(a.) Actuarial present value of benefits less actuarial present value of future normal costs based on entry age actuarial cost method.
(b.) Actuarial accrued liabilities less actuarial value of assets and present value of future Optional Retirement Plan (ORP) Contributions. Amounts reported in this table do not include the value of any discretionary COLA or Gain Sharing allocations granted after the valuation date. If negative, amount is referred to as a funding reserve.
(c.) Funded Ratio is the ratio of the actuarial value of assets over the actuarial accrued liabilities less the present value of future ORP contributions.
(d.) Covered Payroll includes compensation paid to all active employees on which contributions are calculated.

FRF

Actuarial Valuation Date	(1) Actuarial Market Value of Assets	(2) Actuarial Accrued Liability (AAL)		(3) Unfunded AAL (UAAL) (2)-(1)	(4) Funded Ratios (1) : (2)	(5) Annual Covered Payroll (e.)	(6) UAAL as a Percentage of Covered Payroll (3) : (5)
July 1, 2011	290.4	311.5		21.1	93.2	59.3	35.6

Note: July 1, 2012 no valuation

(e.) Annual covered payroll includes compensation paid to all active firefighters hired prior to October 1, 1980. Annual Covered Payroll differs from Active Member Valuation Payroll, which is an annualized compensation of only those members who were active on the actuarial valuation date.

Actuary value of plan assets progressively increased in 2006 and 2007. There was a decline in 2008 and 2009, then an increase in 2010 and 2011. In 2012 a tough financial market resulted in a decline in actuary value.

A multi-year presentation of funding progress for the Fiscal Years 2005 – 2012 can be found immediately following the notes to the Financial Statements in the Required Supplementary Information Section on pages 51-53.

6. PENSION PLAN PARTICIPATION

The System participates as an employer in the PERSI Base Plan, a cost sharing multiple-employer public retirement system, which was created by the Idaho State Legislature. It is a defined benefit plan requiring that both the member and the employer contribute. The Plan provides benefits based on members' years of service, age, and compensation. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The authority to establish and amend benefit provisions is established in Idaho Code. Designed as a mandatory system for eligible state and school district employees, the legislation provides for other political subdivisions to participate by contractual agreement with the System. Financial reports for the Plan are available from the System upon request.

After five years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each month of credited service, the annual service retirement allowance is 2.0% (2.3% police/firefighter) of the average monthly salary for the highest consecutive 42 months.

The contribution requirements of the System and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended June 30, 2012, the required contribution rates were 6.23% for general members, 7.69% for police/fire fighter. The employer rate as a percentage of covered payroll was 10.39% for general members and 10.73% for police/fire fighter. PERSI general member contributions required and paid were $283,020, $278,921, and $287,266, for the three years ended June 30, 2012, 2011, and 2010, respectively.

7. OTHER POST EMPLOYMENT BENEFITS

The State funds, or partially funds, postemployment benefits relating to health, disability, and life insurance. PERSI participates in the State of Idaho's postemployment 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 postemployment benefits are available in the Comprehensive Annual Financial Report of the State of Idaho which may be accessed at www.sco.idaho.gov.

8. COMMITMENTS

The System had unfunded private equity commitments as of June 30, 2012 of $471,285,174 and €12,755,295.

9. CHANGE IN ACCOUNTING PRINCIPLE

Effective July 1, 2011, PERSI implemented a change from one accounting principle to another accounting principle for private equity partnership costs. As the amount of the change is not material to the funds, and only a reclassification on the Statement of Changes in Plan Net Assets, retroactive application was not made to the June 30, 2011 financial statements. All expenses related to the partnerships including costs associated with the acquisition and development of the portfolio companies are being reported as part of the cost basis of the investment rather than as an expense on the statement of changes. This change achieves more consistent and transparent reporting for users of these financial statements, as well as PERSI and its partnerships, consultants and custodian bank. It also achieves more consistent reporting of the gains or losses upon sale of partnership assets. The amount of private equity costs affected by this change for the Fiscal Year ending June 30, 2012 is $7,092,904.

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PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

REQUIRED SUPPLEMENTARY INFORMATION

PUBLIC EMPLOYEE RETIREMENT FUND AND FIREFIGHTERS' RETIREMENT FUND

SCHEDULES OF FUNDING PROGRESS
FISCAL YEARS 2006 - 2012
(Dollars in millions) (UNAUDITED)

PERSI

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) (a.)	(3) PV of Future ORP Contributions	(4) Unfunded AAL (UAAL) (2)-(1)-(3) (b.)	(5) Funded Ratios (1) : [(2)-(3)] (c.)	(6) Annual Covered Payroll (d.)	(7) UAAL as a Percentage of Covered Payroll (4) : (6)
July 1, 2006	9,177.1	9,699.0	60.2	461.7	95.2	2,343.5	19.7
July 1, 2007	10,945.8	10,431.9	59.5	(573.4)	105.5	2,421.0	(23.7)
July 1, 2008	10,402.0	11,211.8	60.9	749.9	93.3	2,578.9	29.0
July 1, 2009	8,646.0	11,732.2	59.6	3,026.6	74.1	2,683.5	112.8
July 1, 2010	9,579.8	12,187.9	52.3	2,556.8	78.9	2,684.4	95.2
July 1, 2011	11,360.1	12,641.2	48.5	1,232.6	90.2	2,627.9	46.9
July 1, 2012	11,306.2	13,396.7	47.0	2,043.5	84.7	2,619.6	78.0

(a.) Actuarial present value of benefits less actuarial present value of future normal costs based on entry age actuarial cost method.
(b.) Actuarial accrued liabilities less actuarial value of assets and present value of future Optional Retirement Plan (ORP) Contributions. Amounts reported in this table do not include the value of any discretionary COLA or Gain Sharing allocations granted after the valuation date. If negative, amount is referred to as a funding reserve.
(c.) Funded Ratio is the ratio of the actuarial value of assets over the actuarial accrued liabilities less the present value of future ORP contributions.
(d.) Covered Payroll includes compensation paid to all active employees on which contributions are calculated.

FRF

Actuarial Valuation Date	(1) Actuarial Market Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (UAAL) (2)-(1)	(4) Funded Ratios (1) : (2)	(5) Annual Covered Payroll (e.)	(6) UAAL as a Percentage of Covered Payroll (3) : (5)
July 1, 2006	248.8	312.3	63.5	79.7	45.0	141.1
July 1, 2007	291.5	314.8	23.3	92.6	47.6	48.9
July 1, 2008		No Valuation				
July 1, 2009	225.3	325.3	100.0	69.3	55.7	179.5
July 1, 2010		No Valuation				
July 1, 2011	290.4	311.5	21.1	93.2	59.3	35.6
July 1, 2012		No Valuation				

(e.) Annual covered payroll includes compensation paid to all active firefighters hired prior to October 1, 1980. Annual Covered Payroll differs from Active Member Valuation Payroll, which is an annualized compensation of only those members who were active on the actuarial valuation date.

PUBLIC EMPLOYEE RETIREMENT FUND AND FIREFIGHTERS' RETIREMENT FUND

SCHEDULES OF EMPLOYER CONTRIBUTIONS
FISCAL YEARS 2006 - 2012
(Dollars in millions)

	PERSI Employer Contributions			FRF Employer Contributions (c.)		
Year Ended June 30	Total Employer Contributions (Statutory)	Annual Required Contribution (ARC) (a.)	Percentage Contributions	Total Employer Contributions	Annual Required Contribution	Percentage Contributions
2006	250.8	238.1	105.0	12.0	6.5	186.2
2007	259.5	235.4	110.0	12.1	5.0	240.8
2008	273.3	251.4	109.0		No Valuation	
2009	284.6	232.0	123.0	13.2	1.8	723.6
2010	284.9	260.3	109.0		No Valuation	
2011	279.1	326.5	85.0	13.3	7.9	167.3
2012	277.2	327.9	84.0		No Valuation	

(a.) For PERSI employers, the Annual Required Contribution (ARC) is equal to the normal cost rate plus a 25-year amortization of any Unfunded Actuarial Accrued Liability or minus a 25-year amortization of any Funding Reserve amount. The ARC determined as of the valuation date is applicable for employers' fiscal years commencing October 1, of the calendar year following the valuation date. For ORP employers, the ARC is equal to 1.49% of salaries of university members in the ORP until 2025 and 3.83% of salaries of junior college members in the ORP until 2011.

PUBLIC EMPLOYEE RETIREMENT FUND AND FIREFIGHTERS' RETIREMENT FUND

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2012

ACTUARIAL INFORMATION

The information presented in the required supplementary information was prepared for GASB disclosure purposes and may differ from the funding determination as of the dates indicated. Additional information as of the latest actuarial valuation for GASB purposes is as follows:

	PERSI	FRF
Valuation date	July 1, 2012	July 1, 2011
Actuarial cost method	Entry age actuarial cost	Entry age actuarial cost
Amortization method	Level percentage of projected payroll — open	Level dollar amount — open
Remaining amortization period	25 years	30 years
Asset valuation method	Market value	Market value
Actuarial assumptions:		
Investment rate of return - gross	7.50 %	7.75 %
Projected salary increases	4.5 % - 10.25 %	4.00%
Includes salary inflation	3.75 %	4.00 %
Postretirement benefit increase	1.00 %	4.00 %
Implied price inflation rate	3.25 %	3.50 %

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

ADDITIONAL SUPPLEMENTARY SCHEDULES

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

SCHEDULE OF INVESTMENT EXPENSES
YEAR ENDED JUNE 30, 2012

INVESTMENT AND RELATED SERVICES:		
Adelante Capital	$	3,186,612
Baring Asset Management, Inc.		1,691,677
BCA Publication, Inc.		7,150
Bernstein, Sanford C.		4,598,591
Bloomberg, LP		58,519
Brandes Investment Partners, LP		1,850,470
Callan Associates		306,791
Capital Guardian Trust Company		1,555,436
Chadwick, Saylor & Co., Inc.		3,858,455
Choice Plan Managers		343,563
Clearwater Advisors, LLC		681,716
D.B. Fitzpatrick & Co., Inc.		2,074,602
Donald Smith & Company		2,061,801
Genesis Asset Managers, Ltd.		3,112,476
Hamilton Lane Advisors, Inc.		185,000
Longview Partners		1,535,800
Mellon Capital Management		617,480
Mellon Trust		2,904,131
Mondrian Investment Partners		992,248
Mountain Pacific Investment Advisors, Inc.		1,101,359
Pareto Partners		688,102
Peregrine Capital Management		996,735
Prudential Investments		352,856
State Street Global Advisors		514,716
Tukman Grossman Capital Management, Inc.		1,871,564
Wells Fargo Bank		72,435
Western Asset		997,426
Zesiger Capital Group		2,387,707
		40,605,418
CONSULTING AND OTHER SERVICES:		
ACS HR Solutions, LLC		1,054,098
Alban Row		79,410
Berkadia Commercial Mortgage (formally Capmark)		18,951
Chartwell Consulting		79,739
Eide Bailly		82,600
Foster, Pepper, Shefelman PLLC		214,872
Ice Miller LLP		6,054
Milliman, Inc.		213,461
Robert Storer		87,422
Whiteford, Taylor & Preston		19,414
		1,856,021
TOTAL	$	42,461,439

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

SCHEDULE OF ADMINISTRATIVE EXPENSES
YEAR ENDED JUNE 30, 2012

PORTFOLIO-RELATED EXPENSES:		
Personnel expenses	$	594,290
Operating expenses		207,263
Equipment depreciation expense		2,984
		804,537
OTHER ADMINISTRATIVE EXPENSES:		
Personnel expenses		3,118,627
Operating expenses		2,073,335
Building depreciation expense		160,695
Equipment depreciation expense		74,237
		5,426,894
SICK LEAVE FUND EXPENSES — Administrative personnel expenses		104,340
	$	6,335,771

EideBailly
CPAs & BUSINESS ADVISORS

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

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

We have audited the 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, 2012, and have issued our report thereon dated October 16, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the system is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered System's internal control over financial reporting as a basis for designing our auditing procedures 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 System's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the System's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

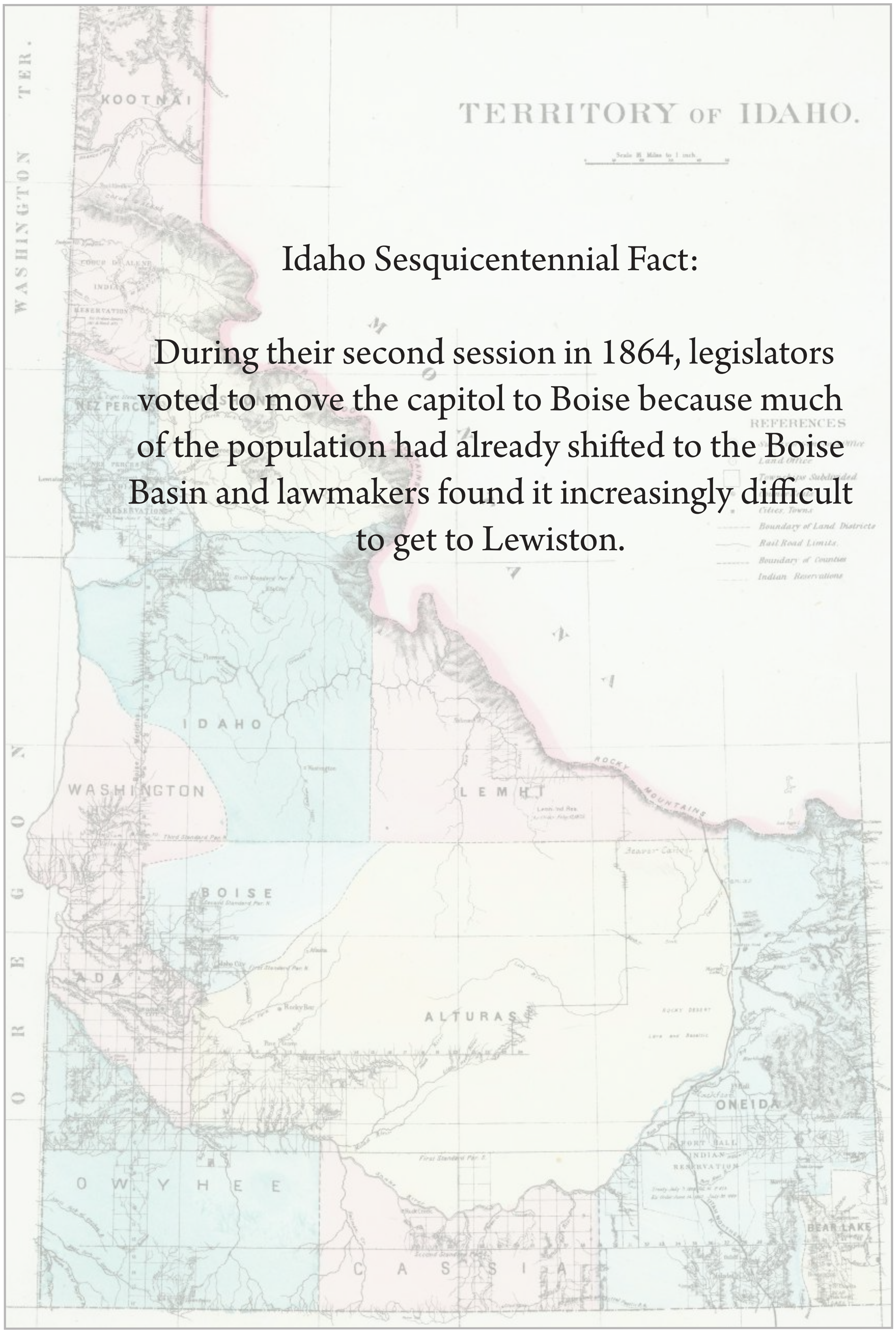
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free of 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 determination of financial statement amounts. 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*.

This report is intended solely for the information and use of management, the System's board, others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

Boise, Idaho
October 18, 2012

Investment Section



Idaho Sesquicentennial Fact:

During their second session in 1864, legislators voted to move the capitol to Boise because much of the population had already shifted to the Boise Basin and lawmakers found it increasingly difficult to get to Lewiston.

Helping Idaho public employees build a secure retirement.

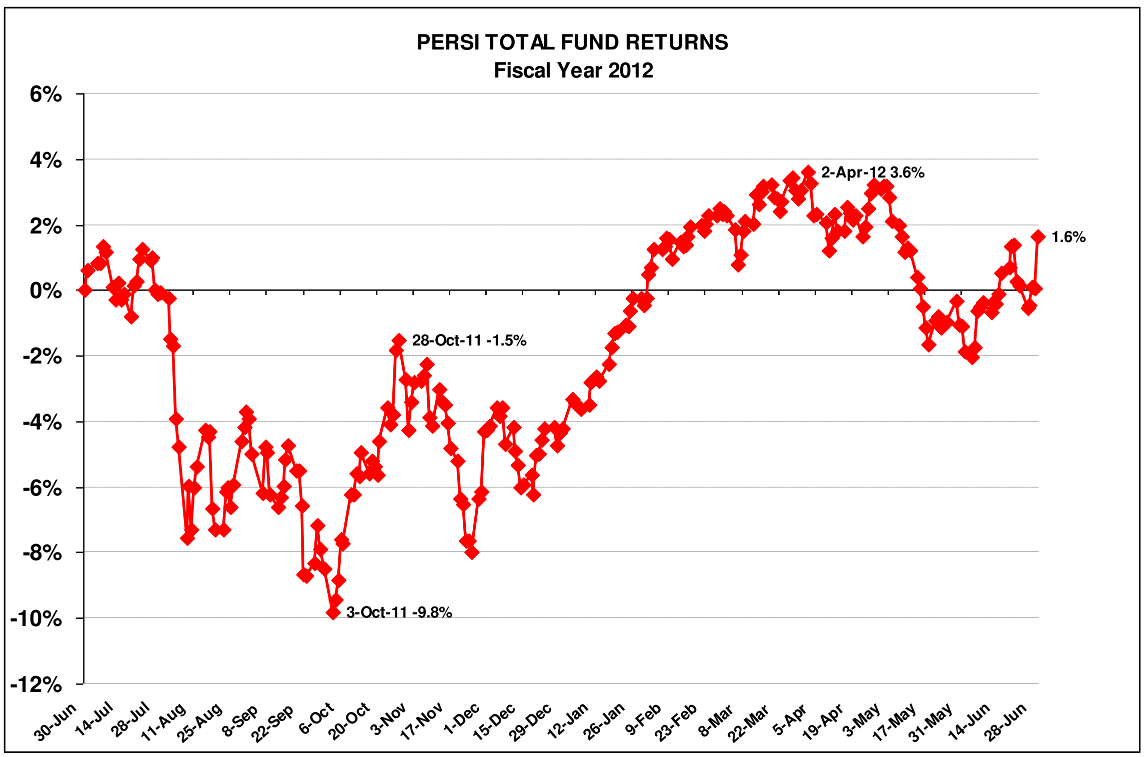
REPORT ON INVESTMENT ACTIVITY
OVERVIEW OF FISCAL YEAR 2012*

Prepared by Robert M. Maynard, Chief Investment Officer

Like a roller coaster ride where one ends up at the same place as one began, PERSI finished FY 2012 with a return of 1.62%, with 1.58% of that return coming on the last day of the fiscal year. PERSI ended the fiscal year with $12.3 billion in assets under management ($11.933 billion in the DB plan and the Total Return Fund, $89 million in other Choice Plan accounts, and $280 million in the Sick Leave fund, which had a return of 2.3% for the year).

But the mediocre nature of the return masks what was, at times, a thrilling ride both up and down during the year. The year led off with a debt showdown in the US and an S&P downgrade, with the rest of the year dominated by the twists and turns of three big "macro" issues: a stumbling but advancing US economy, European near chaos both fiscally and economically, and China's ultimately successful attempt to slow growth to combat inflation, and subsequent battle to prevent a "hard landing". On the "micro" side, equity markets were generally supported by strong corporate earnings and robust balance sheets.

As a result, it was a year that saw some of PERSI's best and worst monthly returns in its history:



** The investment section of the CAFR was compiled using information from the System's custodial bank, Bank of New York Mellon, our consultant, Callan Associates, and internally generated data. Unless otherwise noted, investment returns are based on investment fair market values and made on a time weighted return methodology, gross of investment fees and consistent with Global Investment Performance Standards.*

PERSI found itself in a deep hole early in the fiscal year. August experienced the greatest volatility and losses in the world capital markets since the crash of 2008-2009. Starting with the S&P downgrade, the world equity markets collapsed primarily driven by European sovereign debt concerns, rumors of banking problems and contagion, and noticeable signs of slowing global growth with fears of a "double dip" recession in the U.S. 400 point swings in the Dow became a daily event as the two year Treasury went to an all time low yield, the ten year Treasury went to the very low 2's in yield, and the Fed stated it would keep interest rates at practically 0% until 2013.

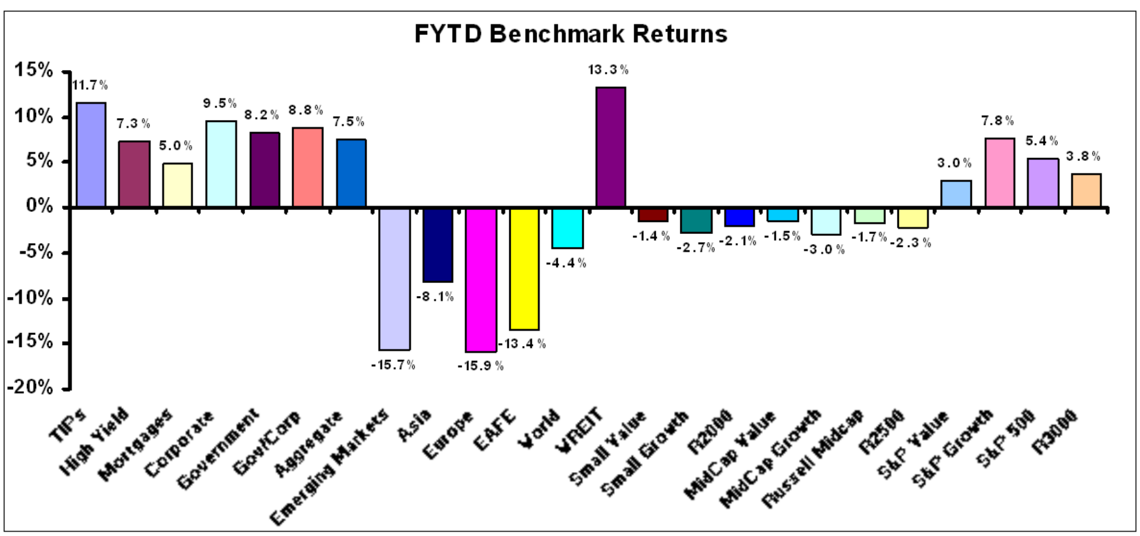
The carnage continued through September, and by the start of October PERSI was down almost -10% for the new fiscal year to date – a dismal start that quickly left the memories of a historic 20.7% return for FY 2011 far in the rear view mirror. But then the US economy started to deliver positive economic surprises, Europe calmed down somewhat, and in October PERSI had its best month ever, with returns of 6.3% for the month – still not enough, however, to lift the fund out of the hole. Then Greece exploded again, the so-called "super committee" disappointed, and markets fell for the rest of the calendar year.

Starting in January, however, warm weather in the US led to positive economic news, Europe began to calm down aided by ECB liquidity support (notably the LTRO – an ECB program to provide three year cheap financing to European banks), and China appeared to be successful in containing a worrisome inflation problem. As a result, PERSI steadily climbed out of the hole and reached an all time high by the end of March and beginning of April ($12.252 billion).

Then, Greece and Europe exploded once again, followed by disappointing US economic news, and fears of a Chinese hard landing. The markets (and fund returns) struggled for the rest of the year, with the final day surging 1.6% in reaction to apparent progress in addressing European fiscal issues.

Thus, instead of "Groundhog Day", the world capital markets seem to in a "Groundhog Year", where for the third year in a row the calendar year starts out with a sense of optimism, peaks by Spring, gets hit with the same European crisis, followed by a slowdown in the U.S. with its plodding economic growth. China issues also come to the fore. As a result the capital markets stall and stumble until short-term clarity seems to return around Christmas.

The fiscal year capital market returns were dominated by great fixed income returns, mediocre US equity returns (positive returns for large cap, losses for small cap), and extremely poor overseas markets:



Overall for the fiscal year, PERSI did well at home and poorly overseas. PERSI's relative performance to strategic benchmarks (-1.0%) was dominated by the severe underperformance of EAFE (-13.4%) and the Emerging Markets (-15.7%) to US equity markets (+3.8%). PERSI's Fixed Income had a stunning year with 12.4% returns. TIPS and REITS had outstanding years and helped relative performance, with the SSGA TIPS account returning 22.2% and the Adelante REIT account gaining 15.5%. At the other end of the spectrum was Bernstein, with the two biggest losing accounts in their emerging markets (-20.2%) and global (-16.1%) products.

US equities also had a very good relative year with returns of 5.8% compared to the R3000 return of 3.8%, with nice contributions from private equity (8.6%) and our active managers (4.5%). The global managers (-8.6%) hurt the most in relative performance to our strategic benchmark and to the world benchmark (-4.4%). All of our global managers except Longview underperformed their benchmark, while all of our US active managers outperformed. Our fixed income managers were around or significantly above their benchmarks.

PERSI's returns for the fiscal year were a bit above the middle of the pack for institutional funds for the year – above median for all public funds in both the Callan (42nd percentile) and Mellon (43rd percentile), and well above median for billion $ plus public funds (36th percentile). Three year and five year rankings are slightly above or below median, and longer term returns are consistently top quartile:

RANKINGS IN THE CALLAN PUBLIC FUND UNIVERSE AND MELLON PUBLIC FUND UNIVERSE
June 30, 2012
Percentile Rankings over Period
(1 is highest, 100 is lowest)

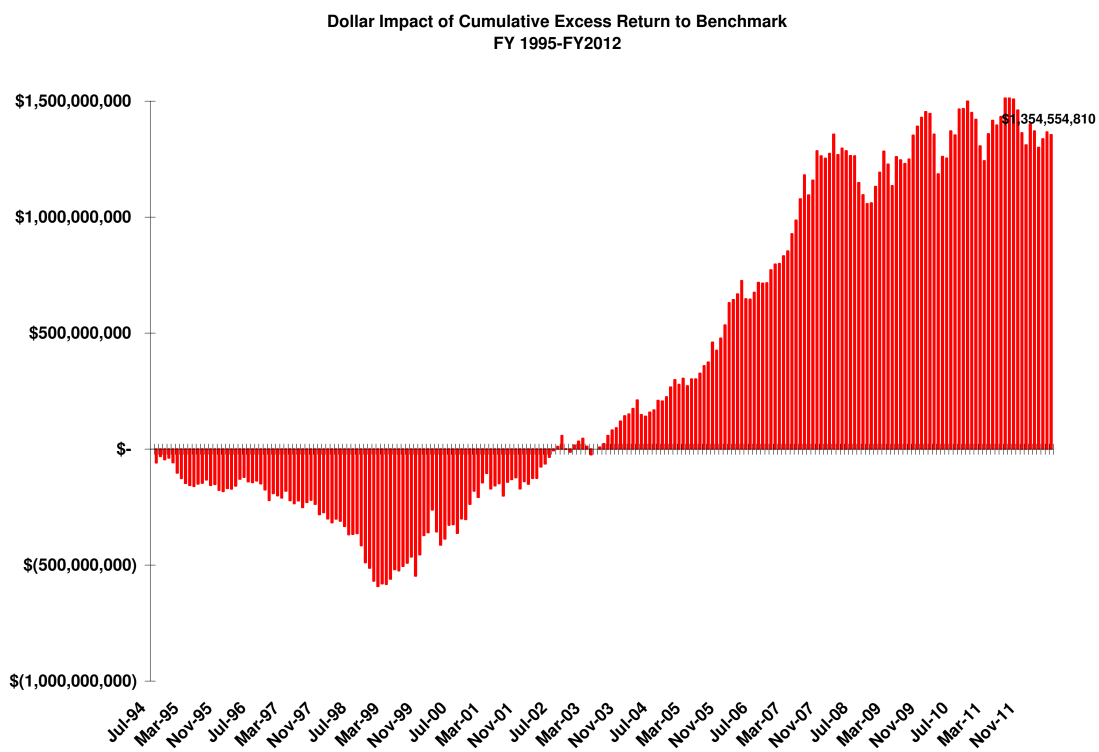
	1Yr	*3Yrs*	*5Yrs*	*7Yrs*	*10Yrs*	*Inception (9/92)*
Return (%)	**1.6**	**11.3**	**2.1**	**5.9**	**7.3**	**8.3**
Policy Return	2.6	12.6	2.2	4.8	6.1	7.6
Callan Median Fund	1.2	11.7	1.8	5.1	6.3	7.8
Mellon Median Fund	1.1	11.7	1.9	5.0	6.3	
Mellon $1 Billion Plus	1.1	11.9	1.8	5.1	6.6	
PERSI Rank (Percentile)						
Callan Public Funds	**42**	**60**	**43**	**12**	**11**	**24**
Mellon All Public	**43**	**64**	**47**	**16**	**16**	
Mellon $1 Billion Plus	**36**	**71**	**45**	**22**	**21**	

PERSI tends to do well in peer comparisons when equities outperform fixed income, and we do extremely well when the order is Emerging Markets, EAFE, Russell 3000, Bonds. This happened through most of the 2000s, and PERSI's peer rankings were stunningly high. But, when fixed income beats equities PERSI tends to do poorly, and when the order is reversed (Fixed, R3000, EAFE, Emerging), as it was in 1997-1998 (the Asia Crisis), PERSI usually compares poorly to peers. And, last year the order was reversed against PERSI's biases, with the order as follows: Bonds (7.5%), R3000 (3.8%), EAFE (-13.4%), Emerging (-15.7%), and with large differences between overseas and domestic. Historically, this would have put PERSI deep in the bottom quartile. Thus, an above median result is actually something of a pleasant surprise, and was a bit unexpected.

And, this order has been the pattern now for the last five years. For the five year annualized returns the order has been Fixed (6.8%), R3000 (0.4%), EAFE (-5.6%). Yet it appears that PERSI is around median for all time periods up to five years (sometimes slightly above, sometimes slightly below). If PERSI can hold that pattern in these markets, then when the markets turn the fund will be very, very well positioned in peer rankings.

Over the longer term, PERSI's actions have added well over $1 billion to both general market returns (as represented by the strategic benchmark) and to the average public fund through its additional activities in emerging markets, private assets, TIPS, REITS and similar programs, as follows.

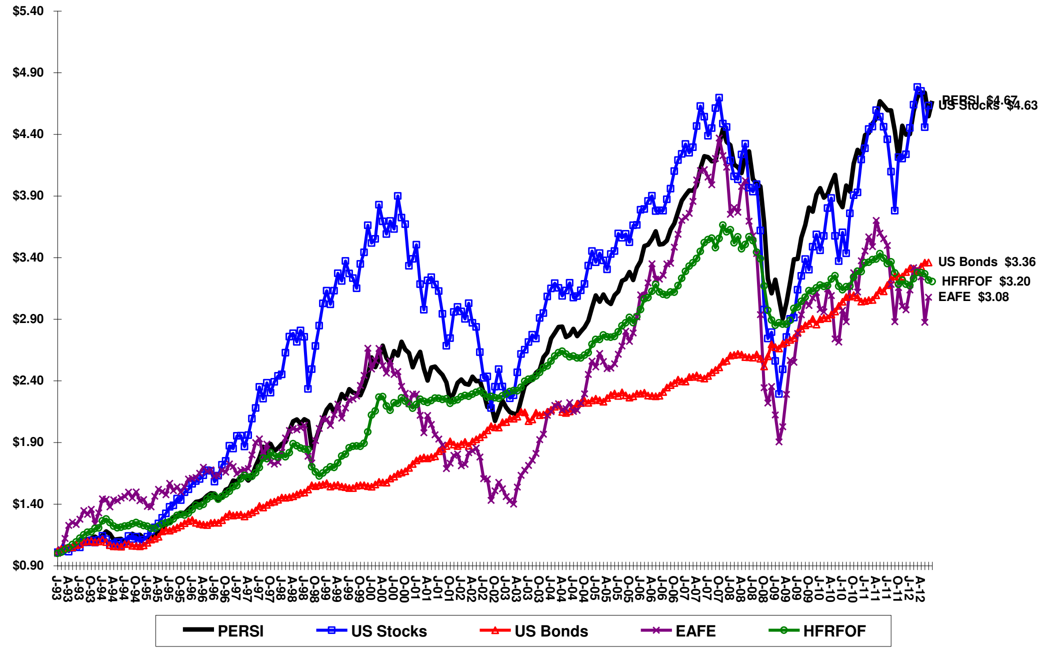
Since July of 1994 (when specific records on these numbers were first kept by staff), PERSI has added over $1.3 billion to fund value over what merely matching strategic benchmark returns would have produced, as follows:



According to Callan data, over the past 20 years PERSI has outperformed the median public fund by half a percent a year (8.3% to 7.8%). Twenty years ago PERSI was around a $2.5 billion fund. That half a percent difference in return over 20 years represents approximately $1.1 billion in added value.

Since 1993, every dollar invested in PERSI has turned into $4.67, exceeding the returns of US equities ($4.63), and significantly outperforming US Bonds ($3.36), International Equities ($3.08), and the hedge fund industry generally (as represented by the HFRI hedge fund of funds index) ($3.20).

GROWTH OF $1 OVER TIME
January 1, 1993 - June 30, 2012



PERSI's basic and simple approach has served the fund well both over the past year and over the longer term. It encountered few issues in the turbulent period of the last five years, and has survived relatively unscathed through all of the crises of the past 20 years.

As noted previously, the year saw weak US public equity markets with 3.8% returns (Russell 3000), with large capitalization US equities leading the way with returns of 5.4% (S&P 500) and mid and small cap stocks actually losing -2.3% (R2500). PERSI's US equity component outperformed the indices with a 5.8% return. The public equity component returned 4.7%, which was aided by the performance of real estate (9.1%) and private equity (8.5%). Private real estate had an adequate year with returns of 5.5%, and REITs (managed by Adelante had a very good year with 15.5% returns (beating the general REIT index returns of 13.2%).

PERSI's other active public equity managers also had a good year. Most US active managers outperformed their benchmarks, with Peregrine returning 7.9% (+0.1% to benchmark), Tukman at 8.8% (+3.4% to benchmark), Mountain Pacific at 2.3% (+4.6%). Donald Smith at -0.7% was the exception, underperforming the general Russell 3000 by -4.5%, although that underperformance is explained by the portfolio generally being composed of small cap stocks (with D. Smith outperforming small cap indices over the year).

Global Equity had a poor absolute and relative performance year, with returns of -8.6%. This was both below the MSCI World index (at -4.4%) and below US equity general returns. Our new global equity manager, Longview, was the only global equity manager to have positive returns (+0.4%) and beat the benchmark. Barings lost -4.7% (-0.3% to benchmark), Brandes and Cap Guardian both turned in returns of -6.7% (-2.3% to benchmark), Zesiger weighed in with -15.3% (-10.9%), and Bernstein Global continued to severely underperform with losses of -16.1% (-11.7% to benchmark).

Developed market international equity (MSCI EAFE) returned -13.4% for the year, outperforming emerging market equity (MSCI Emerging Markets at -15.7%) for the second year in a row. Mondrian, our developed markets manager, outperformed the EAFE index with a -10.4% return, while Genesis outperformed the emerging markets index with -10.6% returns, and Bernstein underperformed with the worst account performance in the entire portfolio at -20.2%.

PERSI fixed income had a spectacular year again and once again outperformed benchmarks, with a return for the year of 12.4% compared to the returns of investment grade bonds as represented by the Barclay's Aggregate index at 7.5%. This outperformance was due in large part to PERSI's weighting towards TIPS, which had a great relative and absolute (for bonds) year at 18.4%. This return melded our best performing account with the SSGA TIPs return of 21.2% and the Western active TIPs account return of 11.6% (matching the TIPs index). Both of PERSI's active bond managers had good years, with Western returning 8.5% for the year, and Barings at 7.8%. Idaho Mortgages added 9.6% for the year, while the mortgage backed securities managers largely tracked the general mortgage market with returns of 4.2% for Clearwater and 5.4% for DBF.

All in all a solid year for PERSI in difficult world capital markets.

ROBERT M. MAYNARD
Chief Investment Officer

INVESTMENT SUMMARY FOR THE YEAR ENDED 6/30/12

Types of Investment	Market Value		Percent of Total Market Value	
Short-term Investments		$420,342,243		3.6%
Fixed Income				
Domestic	2,713,423,467		23.1%	
International	79,152,672		0.7%	
Commercial Mortgages	489,343,413		4.2%	
Total Fixed Income		3,281,919,552		28.0%
Equity				
Domestic Equity	4,276,621,292		36.4%	
International Equity	2,212,357,272		18.9%	
Total Equity		6,488,978,564		55.3%
Private Equity		1,006,050,309		8.6%
Real Estate		528,484,448		4.5%
Total Base Plan Investments		$11,725,775,116		100.0%
Other Funds:				
Sick Leave Insurance Reserve Fund		$280,604,369		
Choice Plan 414(k)		56,881,539		
Choice Plan 401(k)		395,031,475		
Total Investments in All Funds		$12,458,292,499		

Schedule of Investments by Account (including interest and dividends receivable) as of June 30, 2012

Base Plan and Firefighters' Retirement Fund		
Adelante Capital Management	$ 402,838,738	
Advent International, LP	26,945,320	
Apollo Management, LP	78,863,285	
American Securities Opportunities Associates II, LLC	12,206,634	
Baring Asset Management-Global Equity	369,475,736	
Baring Asset Management-Global Fixed Income	174,621,572	
Bernstein-Emerging Markets	366,964,328	
Bernstein-Global Equity	260,474,579	
Blackstone Capital Partners, LP	46,541,744	
BNY Mellon Capital Management-International Stock Index	434,449,203	
BNY Mellon Capital Management-Mid Cap Completion	160,467,798	
BNY Mellon Capital Management-R2000 Small Cap	109,595,409	
BNY Mellon Capital Management-S&P 500 Large Cap	1,162,266,027	
Brandes Investment Partners	448,813,357	
Bridgepoint Cap LTD	22,926,013	
Capital Guardian	365,974,362	
Cascade	113,481,259	
Cerberus Investment Partners	38,005,181	
Chisholm Management, LP	6,501,459	
Clearwater Advisors, LLC-TBAs	131,784,466	
CVC European Equity	46,769,187	
D.B. Fitzpatrick & Co.-Fixed Income	136,712,342	
D.B. Fitzpatrick & Co.-Idaho Mortgages	491,431,879	
Donald Smith & Co.	261,578,127	
Endeavour Capital	2,722,157	
Enhanced Equity, LP	54,559,375	
Epic Venture Fund	6,648,849	
First Reserve Fund XI	61,211,482	
Frazier Technology Ventures II, LP	10,213,663	
Galen Associates, LP	34,327,504	
Genesis Asset Managers	505,939,816	
Goense Bounds & Partners, LP	1,781,205	
Gores Capital Partners, LLP	32,691,206	
Green Equity Investors IV, LP	54,166,030	
Hamilton Lane Co - Investment Fund, LP	49,716,876	
Hamilton Lane Secondary Fund, LP	25,534,250	
Highway 12 Ventures, LP	54,744,526	
Ida-West	3,175,121	
JH Whitney & Co, LLC	25,009,400	
KKR 2006 Fund, LP	31,791,562	
Kohlberg & Co.	45,503,926	
Koll Partners, LLP	340,423,582	
Lindsay Goldberg & Bessemer	44,998,528	
Littlejohn, LP	1,183,844	
Longview Partners	243,754,116	
McCown DeLeeuw & Co. IV, LP	85,513	
Mellon Transition Management Services	1,543,705	
Mondrian Investment Partners	275,073,004	
Mountain Pacific Investment Advisors	359,490,527	(Continued)

Newbridge Asia, LP	30,307,186	
Olympic IDA Fund II, LLC	145,428,853	
Pareto Partners	(4,082,160)	
Peregrine Capital Management	206,589,627	
PERSI Cash in Short-Term Investment Pool	27,260,503	
Private Debt	22,177,370	
Providence Equity Partners, LLP	64,349,390	
Prudential Investments	36,217,741	
State Street Global Advisors-Fixed Income	697,120,934	
State Street Global Advisors-TIPS	966,819,016	
T3 Partners, LP	78,190,361	
Tukman Capital Management	368,944,798	
Veritas Capital Partners, LP	10,856,253	
W. Capital Partners, LP	4,147,200	
Western Asset Management	167,582,956	
Western Asset-TIPS	398,906,769	
Zesiger Capital Group	391,701,782	
Zesiger Capital Group-Private Equity	21,542,748	
Total Base Plan and Firefighters' Retirement Fund		11,570,039,095
Choice Plan		
BNY Mellon Aggregate Bond Index	13,575,537	
BNY Mellon Dow Jones U.S. Completion Total Stock Market Index	5,314,261	
BNY Mellon Dow Jones U.S. Total Stock Market Index	3,079,904	
BNY Mellon International EAFE Fund	3,185,182	
BNY Mellon S&P 500	7,872,910	
Brandes International Equity Fund	5,722,080	
Calvert SI Balance Fund	727,967	
Dodge and Cox Income Fund	11,650,775	
PERSI Choice Plan Contribution Account	609,834	
PERSI Choice Plan Loans	5,368,214	
Rowe Price Small Cap Fund	12,662,266	
Total Return Fund	363,956,847	
Vanguard Growth & Income Fund	9,699,321	
PERSI Short Term Investment Portfolio	10,305,197	
Total Choice Plan		453,730,294
Sick Leave Insurance Reserve Fund		
State Street Global Advisors-Domestic Equity	163,979,267	
State Street Global Advisors-International Equity	37,416,586	
State Street Global Advisors-Fixed Income	79,208,516	
Total Sick Leave Insurance Reserve Fund		280,604,369
Total Market Value, Including Investment Receivables and Payables		12,304,373,758
Add: Investments Purchased Payable		866,217,329
Less: Investments Sold Receivable		(672,706,973)
Less: Interest and Dividends Receivable		(39,591,615)
Total Market Value, Net of Investment Receivables and Payables		$12,458,292,499

(Concluded)

Investment Results for the Year Ended June 30, 2012

MANAGERS	TOTAL MKT VAL (MILLIONS)	% OF TOTAL FUND	FISCAL	1 YR.	3 YRS. *	5 YRS. *	10 YRS. *
			Investment Performance for Periods Ending				
U.S. EQUITY							
MELLON CAPITAL MANAGEMENT MID CAP	165.5	1.4%	(3.3)	(3.3)	18.8	1.8	8.7
MELLON CAPITAL MANAGEMENT R2000 SMALL CAP	113.0	0.9%	(1.9)	(1.9)	18.0	0.5	6.9
MELLON CAPITAL MANAGEMENT S&P 500 LC	1,198.8	10.0%	5.4	5.4	16.4	0.3	5.3
MOUNTAIN PACIFIC	370.8	3.1%	2.3	2.3	17.6	3.8	7.5
TUKMAN GROSSMAN CAPITAL MGMT	380.6	3.2%	8.8	8.8	14.5	2.7	4.1
DONALD SMITH & CO.	269.8	2.3%	(0.7)	(0.7)	16.5	0.3	
PEREGRINE	213.1	1.8%	7.9	7.9	14.9	1.9	
TOTAL U.S. PUBLICLY TRADED EQUITY	2,711.6	22.7%	4.1	4.1	16.4	1.6	6.2
BENCHMARK - Russell 3000			3.8	3.8	16.7	0.4	5.8
PRIVATE EQUITY							
IDA-WEST	3.3	0.0%	45.8	45.8	27.5	23.8	29.8
GALEN III	35.4	0.3%	3.2	3.2	2.6	1.0	3.2
HARVEST PARTNERS[1]	-	0.0%	(3.1)	(3.1)	42.1	(3.4)	(16.9)
MCCOWN DE LEEUW	0.1	0.0%	0.0	0.0	21.4	2.1	(32.5)
PROVIDENCE EQ PARTNERS	66.4	0.6%	11.0	11.0	18.5	9.2	25.3
CHISOLM PARTNERS	6.7	0.1%	41.4	41.4	46.6	24.1	16.2
LITTLEJOHN II L.P.	1.2	0.0%	1.1	1.1	34.7	12.8	19.4
GOENSE BOUNDS	1.8	0.0%	6.8	6.8	(9.6)	(13.5)	11.9
HWY 12 FD VENTURE LP	56.5	0.5%	13.2	13.2	12.1	(1.7)	(4.7)
T3 PARTNERS II L.P.	80.6	0.7%	6.4	6.4	18.0	3.6	96.7
APOLLO MGMT LP	81.3	0.7%	3.0	3.0	34.4	18.9	27.8
GREEN EQUITY L.P.	55.9	0.5%	11.5	11.5	28.9	12.1	
GORES CAPITAL AD LLC	33.7	0.3%	1.5	1.5	17.7	13.8	
W CAPITAL PARTNERS	4.3	0.0%	(8.1)	(8.1)	(0.3)	(6.4)	
FRAZIER TECH VENTURES II	10.5	0.1%	(3.9)	(3.9)	(0.9)	(3.6)	
KOHLBERG & CO.	46.9	0.4%	18.0	18.0	16.2	12.1	
HAMILTON SECONDARY	26.3	0.2%	20.4	20.4	13.3	9.4	
CVC EUROPEAN EQUITY	48.2	0.4%	20.2	20.2	18.2	10.6	
HAMILTON LANE CO-INVESTMENT FUND	51.3	0.4%	0.7	0.7	9.5	(1.0)	
BRIDGEPOINT EUROPE III	23.6	0.2%	(7.5)	(7.5)	5.5	0.9	
NEWBRIDGE ASIA LP	31.3	0.3%	0.0	0.0	53.1	28.4	
JH WHITNEY EQUITY PARTNERS	25.8	0.2%	(2.4)	(2.4)	4.2	1.4	
BLACKSTONE CAPITAL PARTNERS	48.0	0.4%	3.4	3.4	12.1	(1.5)	
ENHANCED EQUITY FUND LP	56.3	0.5%	(1.2)	(1.2)	9.1	6.6	
LINDSEY, GOLDBERG, BESSEMER	46.4	0.4%	45.1	45.1	13.6	8.5	
KKR 2006 FUND	32.8	0.3%	6.8	6.8	21.0	4.9	
FIRST RESERVE FUND	63.1	0.5%	14.0	14.0	10.7	2.8	
CERBERUS INST PARTNERS	39.3	0.3%	4.1	4.1	18.5	4.4	
EPIC VENTURE FUND	6.9	0.1%	49.2	49.2	7.8		
ADVENT INTERNATIONAL	27.8	0.2%	17.7	17.7	15.9		
AMERICAN SECURITIES OPPORTUNITIES FUND II	12.6	0.1%	4.4	4.4			
VERITAS CAPITAL PARTNERS	11.2	0.1%	12.0	12.0			
ENDEAVOUR CAPITAL PARTNERS**	2.8	0.0%					
ZESIGER CAPITAL GROUP	22.2	0.2%	(8.2)	(8.2)	3.2	(1.0)	(2.0)
TOTAL PRIVATE EQUITY	1,060.5	9.0%	8.7	8.7	16.0	6.7	10.0
REAL ESTATE							
KOLL PARTNERS	351.1	2.9%	(2.3)	(2.3)	(14.5)	(8.3)	
OLYMPIC IDA FUND II	150.0	1.3%	27.7	27.7	(8.0)	(4.3)	
CASCADE	117.1	1.0%	2.1	2.1	(6.4)	0.0	
ADELANTE - PUBLIC R/E	415.5	3.5%	15.5	15.5	34.2	0.2	10.6
PRUDENTIAL	37.4	0.3%	16.6	16.6	4.3	(1.2)	6.7
TOTAL R/E MANAGERS	1,071.1	9.0%	9.1	9.1	2.9	(2.0)	8.8
BENCHMARK - NCREIF			13.4	13.4	6.0	2.9	8.2
TOTAL U.S. EQUITY	**4,843.2**	**40.7%**	5.8	5.8	13.5	1.5	6.7
BENCHMARK - Russell 3000			3.8	3.8	16.7	0.4	5.8
GLOBAL EQUITY							
BARING ASSET MANAGEMENT	381.1	3.2%	(4.7)	(4.7)	11.4	0.9	7.4
BRANDES INVST PARTNERS	462.9	3.9%	(6.7)	(6.7)	9.2	(6.9)	5.1
CAPITAL GUARDIAN	377.5	3.2%	(6.7)	(6.7)	9.7	(3.0)	5.5
ZESIGER CAPITAL GROUP	404.0	3.4%	(15.3)	(15.3)	9.3	(4.6)	9.7
BERNSTEIN GLOBAL	268.7	2.3%	(16.1)	(16.1)	5.3	(10.4)	
LONGVIEW PARTNERS	251.4	2.1%	0.4	0.4			
TOTAL GLOBAL EQUITY	**2,145.6**	**18.1%**	(8.6)	(8.6)	9.8	(4.4)	6.3
TOTAL U.S./GLOBAL EQUITY	**6,988.8**	**58.8%**	1.1	1.1	12.3	(0.7)	6.4
BENCHMARK - Russell 3000			3.8	3.8	16.7	0.4	5.8

(Continued)

Investment Results for the Year Ended June 30, 2012

MANAGERS	TOTAL MKT VAL (MILLIONS)	% OF TOTAL FUND	FISCAL	1 YR.	3 YRS. *	5 YRS. *	10 YRS. *
INTERNATIONAL EQUITY							
GENESIS INVESTMENTS	521.9	4.4%	(10.6)	(10.6)	15.5	3.9	17.6
MELLON CAPITAL MANAGEMENT INTL STK INDX	448.1	3.8%	(13.5)	(13.5)	6.3	(5.7)	5.3
MONDRIAN	283.7	2.4%	(10.4)	(10.4)	7.0	(4.4)	
BERNSTEIN EMERGING	378.5	3.2%	(20.2)	(20.2)	8.0	(3.2)	
TOTAL INTERNATIONAL EQUITY	**1,632.2**	**13.8%**	(13.7)	(13.7)	9.5	(1.9)	8.8
TOTAL INT'L EQUITY (HEDGED)[2]	**1,628.0**	**13.6%**	(14.0)	(14.0)	9.5	(2.0)	8.6
EAFE INDEX NET			(13.4)	(13.4)	6.5	(5.6)	5.6
TOTAL EQUITY	**8,616.8**	**72.4%**	(2.1)	(2.1)	11.9	(0.8)	7.0
BENCHMARK - Russell 3000			3.8	3.8	16.7	0.4	5.8
FIXED INCOME							
DBF & CO FIXED	141.0	1.2%	5.4	5.4	5.2	6.4	5.2
DBF & CO-IDAHO MTGS	506.9	4.2%	9.6	9.6	8.4	10.0	7.4
STATE ST ADV-FX	719.1	6.0%	8.8	8.8	7.5	7.2	6.0
SSGA-TIPS	997.2	8.4%	21.2	21.2	13.5	10.8	8.7
CLEARWATER-TBA	135.9	1.1%	4.2	4.2	5.3	6.3	5.2
REAL ESTATE PVT DEBT	22.9	0.2%	0.0	0.0	5.2		
BARING ASSET MANAGEMENT	180.1	1.5%	7.8	7.8	7.1	6.9	6.1
WESTERN ASSET	172.9	1.4%	8.5	8.5	13.3	8.1	
WESTERN TIPS	411.5	3.4%	11.6	11.6	9.6	8.4	
TOTAL FIXED INCOME	**3,287.5**	**27.4%**	12.4	12.4	9.7	8.6	7.0
BENCHMARK - BC Aggregate Bonds			7.5	7.5	6.9	6.8	5.6
OTHER							
UNALLOCATED CASH	28.1	0.2%	2.5	2.5	2.6	5.3	6.7
MELLON TRANSITION MANAGEMENT SERVICES	1.6	0.0%	28.1	28.1	160.3	236.2	
TOTAL OTHER	**29.7**	**0.2%**					
COMBINED TOTAL	**11,934.0**	**100.0%**	1.6	1.6	11.3	2.1	7.3
BENCHMARK - 55% Russell 3000 30% BC Aggregate Bonds 15% MSCI EAFE Index			2.5	2.5	12.5	1.8	6.0

Add: Other PERSI DC Choice Plan Investments[3]	89.8
Sick Leave Fixed Income Investments	79.2
Sick Leave Equity Securities	201.4
Investments Purchased	866.2
Less: Interest and Dividends Receivable	(39.6)
Investments Sold	(672.7)
Total Pension Fund Investments Net of Receivables	12,458.3

*Rates of Return are annualized

[1]Liquidated 9/21/11

[2]Includes Pareto Partners currency overlay account

[3]Total Return Fund included in investment results

**accounts opened less than one year

Performance is gross of fees

Prepared using a time weighted rate of return per Mellon Analytic Solutions, a division of BNY Mellon Asset Servicing

(Concluded)

Schedule of Investment Income for the Last Six Years

Year	Interest	Dividends	Gains & Losses*	Total
2007	152,332,222	150,190,103	1,660,923,284	1,963,445,609
2008	156,095,102	171,450,414	(840,652,088)	(513,106,573)
2009	130,825,841	135,561,686	(2,044,562,509)	(1,778,174,982)
2010	108,025,496	140,722,177	915,045,071	1,163,792,744
2011	116,133,693	161,647,820	1,862,195,995	2,139,977,508
2012	117,140,608	165,467,250	(86,288,779)	196,319,079

*** Includes realized and unrealized gains and losses and other investment income**

Largest Stock Holdings (by Market Value) June 30, 2012

	Shares	Stock	Market Value
1	149,891	APPLE INC	87,536,344
2	1,899,028	WELLS FARGO & CO	63,503,496
3	317,325	INTERNATIONAL BUSINESS MACHINE	62,062,424
4	1,918,171	MICROSOFT CORP	58,676,851
5	364,722	SIMON PROPERTY GROUP INC	56,772,627
6	2,264,552	PFIZER INC	52,084,696
7	688,618	PEPSICO INC	48,657,748
8	546,556	EXXON MOBIL CORP	46,768,797
9	681,670	JOHNSON & JOHNSON	46,053,625
10	476,297	3M CO	42,676,211

A complete list of portfolio holdings is available upon request.

Largest Bond Holdings (by Market Value) June 30, 2012

	Par	Bonds	Description	Market Value
1	206,210,431	US TREASURY INFLATION INDEX SECURITY	3.875% 04/15/2029 DD 04/15/99	333,190,896
2	212,271,477	US TREASURY INFLATION INDEX SECURITY	2.000%001/15/2026 DD 01/15/06	270,894,915
3	137,254,840	US TREASURY INFLATION INDEX SECURITY	2.500% 01/15/2029 DD 01/15/09	190,473,207
4	82,402,195	US TREASURY INFLATION INDEX SECURITY	2.125% 01/15/2019 DD 01/15/09	98,592,908
5	49,680,860	US TREASURY INFLATION INDEX SECURITY	2.375% 01/15/2025 DD 07/15/04	65,427,357
6	34,509,195	US TREASURY INFLATION INDEX SECURITY	3.375%004/15/2032 DD 10/15/01	55,592,174
7	24,641,092	US TREASURY INFLATION INDEX SECURITY	2.125% 02/15/2040 DD 02/15/10	34,974,949
8	27,796,431	US TREASURY INFLATION INDEX SECURITY	1.125% 01/15/2021 DD 01/15/11	31,987,605
9	27,170,572	US TREASURY INFLATION INDEX SECURITY	2.000% 01/15/2014 DD 01/15/04	28,210,689
10	24,643,104	US TREASURY INFLATION INDEX SECURITY	2.000% 01/15/2016 DD 01/15/06	27,265,278

A complete list of portfolio holdings is available upon request.

Schedule of Fees and Commissions for the Year Ended June 30, 2012

Broker Name	Base Commission	Total Shares	Commission per Share
MORGAN STANLEY & CO INC, NY	$ 170,941.16	26,915,223	0.00635
DEUTSCHE BK SECS INC, NY (NWSCUS33)	169,697.87	105,773,864	0.00160
CREDIT SUISSE (EUROPE), LONDON	158,999.87	22,287,605	0.00713
MERRILL LYNCH PIERCE FENNER, WILMINGTON	134,863.38	21,353,782	0.00632
JEFFERIES & CO INC, NEW YORK	134,820.69	3,185,366	0.04233
CITATION GROUP/BCC CLRG, NEW YORK	130,387.78	3,394,523	0.03841
UBS EQUITIES, LONDON	118,568.53	22,626,412	0.00524
GOLDMAN SACHS & CO, NY	107,241.07	15,750,189	0.00681
MERRILL LYNCH PIERCE FENNER SMITH INC NY	101,749.06	2,815,634	0.03614
BERNSTEIN SANFORD C & CO, NEW YORK	101,052.27	2,845,470	0.03551
GOLDMAN SACHS INTL, LONDON (GSILGB2X)	94,456.70	9,880,976	0.00956
WATERMILL INSTITUTIONAL TRD, JERSEY CITY	94,378.00	2,359,450	0.04000
CREDIT SUISSE, NEW YORK (CSFBUS33XXX)	93,205.93	4,975,980	0.01873
MORGAN STANLEY & CO, LONDON (MSLNGB2X)	92,621.50	11,170,022	0.00829
MERRILL LYNCH INTL LONDON EQUITIES	88,701.16	7,691,030	0.01153
CITIGROUP GBL MKTS INC, NEW YORK	81,810.21	2,341,522	0.03494
WEEDEN & CO, NEW YORK	80,923.95	2,144,595	0.03773
DEUTSCHE BK INTL EQ, LONDN (DEUTGB22EEQ)	71,056.80	35,994,223	0.00197
UBS SECURITIES LLC, STAMFORD	59,759.96	2,265,462	0.02638
CREDIT LYONNAIS SECS (ASIA), HONG KONG	56,923.76	40,471,806	0.00141
J P MORGAN SECURITIES INC, BROOKLYN	55,327.67	1,375,751	0.04022
MACQUARIE SECURITIES LIMITED, HONG KONG	54,087.71	22,381,574	0.00242
INSTINET CORP, NY	50,628.51	1,352,432	0.03744
CITIGROUP GLOBAL MARKETS LTD, LONDON	49,021.75	9,779,370	0.00501
J P MORGAN SECS LTD, LONDON	46,964.00	2,777,850	0.01691
GOLDMAN SACHS INTL, NY	46,008.24	1,025,834	0.04485
NOMURA SECS INTL INC, NEW YORK	45,448.84	2,246,039	0.02024
IVY SECURITIES INC, GREAT NECK	45,197.80	1,298,695	0.03480
BNY CONVERGEX, NEW YORK	44,444.60	827,690	0.05370
MORGAN J P SECS INC, NEW YORK	42,823.74	22,968	1.86450
STRATEGAS SECURITIES LLC, NEW YORK	40,728.93	871,505	0.04673
INSTINET CORP, NEW YORK	39,985.54	1,201,163	0.03329
ISI GROUP INC, NY	39,587.51	936,620	0.04227
BARCLAYS CAPITAL INC./LE, NEW JERSEY	38,742.73	1,362,411	0.02844
ATLANTIC EQUITIES LP, JERSEY CITY	38,645.41	909,822	0.04248
CJS SECURITIES INC, JERSEY CITY	36,841.12	877,278	0.04199
KIM ENG SEC USA INC, NY	36,141.25	115,322,000	0.00031
Other Brokers Under $35,000	1,469,303.76	233,708,562	0.00629
TOTAL BROKER COMMISSIONS	**$4,362,089**	**744,520,698**	0.00586

A complete list of broker commissions is available from PERSI upon request. PERSI does not require that investment managers use specific brokers.

Schedule of Costs for Private Equity Partnerships for the Year Ended June 30, 2012

PRIVATE EQUITY COSTS

Advent International	$112,500
American Securities Opportunities	474,589
Apollo Management	157,316
Blackstone	574,175
Chisholm Partners, LP	(86,028)
CVC European Equity	600,713
Endeavour Capital Partners	314,944
Enhanced Equity	716,317
First Reserve	598,692
Furman Selz	(646)
Gores Capital Partners, LLP	135,080
Hamilton Lane Co-Investment Fund	47,039
Hamilton Lane Secondary Fund	200,000
Highway 12	709,867
J.H. Whitney & Co., LLC	192,457
KKR 2006 Fund	222,156
Kohlberg & Co.	143,340
Lindsay Goldberg & Bessemer	709,962
Littlejohn & Company	(18,861)
Providence Investments	214,190
TPG Partners, LP	933,025
Veritas Capital	142,076
TOTAL	**$7,092,904**

Schedule of Fees and Commissions for the Year Ended June 30, 2012

Investment Fees	**Average Assets Under Management**	**Fees**	**Basis Points**
Investment Manager Fees			
Equity Managers	$6,715,798,780	$27,904,576	42
Fixed Income Managers	3,214,393,350	4,461,583	14
Real Estate Managers	653,802,038	4,211,311	64
Total Average Assets	$10,583,994,168		
Total Investment Manager Fees		36,577,470	35
Other Investment Service Fees			
Custodian/Record Keeping Fees		4,030,664	
Investment Consultant Fees		822,982	
Legal Fees		240,340	
Actuary/Audit Service Fees		296,061	
Total Investment Service Fees		5,390,047	5
Total Defined Benefit Plans Fees		$41,967,516	40
Total Defined Contribution Plans' Fees		343,563	
Total Other Trust Funds' Fees		150,360	
Total Fees		**$42,461,439**	

Note: Broker Fees are Included on a Separate Schedule

STATEMENT OF INVESTMENT POLICY AND GUIDELINES[1]

I. Introduction
The Retirement Board ("Board") of the Public Employee Retirement System of Idaho ("System") hereby establishes its Statement of Investment Policy for the investment of the trust funds ("Trust") in accord with Idaho Code Chapter 13, Title 59.

II. Statutory Requirements
The investment of the Trust will be in accord with all applicable laws of the state of Idaho.

A. Sole Interest of Beneficiaries
Investments will be solely in the interest of the participants and beneficiaries and for the exclusive purpose of providing benefits to the participants and their beneficiaries and defraying reasonable expenses of administration.

B. Prudent Investments
Investments will be made with the judgment and care under the circumstances then prevailing, which people of prudence, discretion and intelligence exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable outcome as well as the probable safety of their capital. Investments will be diversified so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly prudent not to do so.

C. Fiduciary Duties
The Board and its agents, including staff, consultants, and investment managers, will discharge their duties with respect to the fund solely in the interest of the members and retired employees, and with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

III. Investment Goals
A. General Objective
1. Purpose
The purpose of the investment of Trust assets is to provide funds to meet the obligations of the Public Employee Retirement System of Idaho (PERSI) while incurring the appropriate amount of risk consistent with attaining that goal. The Board will invest the assets of the Trust so as to meet the projected obligations of the System, and will reduce risk through diversification of the assets of the Trust.

2. Considerations
In determining the returns needed by the System, the acceptable risk levels, and the allowable investments, the Board will consider:

- the effect of particular investments on the total portfolio,
- the purpose of the plan,
- the diversification of the portfolio,
- liquidity needs and the current return relative to the anticipated cash flow requirements, and
- the projected return of the portfolio as it relates to the funding objectives of the plan.

[1] The PERSI Board of Directors modified several economic assumptions at the June 26, 2012 meeting following review of the Experience Study conducted by Milliman, Inc. The investment return assumption before fees and expenses was reduced from 7.75% to 7.50%. The net investment return was reduced from 7.25% to 7.00%. Salary growth was reduced from 4.0% to 3.75% and inflation reduced from 3.5% to 3.25%. The 2012 actuarial valuation was calculated using the new assumptions.

B. Specific PERSI return and risk objectives

1. Investment Returns

(a) Actuarial Assumptions

In projecting obligations and the returns needed to meet those obligations, the Board will consider studies performed by actuaries hired by the Board. The actuary uses an investment return assumption of 7.75% before fees and expenses in balancing projected obligations, projected contributions, and projected returns on assets. [The return assumption after fees of administering the system and its investments is 7.25%]. Assuming all of the actuarial assumptions are accurate, this 7.75% return will suffice to: (1) assure the payment of statutorily required benefits, which includes a 1% Cost of Living Adjustment (COLA); and (2) maintain the reduction of the level of the unfunded liability (if any) on the scheduled amortization (one year at a time). The assumed 7.75% return will not be sufficient to fund either discretionary COLAs (2-6%), retroactive COLAs, accelerate the amortization of the unfunded liability, build a stabilization reserve, or allow for gain-sharing distributions.

(b) Inflation and Salary Assumptions

This 7.75% rate before fees and 7.25% rate net of fees assume an inflation rate of 3.5% and an annual general state salary growth rate of 4.0%. To the extent that either inflation or salary growth are higher or lower than these rates, then the investment returns needed will also be higher or lower than the assumed 7.75% [7.25% net], although not on a 1:1 ratio. Consequently, the investment returns actually needed by the system do not have a nominal rate which can be determined with precision in advance -- the 7.75% gross rate currently used by the actuary is only a general midpoint accurate over long (15-20) year periods and is only as accurate as are the inflation, salary, and other actuarial assumptions as set out in the annual actuarial study reviewed annually by the Board.

(c) Relation to Funding Policy

As set out in the Board's funding policy, to the extent investment markets allow, it is the desire of the Board to provide discretionary COLAs, accelerate the amortization of any unfunded liability, and provide for gain-sharing. It is also the goal of the Board to maintain a reasonable amortization of any unfunded liability, and not to exceed the 25 year amortization period set by statute. Therefore, it is the goal of the Board to set an expected rate of return above the actuarially assumed return so that (1) discretionary COLAs will have a reasonable chance of being consistently funded and (2) the scheduled amortization of any unfunded liability is not unreasonably jeopardized. Returns above that amount will be used to build a stabilization reserve and to distribute to the System participants through gain-sharing.

(d) Periodic Specific Return Goals

Because of the inflation sensitivity of both the returns needed by the System and the size of annual COLAs, an exact target return (either real or nominal) cannot be set in advance. Nonetheless, under most reasonable actuarial assumptions, PERSI has a relatively stable real return goal of between 4.75% - 5.25% if consistent funding of discretionary COLAs and providing for gain sharing is included as an objective. Consequently, specific return goals for upcoming periods will be set out in the strategic asset allocations periodically adopted by the Board.

2. Investment Risk and Strategic Asset Allocations

(a) Diversification Among Asset Classes

In controlling the risk level that is appropriate for the Trust, the Board will diversify the assets of the Trust among various asset classes as the Board may from time to time adopt as appropriate asset classes. The specific asset classes to be used will be set in conjunction with the strategic asset allocation adopted from time to time by the Board.

(b) Review of Asset Classes and Asset Allocation

In setting strategic allocations, the Board will focus on assuring that the expected long-term returns will meet expected long-term obligations with the appropriate level of risk sufficient to meet those objectives. The Board will at least once every four years determine the appropriate asset classes for the investment of Trust assets and conduct asset allocation studies to help determine the long term strategic allocations among desired asset classes so as to meet long-term return objectives with the appropriate level of risk.

(c) Content of Strategic Asset Allocations

The strategic asset allocation will set out the asset classes to be used, the long-term strategic "normal" percentage of assets to be invested in each asset class, the short to intermediate term ranges that will be considered allowable temporary deviations from the strategic normal allocation, the investment risk and return expectations for each asset class, the numerical investment return and risk expected to be realized, and the relation of the expected investment return to the real and actuarially assumed investment return.

(d) Strategic Policies

In addition to asset allocation, the Board may from time to time adopt strategic policies. "Strategic policies" are actions by the Board to invest in asset types that have not been singled out as "asset classes" in the asset allocation process, to overweight particular sectors within an asset class, or to employ particular strategies in the investment of Trust assets. The purposes of these actions are either to increase the return above the expected return or to reduce risk.

IV. Investment Structure

A. Overall Structure

In making individual investment policy decisions, the Board will have as an overall goal a flexible, simplified structure with clear roles and accountability. .

1. Board Ultimately Responsible

The Board is ultimately responsible for all investment activities. In exercising this responsibility, the Board will hire investment personnel and agents and delegate various investment functions to those personnel and agents. Where the Board does not delegate investment powers or duties, the Board will either satisfy itself that it is familiar with such matters, or will retain persons who are familiar with such matters to consult or assist the Board in the exercise of those responsibilities. Where the Board delegates a responsibility, it will be delegated to a person who is familiar with such matters, and the Board will monitor and review the actions of those to whom responsibilities are delegated.

2. General Roles and Responsibilities of Board and Agents

The Board will favor a structure that accommodates a citizen Board and a small staff. The Board and staff will concentrate their activities on:

- making strategic decisions, primarily concerning asset allocation and strategic policies;
- adjusting the mix between passive and active managers depending on, among other considerations, near-term concerns regarding the U.S. and other capital markets;
- delegating and monitoring all other activities, including hiring and monitoring investment managers; and
- maintaining a reporting system that provides a clear picture of the status of the fund on a reasonably concurrent basis to both the Board and PERSI's constituencies.

The Board will rely on outside agents, and primarily investment managers, to be responsible for non-strategic decisions. This responsibility includes those investment decisions with shorter-term consequences such as the best near-term securities, regions, asset types, or asset classes.

B. Direct (Non-Delegated) Responsibilities of the Board

1. Specific Responsibilities

The Board will be directly responsible for

* Setting investment policy,
* Determining the investment structure of the Trust,
* Determining the asset classes to be utilized,
* Setting the strategic asset allocation,
* Determining strategic policies;
* Hiring agents to implement the strategic asset allocation;
* Hiring agents to implement strategic policies; and
* Monitoring the compliance of those agents with the investment policies and strategic allocations determined by the Board.

2. Delegation and Monitoring of Specific Investment Activities

The Board will normally delegate investment decisions concerning specific securities or assets, or the tactical allocations of assets among asset types, to outside agents. The Board will retain direct responsibility for the monitoring of the activities of those agents through periodic reports from its staff or consultants. The Board may choose to exercise direct investment responsibility if unusual market conditions or other circumstances so indicate.

C. Employees, Consultants, and Advisors to the Board

1. Investment Staff

(a) Duties of Chief Investment Officer and Other Staff

The Board will hire a Chief Investment Officer and such other staff as it considers appropriate who will be generally responsible for the oversight of the investment of Trust assets, and, as part of that overall responsibility, will: (1) supervise, monitor, and evaluate the performance of the investment managers hired by the Board to assure compliance with investment policy and individual guidelines; (2) assist the Board in developing and adjusting investment policy, including reviewing and modifying the asset allocation as conditions warrant; (3) research current market conditions, evaluate new products, and seek out new approaches to improve portfolio return, reduce risk, and reduce costs and fees; (4) work with the consultants, custodians, investment managers, and other agents in the performance of their assigned duties; and (5) assist the Board with education and other efforts to promote good decision making. Except in special circumstances, PERSI staff will not be responsible for the investment, purchase, or sale of specific assets.

(b) Allocation of New Net Contributions

The Chief Investment Officer shall allocate new net contributions to or withdraw net distributions from the system among investment managers in accordance with the strategic and tactical ranges established by the Board in the strategic asset allocation. The Chief Investment Officer shall report to the Board regularly on the allocation of new net contributions or the withdrawal of net distributions.

(**c) Tactical Asset Allocation**

With prior notice to the Board, the Chief Investment Officer may shift assets among managers (including between passive and active managers) as long as the asset allocation is maintained within the strategic ranges. If conditions do not permit giving prior Board notice, the Chief Investment Officer is

authorized to move assets among investment managers within the strategic ranges established by the Board. If such action is taken, the Chief Investment Officer shall notify the Chairman of the Board as soon as is practical either that action is contemplated or has been taken, as circumstances warrant.

(d) Minimum Qualifications of Chief Investment Officer

The Chief Investment Officer shall at least: (a) have a graduate degree in finance, law, or business administration or (b) be a Chartered Financial Analyst; or (c) have three or more years experience in the investment of trust assets.

2. Actuaries

The Board will hire an actuary to provide studies that will: (1) determine the long term obligations faced by the System through annual actuarial valuations, (2) set out return objectives or assumptions that will be sufficient to meet those obligations; and (3) provide reviews at least once every four years of the actuarial valuation process, including updating the projections and assumptions in light of the experience of the System. The Board will set its long-term return objectives after considering information provided by those studies.

3. Investment Consultants

The Board will hire a qualified independent consultant, whose relationship does not impose a conflict of interest with the Board or staff, to provide investment performance measurement at least quarterly with the report available to the Board within three months of the quarter end. The report will at least compare actual investment returns of the system -- in total, by each asset class, and for each managed portfolio -- with both the investment objectives of the system and a composite of returns of other institutional investors. The Board may hire other independent investment consultants as needed to assist the Board in the management of its investment activities, including, but not limited to: (1) performing asset allocation studies, and reviewing and recommending modifications of the asset allocation as conditions warrant; (2) assisting in monitoring the investment managers to assure they are in compliance with the investment policy and their individual guidelines; (3) performing manager evaluations and searches as may be necessary; and (4) assisting in the development and adjustment of investment policy. Except for consultants retained solely for purposes of performance measurement, consultants will be fiduciaries of the Trust.

D. Managers or Agents with Delegated Responsibilities

1. Custodian

(a) Responsibilities

The Board will hire custodians and other agents who will be fiduciaries of the Trust and who will assume full responsibility for the safekeeping and accounting of all assets held on behalf of the Trust. Among other duties as may be agreed to, the custodian will be responsible for: (a) the receipt, delivery, and safekeeping of securities; (b) the transfer, exchange, or redelivery of securities; (c) the claiming, receipt, and deposit of all dividend, interest, and other corporate actions due the Trust; (d) the daily sweep of all uninvested funds into a cash management account or accounts; and, (e) the provision of reports to PERSI upon agreed time intervals that will include all purchases and sales of securities, all dividend declarations on securities held by the Trust, a list of securities held by the Trust, and a cash statement of all transactions for the account of the Trust. Unless the Board provides otherwise, the custodian will also be responsible for monitoring class action litigation, filing and collecting claims on PERSI's behalf, and reporting to PERSI on such activities.

(b) Authorization of Collective Investment Trusts

Assets of the Trust may be invested in any collective investment trust, which at the time of the investment provides for the pooling of the assets of plans described in Section 401(a) of the Internal Revenue Code of 1986, as amended, and which is exempt from Federal income tax. Assets of the Trust may be commingled with assets of other trusts if invested in any collective investment trust authorized by this policy. The provisions of the trust agreement, as amended by the trustee thereof from time to time, of each collective investment trust in which Trust assets are invested are by this reference incorporated as a part of the trust estate comprising the Trust. The provisions of the collective investment trust will govern any investment of Trust assets in that trust.

2. Investment Managers

The Board will hire investment managers who will be fiduciaries of the Trust and who will be responsible for the investment of Trust assets in specific securities or assets within or among the asset classes.

(a) Minimum Qualifications

Investment managers shall be registered with the Securities and Exchange Commission (unless they are banks, insurance companies, or other category exempted from such registration requirements), have been in the business of investment management at least two years (or the main personnel of the investment management firm have worked together in the business of investment management for at least two years), and, usually, have other United States pension fund assets under management.

(b) Guidelines

Investment Managers shall manage assets in accordance with additional guidelines established by contract and as may be added to or modified from time to time. The additional guidelines will contain minimum diversification requirements that must be followed by that manager. These guidelines will also set out the investment return expected to be achieved by that manager, and shall be linked to a benchmark that represents the passive index fund that would be used to replicate the manager's assignment.

(c) Responsibilities and Discretion

Subject to the restrictions set out in this policy or as may be set out in individual contracts or guidelines, an investment manager shall have full discretionary power to direct the investment, exchange, and liquidation of the assets entrusted to that manager. The manager shall place orders to buy and sell securities and, by notice to the custodian, cause the custodian to deliver and receive securities on behalf of the Trust.

(d) Corporate Governance

The Board, unless otherwise stated, will delegate the voting of proxies to the investment manager or custodian. The Board will adopt and from time to time modify a proxy voting policy. The staff will forward PERSI's Proxy Voting Policy to investment managers; however the investment managers will normally have discretion to vote proxies according to their respective proxy voting policies, provided they vote those proxies in the best interest of our Fund. The Board may from time to time take any other action it deems appropriate in exercising PERSI's proxy voting powers, including but not limited to directing staff to vote individual proxys in a particular manner.

(e) Transactions and Brokerage

All securities transactions shall be executed by reputable broker/dealers or banks, and shall be on a best price and best execution basis

3. Use of Passive and Active Managers

(a) Purpose and Use of Active Management

The Board recognizes that passive (index fund) investing has lower costs than active investing, with regard to both management fees and transaction costs. Further, the Board also recognizes that there is uncertainty concerning whether active investing can generally outperform passive investing, particularly in the large, liquid, and efficient portions of the capital markets. Also, the Board has great confidence that a passive investment of assets in an efficient asset allocation will likely meet long-term (20 year) obligations.

Contribution rates, COLAs, and the ability to provide for gain-sharing, however, are based on 1-5 year returns. The Board does have concern that over 1-5 year periods the ability to consistently fund COLAs and to keep contribution rates stable are in considerable jeopardy from two sources: (1) expected "normal" market fluctuations are such that annual returns will likely not meet hurdle rates approximately

40% of the time, with actual negative returns to be expected once every six years; and (2) that most of the Trust assets under the strategic asset allocation will be invested in U.S. capital markets, and are thus vulnerable to poor U.S. returns.

One purpose of active management of Trust assets is to address these two concerns. Active managers will be hired for the purpose of providing greater stability of returns, and better returns, than would be achievable under purely passive management over rolling 3-5 year periods. Active managers will be responsible for timing of markets and the tactical allocation of assets among and within the capital markets (including between the U.S. and international markets).

In addition to providing extra returns, active managers will also be employed to smooth returns, provide higher long-term returns, provide protection in adverse markets, and to add exposure and additional diversification to the portfolio than that achievable solely through investment in passive indices representing the strategic asset allocation and strategic policies.

(b) Structure

In using outside managers, the Board will favor a structure using a reasonable number of managers with broad mandates and benchmarks. This preference will be implemented so as to achieve the following goals: to relieve the Board from making timing decisions in allocating assets among numerous specialized managers, to simplify the structure of the fund, and to reduce the number of active managers and thus expenses to the Trust.

Passive managers will be favored for the core, liquid, efficient markets (such as S&P 500 stocks and U.S. Government/Corporate bonds), and active managers will be favored for relatively inefficient markets (such as international emerging markets). Global managers will be used to provide flexibility in reacting to near-term concerns that may arise concerning any particular region or market, particularly the U.S. capital markets, and to provide an appropriate balance between efficient long-term asset allocations (which favor US assets) and near-term allocations (which have a greater preference for international assets) to meet the real (inflation adjusted) return needs of the System. Consequently, actual allocations to international equities in the overall portfolio from time to time may be above that in the strategic asset allocation due to the activities of the global equity managers. Assets under the management of global equity managers will be considered US equity assets for purposes of asset allocation.

(c) Balance between Passive and Active Management

The balance between active and passive management will be set from time to time with the following considerations in mind: concentration of active investment efforts where there is the most potential for excess returns, implementation of views concerning the state of the U.S. and international capital markets, and reduction of fees and other costs.

(d) Monitoring Standards

Active managers will be monitored under two standards: First, over rolling 3-5 year periods, managers will be expected to exceed, after fees, the benchmark index that represents the passive alternative to the mandate given the manager, and to rank in the top half of the universe of managers that best fits that manager's mandate. Second, over shorter periods of time, managers will be expected to maintain key personnel, a consistent style, and investment capability. Passive managers will be monitored on their ability to track their benchmark index over both short (1 quarter to one year) and long periods (3 to 5 year). The Board may consider other information it considers relevant, including composite manager indices, in determining whether to retain or terminate managers.

V. Asset Class Policies

A. U.S. Equities

1. Objective

The overall objective of the U.S. equity asset class is to obtain, over time, a return after fees that equals or exceeds the returns of the Russell 3000 Index, both absolutely and on a risk-adjusted basis. For assets under the management of global equity managers, the objective for near-term periods (approximately 5 years or sooner) will be to achieve a return after fees, that is equal to or exceeds the returns of the MSCI World Index, both absolutely and on a risk-adjusted basis.

2. Allowable Investments

Managers may invest in stocks that do not pay dividends. Managers may invest in equity securities outside of the Russell 3000 Index, and global equity managers may invest in equity securities outside of the MSCI World Index. Managers may use derivative securities for purposes of enhancing liquidity, reducing transaction or other costs, or partially hedging an existing exposure in the portfolio.

3. Manager Styles

Managers for this asset class may include index funds, style managers (such as value and growth), “core” managers, and global managers. Global managers are managers who may invest in securities located anywhere in the world, both within and outside of the United States

4. Benchmarks

The Russell 3000 index will be the benchmark for the passive index funds, core managers, and global managers. For near term periods (approximately 5 years or less), the MSCI World or MSCI ACWI indexes are the benchmarks for global equity managers. Other style or capitalization indices maintained by a qualified organization may be used as the benchmark for style managers. Active U.S. and global equity managers are expected to exceed, over rolling 3-5 year intervals, the applicable benchmark by 75 basis points annually after fees, and to rank in the top 50th percentile of active managers with similar mandates.

B. International Equities

1. Objective

The overall objective of the International Equity Asset Class is to obtain, over time, a return after fees that equals or exceeds the returns of the Morgan Stanley Capital International Europe, Australia, and Far East (MSCI EAFE) Index (unhedged), or the FT Actuaries World ex U.S. Index, both absolutely and on a risk-adjusted basis.

2. Allowable Investments

Managers may invest in stocks that do not pay dividends. Managers may invest in American Depository Receipts or American Depository Shares. Managers may invest in equity securities of companies or in countries that are not included in the indices. Managers may use derivative securities for purposes of enhancing liquidity, reducing transaction or other costs, or partially hedging an existing exposure in the portfolio. Managers may, at their discretion, hedge the currency exposure of all or part of their portfolios. Managers may not overhedge their portfolio, although proxy hedging for purposes of liquidity and cost savings is allowed.

3. Manager Styles

Managers for this asset class may include index funds, general international managers, and regional or specialized managers (such as emerging markets). The Board may from time to time hire a currency overlay manager to hedge the currency exposure in those portfolios where managers do not actively or normally consider hedging their exposure.

4. Benchmarks

The MSCI EAFE Index (unhedged), the MSCI ACW ex US, or the MSCI ACWI ex US index (unhedged) will be the benchmark for the passive index funds and general international managers. Regional or specialized indices (unhedged) maintained by a qualified organization may be used as the benchmark for other active managers. Active international equity managers are expected to exceed, over rolling 3-5 year intervals, the applicable benchmark by 75 basis points annually after fees, and to rank in the top 50th percentile of active managers with similar mandates

C. Fixed Income

1. Objectives

The overall objective of the Fixed Income Asset Class is to obtain, over time, a return after fees that equals or exceeds the returns of the Barclays Capital Aggregate Bond Index (Aggregate Bond Index) both absolutely and on a risk-adjusted basis.

The Fixed Income Asset Class shall consist of investments in mortgages and in both dollar and non-dollar fixed income securities. Mortgages shall consist of investments in mortgage backed securities, and direct ownership of commercial mortgages through the Idaho Commercial Mortgage Program.

The objective of the non-mortgage fixed income securities other than real return portfolios is to obtain, over time, a return after fees that equals or exceeds the returns of the Barclays Capital Government/Credit Bond Index (Government/Credit Bond Index) on a risk-adjusted basis. The overall objective of the mortgage securities is to obtain, over time, a return after fees that equals or exceeds the returns of the Barclays Capital Mortgage Index (Mortgage Index) on a risk-adjusted basis. The overall objective of the real return fixed income is to obtain, over time, a return after fees that equals or exceeds the returns of the Barclays Capital TIPS Index on a risk-adjusted basis.

2. Allowable Investments

Managers may invest in debt securities that do not pay interest. Active managers may invest in securities in companies or countries that are not included in the indices. Managers may use derivative securities for purposes of enhancing liquidity, reducing transaction or other costs, or partially hedging an existing exposure in the portfolio. Fixed income managers may, at their discretion and to the extent allowed by their contracts and guidelines, use currency forward or futures markets as may be considered appropriate to implement fixed income strategies.

3. Manager Styles

Managers in this asset class may include index funds, domestic bond managers, specialized managers, and global managers.

4. Benchmarks

The Barclays Capital Government/Corporate Index or Barclays Capital Aggregate Index will be the benchmark for all non-mortgage fixed income managers. The Barclays Capital Mortgage Index will be the benchmark for all mortgage managers. The Barclays Capital Aggregate Index will be the benchmark for the asset class. Active fixed income managers are expected to exceed, over rolling 3-5 year intervals, the applicable benchmark by 25 basis points annually after fees, and to rank in the top 50th percentile of active managers with similar mandates.

D. Real Estate

1. Objectives

Private equity real estate investments will be considered part of the U.S. Equity asset class. The overall objective of private equity real estate investments is to attain a 6% real rate of return overall, over a long-term holding period, as long as this objective is consistent with maintaining the safety of principal. The 6% real rate of return includes both income and appreciation, is net of investment management fees, and is net of inflation as measured annually by the Consumer Price Index. Over a short term basis, the objective is to earn a nominal minimum income yield of 6% on each individual investment, or inflation plus 3%, whichever is greater.

2. Allowable Investments

Allowable private equity real estate investments include open-end and closed-end commingled real estate funds, direct real estate investments, publicly traded real estate investment trusts and other public real estate companies, private real estate companies and real estate operating venture entities. Allowable investments must be originated and managed by real estate advisors with substantial experience originating and managing similar investments with other institutional investors. The real estate asset sector is not intended to include solely debt investments; in particular, straight mortgage interests are considered part of the fixed income asset class. The real estate asset sector may include equity-oriented debt investments, including mezzanine loans, that conform with the return targets of the sector.

3. Need for Income Component of Return

Upon closing, each real estate investment must have as a goal the expectation of an annual income return and overall holding period return measured primarily by realized return rather than expected capital appreciation. Thus, a significant portion of real estate investments made should be in existing income producing properties with measurable return expectations rather than purely development properties. However, existing properties with potential for physical enhancement, including development or redevelopment, are acceptable investments.

4. Protection of the Trust

Investment vehicles should be chosen that will protect the Trust, including provision for investments that do not contain debt or liability with recourse beyond the Trust commitment to the related business entity, provision for inspection and evaluation of environmental hazards prior to the purchase of any specific property, and the provision of insurance coverage to protect against environmental and natural hazards.

5. Reporting

A comprehensive reporting system for individual investments, entities and funds will be maintained so that primary operational and economic characteristics are continually defined, and underperforming investments can be identified and remediated. Active asset and portfolio management is required for the management of all non-publicly traded real estate investments. Investment managers shall be required to present periodic operational reports within approved formats, including statements of fair market value, audited financial statements and annual business plans

E. Alternative Investments

1. Definition and Board Approval

The Board may from time to time authorize the investment of Trust assets in entities or structures that do not fit the asset descriptions listed above. Examples of such investments are venture capital partnerships, private equity, leveraged buy-out funds, private debt, and direct ownership of individual assets such as oil and gas partnerships. These investments shall only be entered into upon the recommendation of a qualified consultant after due diligence and with approval by the Board or a subcommittee appointed by the Board to review the recommendation. Subsequent investments with a previously approved alternative investment manager do not require additional specific approvals by the Board or subcommittee.

2. Objectives and Benchmarks

If the alternative investment is an equity investment, the objective for the investment will be to exceed, over time and after fees, the return achieved by the Russell 2000 Index times 1.35. If the alternative investment is a debt investment, then the objective will be to exceed, over time and after fees, the returns achieved by the Barclays Capital Government/Credit Index plus 3%. It is recognized that these investments will likely experience greater volatility than the comparable publicly traded securities and indices

VI. Asset Allocation

For purposes of asset allocation, alternative equity investments will be treated as part of the U.S. equity asset class, and alternative debt investments will be treated as part of the fixed income asset class.

Strategic Asset Allocation

Asset Class	Expected Return	Expected Risk	Strategic Normal	Strategic Ranges
Equities				
U.S./Global Equity	9.35%	18%	55%	**50% - 65%**
International	9.5%	20%	15%	**10% - 20%**
Total Equities			**70%**	**66% - 77%**
Fixed Income	**3.8%**	**4.5%**	**30%**	**23% - 33%**
Cash	**3.0%**	**1%**	**0%**	**0% - 5%**

Total Fund	Expected Return	Expected Inflation	Expected Real Return	Expected Risk
Actuary	7.75%	3.5%	4.25%	**n/a**
Portfolio	**7.71%**	**2.5%**	**5.21%**	**12.55%**

(Expected Returns are before fees and expenses)

VII. GASB 40 Reporting (Section VII adopted May 26, 2005)

A. Purpose

The Governmental Accounting Standards Board has identified that state and local governments have deposits and investments which are exposed to risks that may result in losses. GASB Statement number 40 (GASB 40) is intended to inform users of the financial statements about the risks that could affect the ability of a government entity to meet its obligations. GASB 40 has identified general deposit and investment risks as credit risk, including concentration of credit risk and custodial credit risk, interest rate risk, and foreign currency risk and requires disclosures of these risks and of policies related to these risks. This portion of the Investment Policy addresses the monitoring and reporting of those risks.

In general, the risks identified in GASB 40, while present, are diminished when the entire portfolio is viewed as whole. For example, interest rate risk experienced by fixed income instruments often react in the exact opposite direction as that experienced by equities. Thus, interest rate exposure as set out in GASB 40 will not reflect the cross-influences of impacts across the broad range of investments that make up the PERSI portfolio. And, in fact, the general underlying measures used in GASB 40 across most of the risks identified (credit, concentration, and interest rate risk in particular) were tools that were developed primarily for portfolios dominated by fixed income investments, and are often only poorly transferred, if at all, to portfolios, like PERSI's, that are dominated by equity interests.

Consequently, it is the policy of PERSI that the risks addressed in GASB 40 are to be monitored and addressed primarily through the guidelines agreed to by those managers, and by regular disclosures in reports by managers of levels of risks that may exceed expected limits for those portfolios.

B. Specific Areas of Risk

1. Credit Risk

Summary: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to PERSI.

Policy: Managers will 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.

2. Custodial Credit Risk

Summary: 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.

Policy: PERSI minimizes exposure to custodial credit risk by requiring that investments, to the extent possible, be clearly marked as to PERSI ownership and further to the extent possible, be held in the System's name.

3. Concentration of Credit Risk

Summary: Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government's investment in a single issue.

Policy: Managers will provide PERSI with expected concentration of credit risk exposures in their portfolio guidelines. If the concentration of credit risk exceeds expectations, managers are to be 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 instrument exceeds 5% of the total PERSI portfolio.

4. Interest Rate Risk

Summary: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Interest rate risk to PERSI's fixed income portfolio is monitored using the effective duration methodology. Effective duration measures the volatility of the price of a bond given a change in interest rates, taking into account the optionality on the underlying bond.

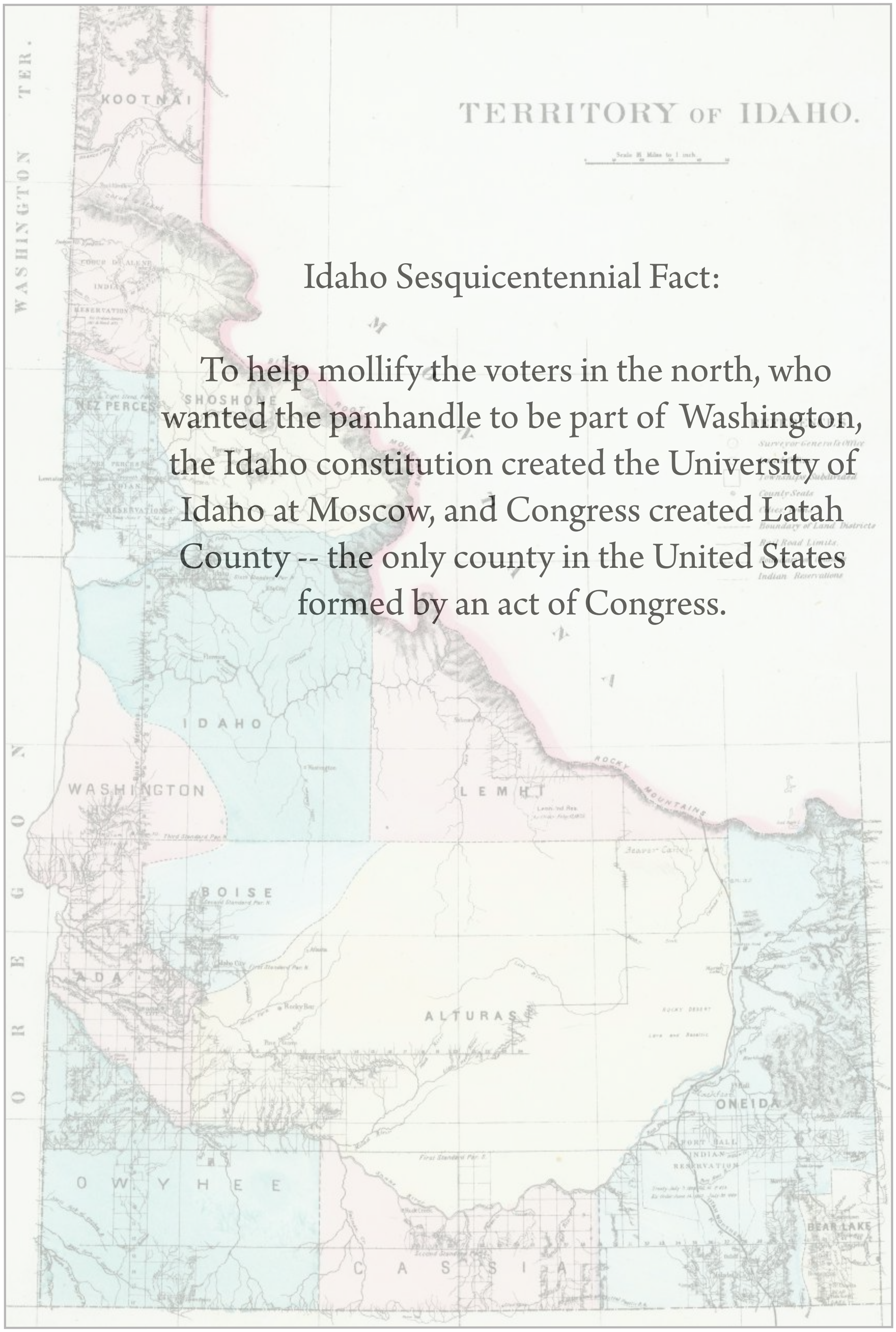
Policy: Managers will provide PERSI with the expected portfolio duration in their portfolio guidelines. If the duration of the portfolio differs from expectations, managers are to be required to report these occurrences to Staff and these disclosures are to be made available to the Board.

5. Foreign Currency Risk

Summary: Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. PERSI's currency risk exposures, or exchange rate risk, primarily reside within the international equity investment holdings.

Policy: The PERSI Board recognizes that international investments (equity or fixed income) will have a component of currency risk associated with it. Currency risk and hedging exposures are dependent on the underlying international exposure, which fluctuates over time. The individual manager guidelines will outline the expected currency 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..

Actuarial Section



Idaho Sesquicentennial Fact:

To help mollify the voters in the north, who wanted the panhandle to be part of Washington, the Idaho constitution created the University of Idaho at Moscow, and Congress created Latah County -- the only county in the United States formed by an act of Congress.

Helping Idaho public employees build a secure retirement.

Milliman

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October 24, 2012

Retirement Board
Public Employee Retirement System
State of Idaho
P.O. Box 83720
Boise, ID 83720

Members of the Board:

Milliman has performed annual actuarial valuations for the Public Employee Retirement System of Idaho since the System's inception. It is anticipated that future actuarial valuations will be performed every year with the next valuation to be as of July 1, 2013. Various benefit increases have occurred since the System was established in 1965. The most recent significant benefit changes were effective July 1, 2000.

Contribution Rates

The financing objective of the System is to establish contribution rates that will tend to remain level as percentages of payroll. From 1993 to 2012, the total contribution rate has been between 15.82% and 18.75%; year by year detail including employer and member rates is shown in the table on the following page.

At July 1, 2002, the combined overall contribution rate was 15.78%. Our July 1, 2002 valuation found that the contribution rates were not sufficient to amortize the unfunded actuarial accrued liability within 25 years of the valuation date, as required by Section 59-1322, Idaho Code. Therefore, in November 2002, the Board approved three 1% contribution rate increases to take effect on July 1, 2004, July 1, 2005, and July 1, 2006. Effective July 1, 2003, the contribution rate for Fire and Police employers was also increased by 0.1% to offset the cost of the $100,000 duty related death benefit. The July 1, 2004 contribution rate increase took effect as scheduled. Due to investment gains, the other two increases were deferred and ultimately in October 2007 the Board cancelled the scheduled contribution rate increases.

The July 1, 2009 valuation found that the contribution rates were insufficient to amortize the unfunded actuarial accrued liability within 25 years of the valuation date. Therefore, in December 2009, the Board approved three contribution rate increases to take effect: 1.5% on July 1, 2011, 1.5% on July 1, 2012, and 2.28% on July 1, 2013. In December 2010, these scheduled rate increases were each delayed one year. In December 2011, these scheduled rate increases were again each delayed one year.

The historical changes in contribution rates since 1993 are shown in the table below. Note that weighted total values may change even if rates by group do not change.

		Weighted Total		Fire & Police		General/Teachers	
Year of Change	Total Rate	Member Rate	Employer Rate	Member Rate	Employer Rate	Member Rate	Employer Rate
1993	17.16%	6.51%	10.65%	7.82%	10.87%	6.38%	10.63%
1994	18.75	7.12	11.63	8.53	11.85	6.97	11.61
1998	17.78	6.75	11.03	8.10	11.25	6.60	11.01
2000	15.78	5.98	9.80	7.21	10.01	5.86	9.77
2003	15.82	6.01	9.81	7.21	10.11	5.86	9.77
2004	16.84	6.41	10.43	7.65	10.73	6.23	10.39
2008	16.88	6.44	10.44	7.65	10.73	6.23	10.39
2009	16.89	6.45	10.44	7.69	10.73	6.23	10.39
2012	16.89	6.45	10.44	7.69	10.73	6.23	10.39

Contribution rates increases are scheduled for July 1, 2013 (increase in the total rate of 1.5%), July 1, 2014 (1.5%), and July 1, 2015 (2.28%).

Our July 1, 2012 actuarial valuation found that the System's rates are sufficient to pay the System's normal cost rate of 14.30% if the future scheduled contribution rate increases are reflected. As of July 1, 2012, there is an unfunded actuarial liability of $2,043.5 million. The current rates are sufficient to amortize the Unfunded Actuarial Accrued Liability (UAAL) in 14.8 years.

Funding Status

Based on the July 1, 2012 actuarial valuation, the unfunded actuarial accrued liability was increased by $669.0 million due to a large asset loss recognized as of July 1, 2012. Specifically, the System's assets earned a gross return before expenses of 1.58%, which is 5.92% below the actuarial assumption of 7.50%. All other actuarial experience gains and losses decreased the actuarial accrued liability by $150.6 million. Thus, the total experience loss for the year was $518.4 million.

Also, the actuarial accrued liability was increased by $31.5 million because actual contributions plus assumed investment returns were less than the normal cost and the interest on the unfunded actuarial accrued liability. Delaying the three contribution rate increases mentioned above increased the actuarial accrued liability by $6.0 million. The new demographic assumptions adopted after the 2012 Active Member Experience Study dated June 15, 2012 decreased the actuarial accrued liability by an additional $39.5 million. The economic assumptions adopted after the 2012 Active Member Experience Study increased the actuarial accrued liability by an additional $294.5 million.

All of these items then resulted in a total actuarial loss of $810.9 million and a change in funding status from a 90.2% funding ratio on July 1, 2011 to 84.7% on June 30, 2012. The funding ratio is the ratio of the actuarial value of the assets over the value of the actuarial accrued liability.

Assumptions

Our July 1, 2012 actuarial valuation report presented summaries of the actuarial assumptions and methods used in the valuation. The last major experience study, completed in June 2012, covered the period July 1, 2007 through June 30, 2011. The next major experience study, to be completed in 2014, will cover the period July 1, 2009 through June 30, 2013.

Certification Statement

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by PERSI's staff. This information includes, but is not limited to, benefit descriptions, employee data, and financial information. In our examination of such data, we have found them to be reasonably consistent and comparable with data used for other purposes. Since the valuation results are dependent on the integrity of the data supplied, the results can be expected to differ if the underlying data is incomplete or missing or if our assumptions regarding incomplete data are incorrect. It should be noted that if any data or other information is inaccurate or incomplete, our calculations may need to be revised.

All costs, liabilities rates of interest, and other factors have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations) and which in combination, offer our best estimate of anticipated experience affecting the System. The Retirement Board has the final decision regarding the appropriateness of the assumptions.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements.

Actuarial computations presented in this report are for purposes of determining the recommended funding amounts for the System. Actuarial computations under GASB Statements No. 25 and 27 are for purposes of fulfilling financial accounting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed exhibits have been made on a basis consistent with our understanding of the System's funding requirements and goals and of GASB Statements No. 25 and 27. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes

Milliman's work is prepared solely for the internal business use of the System. To the extent that Milliman's work is not subject to disclosure under applicable public records laws, Milliman's work may not be provided to third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of its work product. Milliman's consent to release its work product to any third party may be conditioned on the third party signing a Release, subject to the following exception(s):

(a) The System may provide a copy of Milliman's work, in its entirety, to the System's professional service advisors who are subject to a duty of confidentiality and who agree to not use Milliman's work for any purpose other than to benefit the System.

(b) The System may provide a copy of Milliman's work, in its entirety, to other governmental entities, as required by law.

No third party recipient of Milliman's work product should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this letter is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and Fellows of the Society of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

The enclosed Exhibits 1 through 9 provide further related information. Milliman is completely responsible for these exhibits. Specifically, they are:

- Exhibit 1 Summary of Actuarial Assumptions and Methods
- Exhibit 2 Schedule of Active Member Valuation Data
- Exhibit 3 Schedule of Retiree and Beneficiary Valuation Data
- Exhibit 4 Schedule of Funding Progress
- Exhibit 5 Solvency Test
- Exhibit 6 Analysis of Actuarial Gains or Losses
- Exhibit 7 Schedule of Contributions from the Employer and All Other Contributing Entities
- Exhibit 8 Schedule of Contributions from the Employer Expressed as a Percentage of Payroll
- Exhibit 9 Provisions of Governing Law

We would like to express our appreciation to Don Drum, Executive Director of the System, and to members of his staff, who gave substantial assistance in supplying the data on which this report is based.

Respectfully submitted,

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Public Employee Retirement System of Idaho

EXHIBIT 1: SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS EFFECTIVE JULY 1, 2012

1. Investment Return (Adopted July 1, 2012)

The annual rate of investment return on the assets of the System is assumed to be 7.50% (including 0.50% for expenses) compounded annually.

2. Actuarial Value of Assets (Adopted July 1, 1994)

All assets are valued at market as of the valuation date.

3. Actuarial Assumptions

The actuarial assumptions and methods were adopted by the Board based upon recommendations from the retained actuary. The actuarial assumptions are based on periodic studies of the System's actual experience.

4. Mortality (Adopted July 1, 2010)

Contributing Members, Service Retirement Members, and Beneficiaries

- **Teachers**

  Males RP-2000 Combined Table for Healthy Individuals for males, set back three years.

  Females RP-2000 Combined Table for Healthy Individuals for females, set back three years.

- **Fire & Police**

  Males RP-2000 Combined Table for Healthy Individuals for males, with no offset.

  Females RP-2000 Combined Table for Healthy Individuals for females, set forward one year.

  10% of Fire and Police active member deaths are assumed to be duty related. This assumption was adopted July 1, 2008.

- **General Employees and All Beneficiaries**

  Males RP-2000 Combined Table for Healthy Individuals for males, with no offset.

  Females RP-2000 Combined Table for Healthy Individuals for females, set back one year.

  All mortality tables are adjusted with generational mortality adjustments using projection scale AA as shown in Table A-11B of the July 1, 2012 valuation report. The projection scale is applied from the year 2000 to the year in which the mortality assumption is being applied.

Disabled Members

For disabled members, the mortality rates used in the valuation are the rates from the RP-2000 table for disabled individuals for respective sexes, with a one-year setback for males and a two-year set forward for females.

All mortality tables are adjusted with generational mortality adjustments using projection scale AA as shown in Table A-11B of the July 1, 2011 valuation report. The projection scale is applied from the year 2000 to the year in which the mortality assumption is being applied.

5. Service Retirement (Adopted July 1, 2012)

Annual rates of retirement assumed to occur among persons eligible for a service retirement are illustrated in the following table:

	Fire & Police		General Employees			
			Male		Female	
Age	First Year Eligible	Thereafter	First Year Eligible	Thereafter	First Year Eligible	Thereafter
55	21%	18%	22%	10%	26%	18%
60	17	22	26	17	26	18
65	40	40	33	55	37	49
70	*	*	18	18	18	18

	Teachers			
	Male		Female	
Age	First Year Eligible	Thereafter	First Year Eligible	Thereafter
55	19%	5%	10%	10%
60	30	18	26	18
65	36	46	49	49
70	*	*	*	*

* *For all ages older than the age indicated, retirement is assumed to occur immediately.*

6. Early Retirement (Adopted July 1, 2012)

Annual rates of retirement assumed to occur among persons eligible for a reduced early retirement benefit are illustrated in the following table:

		General Employees		Teachers	
Age	Fire & Police	Male	Female	Male	Female
50	5%	*	*	*	*
55	5	3%	3%	7%	6%
60		5	6	11	12

* *For all ages younger than the age indicated, withdrawal is assumed to occur (see Section 7).*

7. Other Terminations of Employment (Adopted July 1, 2012)

Assumed annual rates of termination are illustrated below. Rates are based only on years of service.

Years of Service	Fire and Police	General Employees Male	General Employees Female	Teachers Male	Teachers Female
5	7.7%	10.9%	11.8%	6.3%	6.8%
10	4.6	5.6	6.7	3.3	3.6
15	2.7	3.8	4.3	2.1	2.0
20	1.8	2.6	3.1	1.4	1.4
25	1.5	1.8	2.5	1.2	1.2
30	1.5	1.5	2.5	1.2	1.2

8. Disability Retirement (Adopted July 1, 2012)

Annual rates assumed for disability retirement are illustrated in the following table:

Age	Fire & Police	General Employees Male	General Employees Female	Teachers Male	Teachers Female
25	.01%	.01%	.01%	.01%	.05%
35	.03	.03	.01	.02	.04
45	.10	.11	.10	.07	.07
55	.43	.38	.28	.27	.27

25% of Fire and Police active member disabilities are assumed to be duty related. This assumption was adopted July 1, 2009.

9. Future Salaries (Adopted July 1, 2012)

In general, the total annual rates at which salaries are assumed to increase include 3.75% per annum for increase in the general wage level of the membership plus increases due to promotions and longevity. The general wage level increases are due to inflation and increases in productivity. The total ultimate rates assumed are illustrated below.

Years of Service	Fire and Police	General Employees Male	General Employees Female	Teachers Male	Teachers Female
5	7.43%	6.24%	6.74%	7.12%	7.85%
10	5.77	5.31	5.67	6.03	6.24
15	5.00	4.68	4.77	4.99	4.68
20	4.53	4.42	4.42	4.27	4.27

10. Vesting (Adopted July 1, 2012)

The following table illustrates the assumed probability that vested terminating members will elect to receive deferred benefits instead of withdrawing accumulated contributions.

Age	Fire and Police	General Employees Male	General Employees Female	Teachers Male	Teachers Female
25	48%	51%	63%	75%	94%
35	53	69	70	76	84
45	70	76	74	82	85
55	--	--	--	--	--

11. Growth in Membership (Adopted July 1, 2012)

In general, the combined effects of stable active membership and salary levels are assumed to produce a 3.75% average annual expansion in the payroll of covered members.

12. Interest on Employee Contributions (Adopted July 1, 2012)

The credited interest rate on employee contributions is assumed to be 8.00%.

13. Postretirement Benefit Increases (Cost of Living Adjustments)

A nondiscretionary postretirement increase of 1% per year is assumed for the valuation. See Exhibit 3 for total discretionary and nondiscretionary increases granted by the Board for the past ten years.

14. Actuarial Cost Method

The entry age actuarial cost method is used as specified by Idaho law. The aggregate normal cost rate is based on separate rates developed for each valuation group. The normal cost rates used in this valuation were calculated based on all current active members, for each sex and type of employee in this valuation. The actuarial present values of projected benefits and of projected salaries for all active members were calculated. The ratio of the two is the aggregate normal cost rate. The aggregate rate remains unchanged between valuations, unless actuarial assumptions, benefits or contribution rates are changed. The current aggregate normal cost rate was adopted July 1, 2012.

The unfunded actuarial accrued liability (UAAL) created by this method, including gains and losses, is amortized as a level percentage of the System's projected payroll.

Commencing July 1, 2007, 1.49% of the payroll of higher education faculty covered by the Optional Retirement Program (ORP) is payable to PERSI until July 1, 2025. Commencing July 1, 1997, 3.83% of the payroll of community college and post-secondary vocational educational institutions covered by the ORP was payable to PERSI until July 1, 2011. The difference between the future ORP contributions and the actuarial accrued liability computed under the actuarial cost method is the portion of the actuarial accrued liability used to determine the UAAL, or funding reserve, for PERSI.

15. Experience Studies

The last experience study was completed in 2012 for the period July 1, 2007 through June 30, 2011 and reviewed all economic and demographic assumptions other than mortality. Mortality and all economic assumptions will be studied in 2014 for the period from July 1, 2009 through June 30, 2013. Assumptions were adopted as noted.

16. Recent Changes

At the June 2012 Board meeting, new demographic and economic assumptions were adopted.

At the December 2011 Board meeting, the scheduled contribution rate increases on July 1, 2012, July 1 2013, and July 1 2014, were all delayed one year.

EXHIBIT 2: SCHEDULE OF ACTIVE MEMBER VALUATION DATA

		Annual Salaries *		
Valuation Date July 1	Number	Annual Valuation Payroll	Average Annual Pay	% Increase in Average Annual Pay
2003	62,385	$2,063,615,000	$33,079	1.3%
2004	63,385	2,124,040,000	33,510	1.3
2005	64,391	2,197,385,000	34,126	1.8
2006	64,762	2,294,317,000	35,427	3.8
2007	65,800	2,397,470,000	36,436	2.8
2008	66,765	2,540,568,000	38,052	4.4
2009	67,813	2,644,665,000	38,999	2.5
2010	67,020	2,622,461,000	39,130	0.3
2011	65,798	2,572,044,000	39,090	-0.1
2012	65,270	2,567,659,000	39,339	0.6

* *Actuarial valuation payroll is computed as the sum of the annualized salaries for all active members, and differs from the actual payroll shown in the financial section of the annual report.*

Public Employee Retirement System of Idaho

EXHIBIT 3: SCHEDULE OF RETIREE AND BENEFICIARY VALUATION DATA (1)

Valuation Date July 1	Number Total	Number Added	Number Removed	COLA Percentage Increases Granted Previous March 1
2003	24,991	1,790	817	1.0%
2004	26,043	1,875	823	2.2
2005	27,246	1,959	756	2.7% +100% Restoration
2006	28,438	2,073	881	3.6
2007	29,619	2,101	920	3.8
2008	30,912	2,160	867	2.0
2009	32,197	2,235	950	1.0
2010	33,625	2,335	907	-1.48% +2.48% Partial Restoration
2011	35,334	2,652	943	1.0
2012	37,150	2,769	953	1.0

Valuation Date July 1	Annual Benefits				
	Total Rolls End of Year	Added to Rolls (2)	Removed from Rolls	Average	% Increase in Average
2003	$279,219,000	$30,190,000	$6,345,000	$11,173	5.1%
2004	307,410,000	35,243,000	7,052,000	11,804	5.6
2005	343,077,000	42,022,000	6,355,000	12,592	6.7
2006	381,677,000	46,085,000	7,485,000	13,421	6.6
2007	422,196,000	49,182,000	8,663,000	14,254	6.2
2008	459,077,000	45,072,000	8,191,000	14,851	4.2
2009	491,946,000	42,698,000	9,829,000	15,279	2.9
2010	526,020,000	43,382,000	9,308,000	15,644	2.4
2011	567,933,000	51,647,000	9,734,000	16,073	2.7
2012	611,045,000	53,184,000	10,072,000	16,448	2.3

(1) Information regarding the number of retirees and beneficiaries added to, and removed from, the rolls was not used in the actuarial valuations.

(2) Includes postretirement increases.

EXHIBIT 4: SCHEDULE OF FUNDING PROGRESS
(ALL DOLLAR AMOUNTS IN MILLIONS)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL) (1)	Present Value of Future ORP Contributions	Unfunded Actuarial Accrued Liabilities (UAAL) (2)	Funded Ratio (3)	Covered Payroll (4)	UAAL as a Percentage of Covered Payroll
July 1, 2003	$6,297.8	$7,578.8	$66.4	$1,214.6	83.8%	$2,057.7	59.0%
July 1, 2004	7,420.2	8,154.8	63.5	671.1	91.7	2,115.4	31.7
July 1, 2005	8,208.8	8,778.7	61.3	508.6	94.2	2,208.7	23.0
July 1, 2006	9,177.1	9,699.0	60.2	461.7	95.2	2,343.5	19.7
July 1, 2007	10,945.8	10,431.9	59.5	(573.4)	105.5	2,421.0	(23.7)
July 1, 2008	10,402.0	11,211.8	60.9	748.9	93.3	2,578.9	29.0
July 1, 2009	8,646.0	11,732.2	59.6	3,026.6	74.1	2,683.5	112.8
July 1, 2010	9,579.8	12,187.9	52.3	2,555.8	78.9	2,684.4	95.2
July 1, 2011	11,360.1	12,641.2	48.5	1,232.6	90.2	2,627.9	46.9
July 1, 2012	11,306.2	13,396.7	47.0	2,043.5	84.7	2,619.6	78.0

(1) Actuarial present value of benefits less actuarial present value of future normal costs based on entry age actuarial cost method.

(2) Actuarial accrued liabilities less actuarial value of assets and present value of future ORP contributions. Amounts reported in this table do not include the value of any discretionary COLA or Gain Sharing allocations granted after the valuation date. If negative, amount is referred to as a funding reserve.

(3) Funded Ratio is the ratio of the actuarial value of assets over the actuarial accrued liabilities less the present value of future ORP contributions.

(4) *Covered Payroll includes compensation paid to all active employees on which contributions are calculated. Covered Payroll differs from the Active Member Valuation Payroll shown in Exhibit 2 which is an annualized compensation of only those members who were active on the actuarial valuation date.*

EXHIBIT 5: SOLVENCY TEST
(ALL DOLLAR AMOUNTS IN MILLIONS)

		Actuarial Accrued Liabilities For			Portion of Actuarial Accrued Liabilities Covered by Assets		
Actuarial Valuation Date	Actuarial Value of Assets	Active Member Contributions (A)	Retirees and Beneficiaries (B)	Active Members (Employer Financed Portion) (C)	(A)	(B)	(C)
July 1, 2003	$6,297.8	$1,677.8	$2,882.9	$3,018.1	100	100.0%	57.6
July 1, 2004	7,420.2	1,717.7	3,198.1	3,239.0	100	100.0	77.3
July 1, 2005	8,208.8	1,875.1	3,606.7	3,296.9	100	100.0	82.7
July 1, 2006	9,177.1	2,142.5	4,088.9	3,467.6	100	100.0	84.9
July 1, 2007	10,945.8	2,335.6	4,582.9	3,513.4	100	100.0	100.0
July 1, 2008	10,402.0	2,642.0	5,022.9	3,546.9	100	100.0	77.2
July 1, 2009	8,646.0	2,867.7	5,396.2	3,468.3	100	100.0	11.0
July 1, 2010	9,579.8	2,813.7	5,820.0	3,554.2	100	100.0	26.6
July 1, 2011	11,360.1	2,838.9	6,284.8	3,517.5	100	100.0	63.6
July 1, 2012	11,306.2	3,114.9	6,925.0	3,356.8	100	100.0	37.7

Public Employee Retirement System of Idaho

EXHIBIT 6: ANALYSIS OF ACTUARIAL GAINS OR LOSSES
(ALL DOLLAR AMOUNTS IN MILLIONS)

	Gain(Loss) for Period		
	2009-2010	2010-2011	2011-2012
Investment Income			
Investment income was greater (less) than expected.	$ 392.9	$ 1,212.2	$ (669.0)
Pay Increases			
Pay increases were less (greater) than expected.	260.3	281.9	171.3
Membership Growth			
(Additional) liability for new members.	(11.8)	(13.0)	(8.1)
Return to Employment			
Less (more) reserves were required for terminated members returning to work.	(9.5)	(10.7)	(10.5)
Death After Retirement			
Retirees died younger (lived longer) than expected.	0.7	(5.8)	(9.2)
Cost of Living Adjustment (COLA)			
Different Automatic COLA than expected.	NA	NA	NA
Other			
Miscellaneous gains (and losses) resulting from other causes. [1]	(28.6)	(37.8)	7.1
Total Gain (Loss) During the Period From Actuarial Experience	$ 604.0	$ 1,426.8	$ (518.4)
Contribution Income			
Actual contributions were greater (less) than the normal cost and interest on the Unfunded Actuarial Accrued Liability.	(130.5)	(92.8)	(31.5)
Non-Recurring Items			
Changes in actuarial assumptions caused a gain (loss) [2]	82.7	None	(255.0)
Changes in actuarial methods caused a gain (loss)	None	None	None
Changes in plan provisions caused a gain (loss) [3]	38.9	(4.7)	None
Delay of future contribution rate increases	None	(6.1)	(6.0)
Composite Gain (Loss) During the Period	$ 595.1	$ 1,323.2	$ (810.9)

Note: Effects related to losses are shown in parentheses. Numerical results are expressed as a decrease (increase) in the actuarial accrued liability.

(1) *Reflects losses on active and inactive member experience.*

(2) *For 2009-2010, this reflects changes made to the mortality and economic assumptions as described in the July 21, 2010 Investigation of Experience. For 2011-2012, this reflects changes made to the demographic and economic assumptions adopted according to the 2012 Active Member and Experience Study.*

(3) *For 2009-2010, this reflects scheduled rate increases. For 2010-2011, this reflects updates to the CA factors.*

EXHIBIT 7: SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER AND ALL OTHER CONTRIBUTING ENTITIES (ALL DOLLAR AMOUNTS IN MILLIONS))

Fiscal Year Ending	Covered Employee Payroll (1)	Actual PERSI Employer Contributions Dollar Amount (2)	Actual ORP Contributions Dollar Amount	Total Actual Employer Contributions	Annual Required Contribution (ARC) (3)	Percentage of ARC Dollars Contributed
6/30/06	$2,343.5	$244.4	$6.4	$250.8	$238.1	105%
6/30/07	2,421.0	252.8	6.7	259.5	235.4	110
6/30/08	2,578.9	269.2	4.1	273.3	251.4	109
6/30/09	2,683.5	280.2	4.4	284.6	232.0	123
6/30/10	2,684.4	280.2	4.7	284.9	260.3	109
6/30/11	2,627.9	274.3	4.8	279.1	326.5	85
6/30/12	2,619.6	273.5	3.7	277.2	327.9	84

(1) Computed as the dollar amount of the actual PERSI employer contribution made as a percentage of payroll divided by the Actual PERSI contribution rate expressed as a percentage of payroll.

(2) The actual PERSI employer contributions are expressed as a percentage of payroll. Employer contributions are made as a percentage of actual payroll in accordance with statute and the Board's Funding Policy. Thus, the actual employer contributions set by both statute and the Board's Funding Policy may differ from the computed ARC employer contribution rate for GASB disclosure purposes. Dollar amounts shown exclude additional receipts due to merger of retirement systems.

(3) For PERSI employers, the Annual Required Contribution (ARC) is equal to the normal cost rate plus a 25-year amortization of any Unfunded Actuarial Accrued Liability or minus a 25-year amortization of any Funding Reserve amount. The ARC determined as of the valuation date is applicable for employer fiscal years commencing October 1 of the calendar year following the valuation date. For Optional Retirement Plan (ORP) employers, the ARC is equal to 1.49% of salaries of university members in the ORP until 2025 and 3.83% of salaries of junior college members in the ORP until 2011.

EXHIBIT 8: SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER EXPRESSED AS A PERCENTAGE OF PAYROLL

Fiscal Year Ending	Actual PERSI Employer Contribution % (1)	Annual Required Contribution (ARC) % (2)	Percentage of ARC Contributed
6/30/06	10.43%	9.885%	105%
6/30/07	10.44	9.448	110
6/30/08	10.44	9.588	109
6/30/09	10.44	8.483	123
6/30/10	10.44	9.523	109
6/30/11	10.44	12.243	85
6/30/12	10.44	12.375	84

(1) The actual PERSI employer contributions are expressed as a percentage of payroll. Employer contributions are made as a percentage of actual payroll in accordance with statute and the Board's Funding Policy. Thus, the actual employer contributions set by both statute and the Board's Funding Policy may differ from the computed ARC employer contribution rate for GASB disclosure purposes. Dollar amounts shown exclude additional receipts due to merger of retirement systems.

(2) For PERSI employers, the Annual Required Contribution (ARC) is equal to the normal cost rate plus a 25-year amortization of any Unfunded Actuarial Accrued Liability or minus a 25-year amortization of any Funding Reserve amount. The ARC determined as of the valuation date is assumed applicable for employers commencing October 1 of the calendar year following the valuation date. For Optional Retirement Plan (ORP) employers, the ARC is equal to 1.49% of salaries of university members in the ORP until 2025 and 3.83% of salaries of junior college members in the ORP until 2011.

EXHIBIT 9: PROVISIONS OF GOVERNING LAW

All actuarial calculations are based on our understanding of the statutes governing the Public Employee Retirement System of Idaho, as contained in Sections 59-1301 through 59-1399, inclusive, of the Idaho Code, with amendments effective through July 1, 2012. The benefit and contribution provisions of this law are summarized briefly below, along with corresponding references to the Idaho Code. This summary does not attempt to cover all the detailed provisions of the law. Only those benefits in effect through July 1, 2012 are considered in this valuation. The items in parentheses are the provisions applicable to firefighters and police officers

Effective Date

The effective date of the Retirement System was July 1, 1965.

Member Contribution Rate

The member contribution rate effective July 1, 2012 is 6.23% (7.69%) of salary. Increases in the contribution rates are scheduled for July 1, 2013, July 1, 2014, and July 1, 2015, as described in Section 5.

When the scheduled rate increases take effect, the member contribution rate will be fixed at 60% (72%) of the employer contribution rate. For firefighters and police officers, the 72% adjustment is applied after reducing the employer rate by 0.10% for the 2003 addition of a $100,000 death benefit for fire and police members who die in the line of duty. After the 72% is applied, the resulting rate is increased by 0.04% for the lump sum duty disability benefit. Member contributions have been “picked up” on a pre-tax basis by the employer since June 30, 1983 (Sections 59-1331 and 59-1332).

Employer Contribution Rate

The employer contribution rate is set by the Retirement Board (Section 59-1322). Future scheduled rate increases at July 1, 2013, July 1, 2014, and July 1, 2015, are reflected in this valuation as described in Section 5 of the July 1, 2012 Actuarial Valuation report.

Service Retirement Allowance

Eligibility
Age 65 (60) with five years of service including six months of membership service (Section 59-1341).

Service Retirement Allowance (continued)

Amount of Allowance
For each year of credited service, the annual service retirement allowance is 2.0% (2.3%) of the highest 42-month average salary (Section 59-1342).

Minimum Benefit
$60 ($72) annual allowance for each year of service. The dollar amounts increase after 1974 according to the rate of cost of living increases in retirement allowances (Section 59-1342).

Maximum Benefit
In no case may a member's regular retirement benefit exceed the highest three-year average salary of the member (Section 59-1342).

Normal Form
Straight life retirement allowance plus any death benefit (Section 59-1351).

Optional Form
Actuarial equivalent of the normal form under the options available, according to the mortality and interest basis adopted by the Board (Section 59-1351).

Early Retirement Allowance

Eligibility
Age 55 (50) with five years of service, including six months of membership service (contributing members only) (Section 59-1345).

Amount of Allowance
Full accrued service retirement allowance if age plus service equals 90 (80); otherwise, the accrued service retirement allowance, reduced by 3% for each of the first five years by which the early retirement date precedes the date the member would be eligible to receive the full accrued benefit, and by 5.75% for each additional year (Section 59-1346).

Vested Retirement Allowance

Eligibility
Former contributing members with five years of membership service are entitled to receive benefits after attaining age 55 (50) (Section 59-1345).

Amount of Allowance
Same as early retirement allowance (Section 59-1345).

Disability Retirement Allowance

Eligibility
Five years of membership service. For a police officer or a firefighter hired after July 1, 1993 who is disabled from an occupational cause, there is no service requirement (Section 59-1352).

Disability Retirement Allowance (continued)

Amount of Allowance
Projected service retirement allowance based on accrued service plus service projected to age 65 (60) (latter limited to excess of 30 years over accrued service) less any amount payable under workers' compensation law (Section 59-1353).

Normal Form
Temporary annuity to age 65 (60) plus any death benefit. Service retirement allowance becomes payable at age 65 (60) (Section 59-1354).

Safety Member Lump Sum Duty Disability Benefit
Fire and Police members who are disabled in the line of duty are eligible for a $100,000 lump sum benefit, in addition to the annuity benefits discussed above (Section 59-1352A).

Death Benefits

After Retirement
Under the normal form of the retirement allowance, the excess, if any, of the member's accumulated contributions with interest at retirement over all payments received. Otherwise, payable according to the option elected (Section 59-1361).

Before Retirement

A. An automatic joint and survivor option applied to the actuarial equivalent of the member's accrued service retirement allowance is paid to the surviving spouse of a member with at least five years of service who dies while:
   i. contributing;
   ii. not contributing, but eligible for benefits; or
   iii. retired for disability,

or

B. If a member with at least five years of service has no spouse, a lump sum payment is made equal to twice the accumulated contributions with interest (Section 59-1361).

or

C. If a member with at least five years of service has no spouse, a lump sum payment is made equal to twice the accumulated contributions with interest (Section 59-1361).

Fire and police members are entitled to an additional $100,000 payment if death occurs in the line of duty. (Section 59-1361 A).

Withdrawal Benefits

Accumulated contributions with interest (Section 59-1358). The interest rate is determined by the Board (Section 59-1301(26)).

Postretirement Increases

Postretirement benefit increases are based on changes in the Consumer Price Index. The measurement period for changes in the CPI-U is August to August. The COLA changes are implemented effective on the March 1 following the measurement period.

If the CPI-U increases by at least 1%, the COLA is at least 1%. If the CPI-U increases by more than 1%, an additional postretirement increase of up to 5% each year (but not more than the increase in the CPI-U) may be authorized by the Board, subject to the approval of the Legislature, if it finds that the System's assets are no less in value than its actuarial liabilities, including those created by the additional increase.

If the CPI-U increases by less than 1% or decreases, the COLA is automatic, based on the change in the CPI. If a negative COLA is applicable, the negative COLA cannot decrease benefits by more than 6%. Additionally, a negative COLA cannot decrease a member's benefit below the amount of the benefit at the initial benefit date.

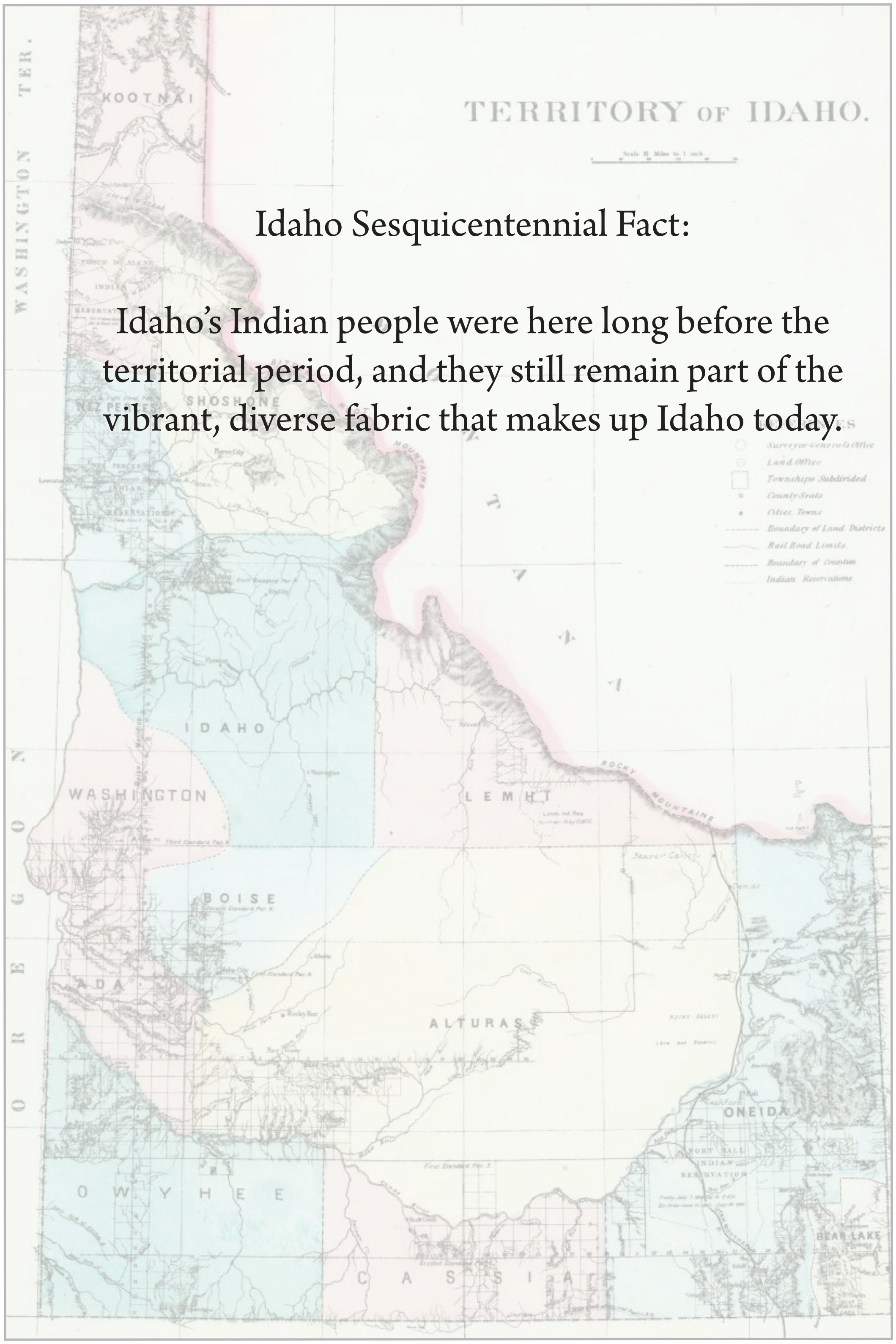
If a COLA is implemented that is less than the increase in the CPI-U, members' benefits will not retain their full inflation-adjusted purchasing power. In such cases, the Board may implement a Restoration of Purchasing Power (ROPP) COLA at a later date to bring those members closer to 100% of inflation adjusted purchasing power. As with a discretionary COLA, a ROPP is subject to approval of the Legislature and requires that the System's assets are no less in value than its actuarial liabilities, including those created by the additional increase. (Section 59-1355).

Gain Sharing

Beginning in 2000, under Section 59-1309, Idaho Code, the Board may allocate all or a portion of "extraordinary gains" to active and retired members and employers as Gain Sharing.

Extraordinary gains are defined as the excess, if any, at the close of the fiscal year of the Assets over Actuarial Accrued Liabilities plus an amount necessary to absorb a one standard deviation market event without increasing contribution rates, as determined by the Board. Under the Board's current investment policy, assets in excess of a 113% funded ratio are considered extraordinary gains. The Board has the authority to rescind the Gain Sharing up to the date of distribution.

Statistical Section



Idaho Sesquicentennial Fact:

Idaho's Indian people were here long before the territorial period, and they still remain part of the vibrant, diverse fabric that makes up Idaho today.

Helping Idaho public employees build a secure retirement.

The objectives of the Statistical Section are to provide additional historical perspective, context, and relevant details to assist readers in using the information in the financial statements, notes to the financial statements, and the required supplementary information in order to understand and assess the System's economic condition. In support of these objectives, the System has implemented GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section.*

The System is the administrator of six fiduciary funds including two defined benefit retirement plans - the Public Employee Retirement Fund Base Plan (PERSI Base Plan) and the Firefighters' Retirement Fund (FRF); two defined contribution plans - the Public Employee Retirement Fund Choice Plans 401(k) and 414(k) (PERSI Choice Plan); and two Sick Leave Insurance Reserve Trust Funds – one for state employers and one for school district employers. The data in Tables 1 through 4 of this section was provided by the System's actuary and the data in the remaining tables was provided by the System's own records.

During FY 2012, the number of active PERSI members decreased from 65,798 to 65,270. The number of retired members or annuitants receiving monthly allowances increased from 35,334 to 37,150. The number of inactive members who have not been paid a separation benefit increased from 25,489 to 26,682 Of these inactive members, 10,823 have achieved vested eligibility. Total membership in PERSI increased from 126,621 to 129,102 during the fiscal year. Table 1 of this section illustrates the diversity of our employee membership, and Table 2 shows how the membership distribution of active, retired, and inactive members has changed over the years.

As of June 30, 2012 there were 752 public employers in Idaho who were PERSI members. Tables 8 and 9 of this section illustrate the diversity of our employer participation.

Table 1

Distribution of Membership by Group

	Active Members			Inactive Members			Retirees	
	Vested	Non-vested	Total	Vested	Non-vested	Total		Total
Cities	4,727	2,199	6,926	1,534	927	2,461	3,229	12,616
Female	1,420	686	2,106	514	376	890	1,134	4,130
Male	3,307	1,513	4,820	1,020	551	1,571	2,095	8,486
Counties	4.862	2,775	7,637	879	1,399	2,278	3,013	12,928
Female	2,391	1,349	3,740	495	796	1,291	1,583	6,614
Male	2,471	1,426	3,897	384	603	987	1,430	6,314
Schools	19,974	8,803	28,777	3,988	7,560	11,548	16,103	56,428
Female	15,022	6,525	21,547	3,197	5,872	9,069	11,256	41,872
Male	4,952	2,278	7,230	791	1,688	2,479	4,847	14,556
State	11,224	5,640	16,864	3,395	4,926	8,321	11,488	36,673
Female	5,822	2,979	8,801	1,982	2,753	4,735	5,668	19,204
Male	5,402	2,661	8,063	1,413	2,173	3,586	5,820	17,469
All Others	3,229	1,837	5,066	1,027	1,047	2,074	3,317	10,457
Female	1,019	766	1,785	506	671	1,177	1,395	4,357
Male	2,210	1,071	3,281	521	376	897	1,922	6,100
Grand Total	44,016	21,254	65,270	10,823	15,859	26,682	37,150	129,102
Female	25,674	12,305	37,979	6,694	10,468	17,162	21,036	76,177
Male	18,342	8,949	27,291	4,129	5,391	9,520	16,114	52,925

Table 2
Changes in Membership

Fiscal Year Ended	Active Members: Number	Active Members: Average Age	Active Members: Average Years of Service	Retired Members: Number	Retired Members: Average Age	Inactive Members: Number
2003	62,385	45.7	10.2	24,991	72.5	18,599
2004	63,385	45.9	10.2	26,043	72.3	18,837
2005	64,391	46.0	10.2	27,246	72.1	20,028
2006	64,762	46.2	10.4	28,438	72.0	21,848
2007	65,800	46.2	10.3	29,619	72.0	22,690
2008	66,765	46.2	10.3	30,912	71.9	23,712
2009	67,813	46.5	10.4	32,197	71.8	23,086
2010	67,020	46.7	10.6	33,625	71.3	24,119
2011	65,798	46.9	10.8	35,334	71.5	25,489
2012	65,270	46.9	10.8	37,150	71.6	26,682

Table 3a
Retired Members by Type of Benefit – PERSI Base Plan

Amount of Monthly Benefit	Total Number of Retirees	Type of Retirement: Normal	Type of Retirement: Disability	Type of Retirement: Beneficiary	Option Selected: Joint & Survivor	Option Selected: Straight Life*
$0 - 250	5,437	4,691	13	733	1,340	4,097
251 - 500	5,551	4,906	72	573	1,147	4,404
501 - 750	4,213	3,641	167	405	945	3,268
751 - 1,000	3,392	2,944	163	285	797	2,595
1,001 - 1,250	2,804	2,410	169	225	731	2,073
1,251 - 1,500	2,461	2,096	198	167	657	1,804
1,501 - 1,750	2,046	1,794	148	104	596	1,450
1,751 - 2,000	1,772	1,578	121	73	545	1,227
Over 2,000	9,474	8,884	387	203	3,267	6,207
Totals	37,150	32,944	1,438	2,768	10,025	27,125

Joint & Survivor (also known as Contingent Annuitant)

** Single Life Options include Straight Life, Cash Refund, Social Security and all other FOPs.*

Table 3b

Retired Members by Type of Benefit – Firefighters' Retirement Fund

		Type of Retirement			Option Selected	
Amount of Monthly Benefit	Total Number of Retirees	Normal	Disability	Beneficiary	Joint & Survivor	Straight Life*
$0 - 250	3	2		1	2	1
251 - 500	13	3		10	3	10
501 - 750	9	6	1	2	7	2
751 - 1,000	13	10		3	10	3
1,001 - 1,250	13	11	1	1	12	1
1,251 - 1,500	17	12	2	3	14	3
1,501 - 1,750	20	15	1	4	16	4
1,751 - 2,000	27	23	1	3	24	3
Over 2,000	451	326	28	97	354	97
Totals	566	408	34	124	442	124

Joint & Survivor (also known as Contingent Annuitant)

** Single Life Options include Straight Life, Cash Refund, Social Security and all other FOPs.*

Monthly benefit refers to the benefit payable by the FRF plan (total benefit less PERSI benefit).

All FRF retirees and disableds are valued with two benefits and two options.

1) The benefit payable by the FRF plan is valued using a Straight Life option.

2) The total benefit is valued using a Spouse Reversionary option (spouse benefit payable upon the death of the retiree or disabled).

All FRF beneficiaries are valued using a Straight Life option.

Table 3c

Retired Members by Type of Benefit – PERSI Choice Plan

Amount of Monthly Benefit	Total Number of Retirees	Both 414(k) and 401(k)	414(k) Only	401(k) Only
$0 - 250	29	22	3	4
251 - 500	36	27	3	6
501 - 750	16	15		1
751 - 1,000	12	9		3
1,001 - 1,250	4	3		1
1,251 - 1,500				
1,501 - 1,750				
1,751 - 2,000	1			1
Over 2,000	3	3		
Totals	101	79	6	16

Table 4a

Average Benefit Payments – PERSI Base Plan

Retirement Effective Dates	Years Credited Service						
	0-4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
Period 7/1/02 to 6/30/03							
Average monthly benefit	$752	$331	$634	$988	$1,591	$2,268	$3,132
Average final average salary	$2,057	$2,080	$2,301	$2,649	$3,204	$3,691	$4,188
Number of retired members	86	253	240	248	238	255	405
Period 7/1/03 to 6/30/04							
Average monthly benefit	$533	$281	$598	$991	$1,565	$2,379	$3,333
Average final average salary	$1,754	$1,790	$2,328	$2,766	$3,199	$3,882	$4,402
Number of retired members	81	299	229	243	255	296	368
Period 7/1/04 to 6/30/05							
Average monthly benefit	$486	$336	$655	$1,019	$1,633	$2,281	$3,220
Average final average salary	$1,889	$2,066	$2,503	$2,935	$3,346	$3,823	$4,431
Number of retired members	72	292	287	271	264	283	405
Period 7/1/05 to 6/30/06							
Average monthly benefit	$456	$292	$634	$1,011	$1,449	$2,228	$3,167
Average final average salary	$1,382	$1,870	$2,448	$2,964	$3,308	$3,845	$4,459
Number of retired members	80	291	289	291	274	332	445
Period 7/1/06 to 6/30/07							
Average monthly benefit	$343	$328	$621	$964	$1,529	$2,242	$3,136
Average final average salary	$1,893	$2,270	$2,515	$2,963	$3,532	$4,019	$4,611
Number of retired members	58	329	303	307	282	318	460
Period 7/1/07 to 6/30/08							
Average monthly benefit	$432	$331	$619	$1,029	$1,555	$2,228	$3,029
Average final average salary	$1,665	$2,176	$2,672	$3,172	$3,673	$5,549	$4,570
Number of retired members	49	291	268	290	295	309	489
Period 7/1/08 to 6/30/09							
Average monthly benefit	$589	$339	$646	$1,079	$1,508	$2,281	$3,121
Average final average salary	$2,157	$2,339	$2,630	$3,319	$3,625	$4,174	$4,760
Number of retired members	67	319	274	318	290	345	482
Period 7/1/09 to 6/30/10							
Average monthly benefit	$388	$330	$648	$990	$1,481	$2,290	$3,197
Average final average salary	$1,475	$2,355	$2,743	$3,067	$3,628	$4,231	$4,809
Number of retired members	43	306	295	340	333	343	506
Period 7/1/10 to 6/30/11							
Average monthly benefit	$474	$366	$654	$1,044	$1,539	$2,358	$3,271
Average final average salary	$1,956	$2,552	$2,786	$3,239	$3,713	$4,385	$4,854
Number of retired members	53	403	329	365	356	382	581
Period 7/1/11 to 6/30/12							
Average monthly benefit	$419	$369	$662	$1,096	$1,591	$2,363	$3,279
Average final average salary	$1,568	$2,445	$2,818	$3,286	$3,778	$4,283	$4,789
Number of retired members	61	440	348	376	406	405	530

Table 4b
Average Benefit Payments – Firefighters' Retirement Fund

Retirement Effective Dates	Years Credited Service						
	0-4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
Period 7/1/02 to 6/30/03							
Average monthly benefit					$1,498		
Average Final Average Salary					*		
Number of retired members					23		
Period 7/1/03 to 6/30/04							
Average monthly benefit					$1,294	$1,834	
Average Final Average Salary					4,449	*	
Number of retired members					14	2	
Period 7/1/04 to 6/30/05							
Average monthly benefit					$871		
Average Final Average Salary					4,642		
Number of retired members					25		
Period 7/1/05 to 6/30/06							
Average monthly benefit					$1,133	$830	
Average Final Average Salary					*	$4,639	
Number of retired members					2	7	
Period 7/1/06 to 6/30/07							
Average monthly benefit						$606	
Average Final Average Salary						*	
Number of retired members						3	
Period 7/1/07 to 6/30/08	No	Valuation	Completed				
Period 7/1/08 to 6/30/09							
Average monthly benefit						$315	
Average Final Average Salary						$5,440	
Number of retired members						2	
Period 7/1/09 to 6/30/10	No	Valuation	Completed				
Period 7/1/10 to 6/30/11	**	**	**	**	**	**	**
Average monthly benefit							
Average Final Average Salary							
Period 7/1/11 to 6/30/12	No	Valuation	Completed				

*Average final average salary is not the basis for calculating benefits on the classes of firefighters in the group.
** No retirements for the fiscal year

Table 4c

Average Benefit Payments – PERSI Choice Plan

Retirement Effective Dates	Years of Service						
	0 - 4*	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
Period 7/1/03 to 6/30/04							
Average monthly benefit		$1,000	$500	$400			
Number of retired members		1	1	2			
Period 7/1/04 to 6/30/05							
Average monthly benefit		$1,000	$275	$537	$585		$538
Number of retired members		1	2	3	2		6
Period 7/1/05 to 6/30/06							
Average monthly benefit		$139	$1,000	$1,000	$1,964	$750	$698
Number of retired members		1	1	1	4	2	6
Period 7/1/06 to 6/30/07							
Average monthly benefit			$150	$425	$409	$616	$648
Number of retired members			2	2	2	4	4
Period 7/1/07 to 6/30/08							
Average monthly benefit		$1,788	$278	$600	$675	$300	$756
Number of retired members		2	2	2	2	1	8
Period 7/1/08 to 6/30/09							
Average monthly benefit		$525		$452	$542	$817	$360
Number of retired members		3	0	8	7	3	10
Period 7/1/09 to 6/30/10							
Average monthly benefit	$445	$1,063	$285	$566	$729	$642	$529
Number of retired members	1	7	7	19	11	8	28
Period 7/1/10 to 6/30/11							
Average monthly benefit	$445	$913	$378	$511	$794	$621	$674
Number of retired members	1	11	11	25	17	14	38
Period 7/1/11 to 6/30/12							
Average monthly benefit	$850	$525	$425	$514	$534	$489	$588
Number of retired members	1	12	14	30	12	13	37

Plan inception was February 1, 2001

Average final average salary data not applicable for this defined contribution plan. The average monthly benefit is determined by the retiree and can vary significantly based on the number of months the retiree chooses to receive payments.

Table 5

Schedule of Benefit Expenses by Type

Fiscal Year	Age & Service Benefits: Retirants	Age & Service Benefits: Survivors (2)	Disabilities Retirants (1): Pre-NRA	Disabilities Retirants (1): Post-NRA	Disabilities: Survivors	Refunds: Death	Refunds: Separation	Total
PERSI BASE PLAN and FRF								
2007	380,879,849	22,579,175	15,672,020	6,377,501	267,684	4,821,583	22,152,431	452,750,243
2008	420,389,539	23,588,263	16,412,107	7,285,789	688,712	6,492,918	22,118,356	496,975,684
2009	450,932,717	24,816,026	17,121,066	7,398,421	805,793	6,402,026	28,443,650	535,919,699
2010	482,822,862	26,105,686	17,680,158	7,776,994	1,033,331	8,040,775	28,707,077	572,166,883
2011	522,613,510	27,267,164	18,053,494	8,716,510	1,207,594	8,554,827	30,198,785	616,611,884
2012	561,784,458	28,396,660	18,557,300	9,483,506	1,263,805	10,018,545	30,812,354	660,316,628
PERSI CHOICE PLAN								
2007	5,263,987							
2008	5,631,977							
2009	6,766,643							
2010	7,703,591							
2011	10,110,544							
2012	9,464,776							
SICK LEAVE INSURANCE RESERVE TRUST FUND								
2007	11,647,417							
2008	12,867,321							
2009	14,339,783							
2010	14,304,262							
2011	15,267,853							
2012	16,310,005							

(1) The split between duty and non-duty disabilities is not available.

(2) Benefit amounts are not available. All survivors are included with the Age & Service Benefits survivors.

NRA = Normal Retirement Age. PERSI members with disability benefits convert to age & service retirants at NRA (60 for Fire & Police, 65 for other members).

Table 6

History of Cost-of-Living Adjustments

Year [1]	CPI Rate	PERSI COLA Rate	Maximum COLA	Difference	
1980	12.2	6.0	6.0	0.0	
1981	12.6	6.0	6.0	0.0	
1982	10.2	6.0	6.0	0.0	
1983	5.1	5.1	5.1	0.0	
1984	2.9	2.9	2.9	0.0	
1985	4.2	4.2	4.2	0.0	
1986	3.2	1.0	3.2	2.2	(2)
1987	1.5	1.5	1.5	0.0	
1988	4.5	1.0	4.5	3.5	(2)
1989	4.2	1.0	4.2	3.2	(2)
1990	4.7	4.7	4.7	0.0	
1991	5.6	5.6	5.6	0.0	
1992	3.8	3.8	3.8	0.0	
1993	3.1	3.1	3.1	0.0	
1994	2.8	2.8	2.8	0.0	
1995	2.9	2.9	2.9	0.0	
1996	2.6	2.6	2.6	0.0	
1997	2.9	2.9	2.9	0.0	
1998	2.2	2.2	2.2	0.0	
1999	1.6	1.6	1.6	0.0	(2)
2000	2.3	2.3	2.3	0.0	
2001	3.4	3.4	3.4	0.0	
2002	2.7	2.7	2.7	0.0	
2003	1.8	1.0	1.8	0.8	(3)
2004	2.2	2.2	2.2	0.0	
2005	2.7	2.7	2.7	0.0	(3)
2006	3.6	3.6	3.6	0.0	
2007	3.8	3.8	3.8	0.0	
2008	2.0	2.0	2.0	0.0	
2009	5.4	1.0	5.4	4.4	(4)
2010	-1.48	1.0	-1.48	0.0	(4)
2011	1.15	1.0	1.15	0.15	
2012	3.77	1.0	3.77	2.77	
2013	1.69	Not determined	at time of print		

1 For years 1980 through 1986,based on the prior year annual change in CPI-U, August to August, adjustments were effective January 1. Beginning in 1987, adjustments were effective March 1.

2 Retro-active COLAs were awarded effective March 1, 1999 to re-establish purchasing power for the years 1986, 1988, 1989

3 A retro-active COLA was awarded effective March 1, 2005 to re-establish purchasing power for 2003.

4 A retro-active COLA of 2.48% was awarded effective March 1, 2010 to re-store partial purchasing power for 2009 for a net COLA of 1%.

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Table 7a
Changes in Net Assets - Base Plan
(last 10 fiscal years)

	2003	2004	2005	2006
Additions:				
Employee Contributions	131,108,100	131,089,520	145,638,100	154,313,873
Employer Contributions	206,694,047	212,612,908	236,116,938	250,816,313
Investment Income [1]	164,366,113	171,985,483	190,922,592	215,827,564
Gains and Losses	38,096,299	941,608,584	579,046,289	753,557,611
Transfers/Rollovers In				
Other Income	132,967	68,284	149,317	127,213
Total additions to plan net assets	**540,397,526**	**1,457,364,779**	**1,151,873,236**	**1,374,642,574**
Deductions				
Benefit Payments	274,311,106	301,747,688	331,934,293	368,878,921
Refunds	24,826,501	26,537,280	24,328,709	29,580,469
Administrative Expenses	6,614,117	6,991,503	7,115,594	7,307,876
Transfers/Rollovers Out	1,217			
Total deductions to plan net assets	**305,752,941**	**335,276,471**	**363,378,596**	**405,767,266**
Change in net assets	**234,644,585**	**1,122,088,308**	**788,494,640**	**968,875,308**

[1] Investment income is reported net of investment expense.

2007	2008	2009	2010	2011	2012
159,601,160	170,710,597	180,063,010	178,124,381	178,415,845	179,168,074
259,489,787	273,410,279	284,608,663	284,932,418	279,174,844	277,143,887
249,200,581	275,703,902	221,899,829	200,479,456	231,745,111	240,033,473
1,544,783,501	(779,405,404)	(1,920,771,032)	833,597,303	1,697,095,152	(102,816,241)
238,637	215,297	84,268	12,261	37,716	24,089
2,213,313,666	**(59,365,329)**	**(1,234,115,262)**	**1,497,145,819**	**2,386,468,668**	**593,553,282**
408,095,615	448,660,441	483,128,952	517,046,719	558,619,602	599,848,356
27,570,866	31,151,910	34,845,676	36,747,852	38,753,611	40,830,899
6,680,619	5,905,580	6,232,678	6,471,359	5,973,540	6,231,431
442,347,100	**485,717,931**	**524,207,306**	**560,265,930**	**603,346,753**	**646,910,686**
1,770,966,566	**(545,083,260)**	**(1,758,322,568)**	**936,879,889**	**1,783,121,915**	**(53,357,404)**

Table 7b
Changes in Net Assets - FRF Plan
(last 10 fiscal years)

	2003	2004	2005	2006
Additions:				
Employee Contributions	172,712	147,586	89,172	38,205
Employer Contributions	10,115,448	11,723,357	11,725,615	12,106,263
Investment Income [1]	4,754,436	4,865,169	5,273,480	5,838,887
Gains and Losses	1,101,970	26,636,466	15,993,861	20,386,356
Transfers/Rollovers In				
Other Income				
Total additions to plan net assets	**16,144,566**	**43,372,578**	**33,082,128**	**38,369,711**
Deductions				
Benefit Payments	14,958,045	15,656,031	16,268,091	16,826,643
Refunds				
Administrative Expenses				
Transfers/Rollovers Out				
Total deductions to plan net assets	**14,958,045**	**15,656,031**	**16,268,091**	**16,826,643**
Change in net assets	**1,186,521**	**27,716,547**	**16,814,037**	**21,543,068**

[1] Investment income is reported net of investment expense.

2007	2008	2009	2010	2011	2012
34,588	23,190	18,753	16,185	13,746	11,100
12,130,774	12,866,827	13,434,204	13,542,331	13,313,715	13,486,309
6,625,115	7,249,703	5,772,048	5,165,228	5,912,515	6,096,564
41,068,797	(20,494,659)	(49,963,011)	21,423,526	43,298,001	(2,611,410)
59,859,274	**(354,939)**	**(30,738,006)**	**40,147,270**	**62,537,977**	**16,982,563**
17,083,762	17,163,333	17,945,071	18,372,312	19,238,671	19,637,373
17,083,762	**17,163,333**	**17,945,071**	**18,372,312**	**19,238,671**	**19,637,373**
42,775,512	**(17,518,272)**	**(48,683,077)**	**21,774,958**	**43,299,306**	**(2,654,810)**

Table 7c
Changes in Net Assets – Choice Plan
(last 10 fiscal years)

	2003	2004	2005	2006
Additions:				
Employee Contributions	14,582,027	17,489,692	21,464,820	25,873,335
Employer Contributions	286,535	236,121	203,026	282,128
Investment Income [1]	2,671,609	3,178,672	4,367,241	10,733,783
Gains and Losses	1,196,765	15,701,953	10,781,881	11,742,430
Transfers/Rollovers In	2,062,334	3,318,115	8,275,628	6,246,072
Other Income				
Total additions to plan net assets	**20,799,270**	**39,924,553**	**45,092,596**	**54,877,748**
Deductions				
Benefit Payments	1,951,818	2,219,650	3,403,187	3,963,574
Refunds				
Administrative Expenses				
Transfers/Rollovers Out	1,553,832	1,976,643	3,457,942	4,040,722
Total deductions to plan net assets	**3,505,650**	**4,196,293**	**6,861,129**	**8,004,296**
Change in net assets	**17,293,620**	**35,728,260**	**38,231,467**	**46,873,452**

[1] Investment income is reported net of investment expense.

2007	2008	2009	2010	2011	2012
29,668,354	34,868,605	35,680,207	33,413,555	33,068,567	32,417,476
190,850	217,878	153,211	127,154	180,556	383,189
8,113,505	8,395,923	7,509,042	7,312,727	8,686,560	9,458,145
36,712,425	(24,962,159)	(57,403,580)	25,735,400	60,401,845	(2,426,494)
8,512,489	8,946,219	6,057,764	4,867,768	7,469,551	9,576,929
83,197,623	**27,466,466**	**(8,003,356)**	**71,456,604**	**109,807,079**	**49,409,245**
5,263,987	5,631,977	6,766,643	7,703,591	10,110,544	9,464,776
6,257,877	7,273,051	8,126,080	8,884,365	13,660,821	14,943,046
11,521,864	**12,905,028**	**14,892,723**	**16,587,956**	**23,771,365**	**24,407,822**
71,675,759	**14,561,438**	**(22,896,079)**	**54,868,648**	**86,035,714**	**25,001,423**

Table 8

Principal Participating Employers

2012

Participating Employers	Covered Employees	Rank	Percentage of Total System
State of Idaho	16,953	1	26%
Meridian School District	3,128	2	5%
Boise Ind School District	2,914	3	4%
Ada County	1,528	4	3%
Nampa School District	1,403	5	3%
City of Boise	1,218	6	2%
Pocatello School District	1,163	7	2%
Coeur d`Alene School District	988	8	1%
Idaho Falls School District	970	9	1%
Bonneville School District	896	10	1%
All other	34,109		52%
Total (737 employers)	**65,270**		**100%**

2003

Participating Employers	Covered Employees	Rank	Percentage of Total System
State of Idaho	17,822	1	29%
Boise Ind. School District	3,064	2	5%
Meridian School District	2,693	3	4%
Nampa School District	1,261	4	2%
Ada County	1,251	5	2%
City of Boise	1,161	6	2%
Idaho Falls School District	1,121	7	2%
Pocatello School District	1,011	8	2%
Coeur d'Alene School District	965	9	1%
Bonneville School District	765	10	1%
All other	31,271		50%
Total (637 employers)	**62,385**		**100%**

Table 9

Public Entities Participating in PERSI

State Agencies
Accountancy Board
Administration Dept.
Aging Commission
Agriculture Dept.
Arts Commission
Attorney General
Barley Commission
Bean Commission
Beef Council
Blind Commission
Boise State University
Brand Inspector
Building Safety Division
Commerce Dept.
Controller's Office
Corrections Dept.
Correctional Industries
Dairy Council
Dentistry Board
Eastern Idaho Technical College
Education Board
Endowment Fund Investment Board
Environmental Quality Dept.
Finance Dept.
Financial Management Division
Fish and Game Dept.
Forest Products Com.
Governor's Office
Health and Welfare Dept.
Health Dist.#1
Health Dist.#2
Health Dist.#3
Health Dist.#4
Health Dist.#5
Health Dist.#6
Health Dist.#7
Hispanic Affairs Commission
Historical Society
Human Resources Division
Idaho Div. Prof.-Tech. Education
Idaho Grape Growers and Wine Producers Commission
Idaho Oilseed Commission
Idaho Public Television
ID Rangeland Resources Com.
Idaho State Bar
Idaho State Police
Idaho State University
Independent Living Council
Industrial Commission
Insurance Dept.
Insurance Fund
Judicial Branch
Juvenile Corrections
Labor Dept.
Lands Dept.
Lava Hot Springs Foundation
Legislative Services
Legislature - House of Reps.
Legislature - Senate
Lewis-Clark State College
Library
Lieutenant Governor
Liquor Dispensary
Lottery
Medicine Board
Military Division
Nursing Board
Occupational Licenses Bureau
Office of Drug Policy
Office of Energy Resources
Outfitters and Guides
Parks & Recreation
Pardons and Paroles Com
Pharmacy Board
Potato Commission
Prof. Engineers & Land Surveyors
Public Employee Retire. Sys.
Public Utilities Commission
Racing Commission
Real Estate Commission
Secretary of State
Soil Conservation Commission
Species Conservation Office
State Appellate Public Defender
Superintendent of Public Instr.
Tax Appeals Board
Tax Commission
Transportation Dept.
Treasurer
University of Idaho
Veterans Services Division
Veterinary Medicine Board
Vocational Rehabilitation
Water Resources Dept.
Wheat Commission
Women's Commission

Counties
Ada County
Adams County
Bannock County
Bear Lake County
Benewah County
Bingham County
Blaine County
Boise County
Bonner County
Bonneville County
Boundary County
Butte County
Camas County
Canyon County
Caribou County
Cassia County
Clark County
Clearwater County
Custer County
Elmore County
Franklin County
Fremont County
Gem County
Idaho County
Jefferson County
Jerome County
Kootenai County
Latah County
Lemhi County
Lewis County
Lincoln County
Madison County
Minidoka County
Nez Perce County
Oneida County
Owyhee County
Payette County
Power County
Shoshone County
Teton County
Valley County
Washington County

Cities
City of Aberdeen
City of Albion
City of American Falls
City of Ammon
City of Arco
City of Ashton

City of Athol
City of Bancroft
City of Blackfoot
City of Bliss
City of Bloomington
City of Boise
City of Bonners Ferry
City of Bovill
City of Buhl
City of Burley
City of Caldwell
City of Cambridge
City of Cascade
City of Castleford
City of Challis
City of Chubbuck
City of Clark Fork
City of Coeur d' Alene
City of Cottonwood
City of Council
City of Craigmont
City of Culdesac
City of Dalton Gardens
City of Deary
City of Declo
City of Donnelly
City of Dover
City of Downey
City of Driggs
City of Dubois
City of Eagle
City of Emmett
City of Fairfield
City of Filer
City of Firth
City of Franklin
City of Fruitland
City of Garden City
City of Genesee
City of Georgetown
City of Glenns Ferry
City of Gooding
City of Grace
City of Grangeville
City of Greenleaf
City of Hagerman
City of Hailey
City of Hayden
City of Hayden Lake
City of Heyburn
City of Homedale
City of Hope
City of Horseshoe Bend
City of Idaho Falls
City of Inkom
City of Iona
City of Island Park
City of Jerome
City of Juliaetta
City of Kamiah
City of Kellogg
City of Kendrick
City of Ketchum
City of Kimberly
City of Kooskia
City of Kootenai
City of Kuna
City of Lapwai
City of Lava Hot Springs
City of Lewiston
City of Mackay
City of Malad
City of Malta
City of Marsing
City of McCall
City of McCammon
City of Melba
City of Menan
City of Meridian
City of Middleton
City of Montpelier
City of Moscow
City of Mountain Home
City of Moyie Springs
City of Mullan
City of Nampa
City of New Meadows
City of New Plymouth
City of Newdale
City of Nezperce
City of Notus
City of Oakley
City of Old Town
City of Orofino
City of Osburn
City of Paris
City of Parker
City of Parma
City of Paul
City of Payette
City of Pinehurst
City of Plummer
City of Pocatello
City of Ponderay
City of Post Falls
City of Potlatch
City of Preston
City of Priest River
City of Rathdrum
City of Rexburg
City of Richfield
City of Rigby
City of Riggins
City of Ririe
City of Roberts
City of Rupert
City of Salmon
City of Sandpoint
City of Shelley
City of Shoshone
City of Smelterville
City of Soda Springs
City of Spirit Lake
City of St. Anthony
City of St. Charles
City of St. Maries
City of Sugar City
City of Sun Valley
City of Tensed
City of Teton
City of Tetonia
City of Troy
City of Twin Falls
City of Ucon
City of Victor
City of Wallace
City of Weippe
City of Weiser
City of Wendell
City of Weston
City of Wilder
City of Winchester
City of Worley

Water and Sewer Districts

A&B Irrigation District
Ada County Drainage Dist.#2
Aberdeen-Springfield Canal Co.
American Falls Reservoir Dist.#1
American Falls Reservoir Dist.#2
Avondale Irrigation Dist.
Big Lost River Irrigation
Big Wood Canal Co.
Black Canyon Irrigation Dist.
Boise-Kuna Irrigation Dist.
Boise Project Board of Control
Burley Irrigation Dist.
Cabinet Mountain Water Dist.
Caldwell Irrigation Lateral Dist.
Canyon Hill Irrigation Dist.
Cataldo Water Dist.
Central Shoshone Cnty Water Dist.
Dalton Gardens Irrigation Dist.
East Green Acres Irrigation Dist.
E&W Cassia Soil & Water Cons. Dist.

East Shoshone County Water Dist.
Falls Irrigation District
Fish Haven Area Rec. Sewer Dist.
Fremont-Madison Irrigation Dist.
Grand View Mutual Canal Co.
Granite Reeder Water & Sewer
Hayden Lake Recreational Water & Sewer Dist.
Hayden Lake Irrigation Dist.
Idaho Irrigation Dist.
Kalispel Bay Water/Sewer Dist.
King Hill Irrigation Dist.
Kingston Water Dist.
Kootenai-Ponderay Sewer Dist.
Lake Irrigation Dist.
Lewiston Orchards Irrigation Dist.
Little Wood River Irrigation Dist.
Milner Low Lift Irrigation Dist.
Minidoka Irrigation Dist.
Mountain Home Irrigation Dist.
Nampa-Meridian Irrigation Dist.
New Sweden Irrigation Dist.
New York Irrigation Dist.
North Kootenai Water Dist.
Orofino Cr-Whiskey Cr Water/Sewer Dist.
Outlet Bay Water & Sewer Dist.
Owyhee Project Sewer Board
Payette Lakes Water/Sewer Dist.
People's Canal & Irrigation Co.
Pinehurst Water Dist.
Pioneer Irrigation Dist.
Progressive Irrigation Dist.
Riverside Independent Water/Sewer
Riverside Irrigation Dist.
Riverside Irrigation Dist. Ltd.
Roseberry Irrigation Dist.
Ross Point Water Dist.
Settlers Irrigation Dist.
Snake River Valley Irrigation Dist.
Southside Water & Sewer Dist.
Star Sewer & Water Dist.
Sun Valley Water & Sewer Dist.
Twin Falls Canal Co.
Water Dist.#1
Water Dist.#11
Water Dist.#31
Water Dist.#32C
Water Dist.#34
Water Dist.# 37 and #37M
Water Dist.#37N
Water Dist. #63
Weiser Irrigation Dist.
West Bonner Water & Sewer Dist.
Wilder Irrigation Dist.

Highway Districts

Ada County Highway Dist.
Atlanta Highway Dist.
Bliss Highway Dist.
Buhl Highway Dist.
Burley Highway Dist.
Canyon Highway Dist.#4
Central Highway Dist.
Clarkia Better Roads Hwy. Dist.
Clearwater Hwy. Dist.
Cottonwood Hwy. Dist.
Deer Creek Hwy. Dist.
Dietrich Hwy. Dist.#5
Downey-Swan Lake Hwy. Dist.
East Side Hwy. Dist.
Evergreen Hwy. Dist.
Fenn Hwy. Dist.
Ferdinand Hwy. Dist.
Fruitland Hwy. Dist. #1
Gem Hwy. Dist.
Glenns Ferry Hwy. Dist.
Golden Gate Hwy. Dist.
Gooding Hwy. Dist.
Grangeville Hwy. Dist.
Greencreek Hwy. Dist.
Hagerman Hwy. Dist.
Hillsdale Hwy. Dist.
Homedale Hwy. Dist.
Independent Hwy. Dist.
Jerome Hwy. Dist.
Kamiah Hwy. Dist.
Keuterville Hwy. Dist.
Kidder-Harris Hwy. Dist.
Lakes Hwy. Dist.
Minidoka County Hwy. Dist.
Mountain Home Hwy. Dist.
Nampa Hwy. Dist.
North Hwy. Dist.
North Latah County Hwy. Dist.
Notus-Parma Hwy. Dist.
Oakley Hwy. Dist.
Plummer-Gateway Hwy. Dist.
Post Falls Hwy. Dist.
Prairie Highway Dist.
Raft River Hwy. Dist.
Richfield Highway Dist.#3
Shoshone Highway Dist.#2
So. Latah County Hwy. Dist.#2
Twin Falls Hwy. Dist.
Union Independent Hwy. Dist.
Weiser Valley Hwy. Dist.
Wendell Hwy. Dist.#6
West Point Hwy. Dist.
White Bird Hwy.Dist.
Winona Hwy. Dist.
Worley Hwy. Dist.

Junior Colleges and Public School Districts

North Idaho College
College of Southern Idaho
Aberdeen School Dist.
Academy at Roosevelt Center Charter School
American Falls School Dist.
Another Choice Virtual Charter School
ANSER of Idaho Inc.
Arbon School Dist.
Avery School Dist.
Basin School Dist.
Bear Lake School Dist.
Blackfoot Charter Com. Learning Ctr.
Blackfoot School Dist.
Blaine County School Dist.
Bliss School Dist.
Boise Independent School Dist.
Bonneville School Dist.
Boundary County School Dist.
Bruneau-Grandview School Dist.
Buhl School Dist.
Butte County School Dist.
Caldwell School Dist.
Camas County School Dist.
Cambridge School Dist.
Canyon-Owyhee School Dist.
Cascade School Dist.
Cassia County School Dist.
Castleford School Dist.
Challis Joint School Dist.
Clark County School Dist.
Clearwater-Orofino School Dist.
Coeur d' Alene Charter Academy
Coeur d' Alene School Dist.
College of Western Idaho
Compass Public Charter School
Cottonwood School Dist.
Council Valley School Dist.
Culdesac Joint School Dist.
DaVinci Charter School
Dietrich School Dist.
Emmett School Dist.
Falcon Ridge Charter School

Filer School Dist.
Firth School Dist.
Fruitland School Dist.
Garden Valley School Dist.
Genesee School Dist.
Glenns Ferry Joint School Dist.
Gooding Joint School Dist.
Grace School Dist.
Hagerman Joint School Dist.
Hansen School Dist.
Heritage Academy
Heritage Community Charter School
Highland Joint School Dist.
Homedale School Dist.
Horseshoe Bend School Dist.
I Succeed Virtual Charter School
Idaho Arts Charter School
Idaho Distance Education Academy
Idaho Falls School Dist.
Idaho High School Activities Assn.
Idaho Science & Technology Charter School
Idaho Virtual Academy
Idaho Virtual Ed. Partners Inc.
Inspire Virtual Charter School
Jerome School Dist.
Kamiah Joint School Dist.
Kellogg School Dist.
Kendrick School Dist.
Kimberly School Dist.
Kootenai School Dist.
Kootenai Bridge Academy
Kuna Joint School Dist.
Lake Pend Oreille School Dist.
Lakeland School Dist.
Lapwai School Dist.
Legacy Public Charter School
Lewiston Indept. School Dist.
Liberty Charter School Inc.
Mackay School Dist.
Madison School Dist.
Marsh Valley School Dist.
Marsing School Dist.
McCall Donnelly School Dist.
Meadows Valley School Dist.
Melba School Dist.
Meridian Charter HS Inc.
Meridian Medical Arts Charter School
Meridian School Dist.
Middleton School Dist.
Midvale School Dist.
Minidoka County School Dist.
Monticello Montessori Charter School
Moscow Charter School
Moscow School Dist.
Mountain Home School Dist.
Mountain View School Dist.
Mullan School Dist.
Murtaugh School Dist.
Nampa School Dist.
New Plymouth School Dist.
Nez Perce Joint School Dist.
North Gem School Dist.
North Star Charter School
North Valley Academy Charter School
Notus School Dist.
Oneida School Dist.
Palouse Prairie Educ. Org.
Parma School Dist.
Payette School Dist.
Pleasant Valley School Dist.
Plummer-Worley Jnt. School Dist.
Pocatello Community Charter School
Pocatello School Dist.
Post Falls School Dist.
Potlatch School Dist.
Prairie School Dist.
Preston School Dist.
Richard McKenna Charter HS
Richfield School Dist.
Rigby School Dist.
Ririe School Dist.
Rockland School Dist.
Rolling Hills Charter School
Sage International School of Boise
Salmon School Dist.
Salmon River Joint School Dist.
Sandpoint Charter School
Shelley Joint School Dist.
Shoshone School Dist.
Snake River School Dist.
Soda Springs School Dist.
South Lemhi School Dist.
St. Anthony School Dist.
St. Maries School Dist.
Sugar-Salem School Dist.
Swan Valley School Dist.
Taylor's Crossing Public Charter School
Teton School Dist.
The Village Charter School
Three Creek School Dist.
Thomas Jefferson Charter School
Troy School Dist.
Twin Falls School Dist.
Upper Carmen Charter School
Valley School Dist.
Vallivue School Dist.
Victory Charter School
Vision Charter School
Wallace School Dist.
Weiser School Dist.
Wendell School Dist.
West Bonner County School Dist.
West Jefferson School Dist.
West Side School Dist.
Whitepine Charter School
Whitepine Jnt. School Dist.
Wilder School Dist.
Wings Charter Middle School Inc.
Xavier Charter School

Other

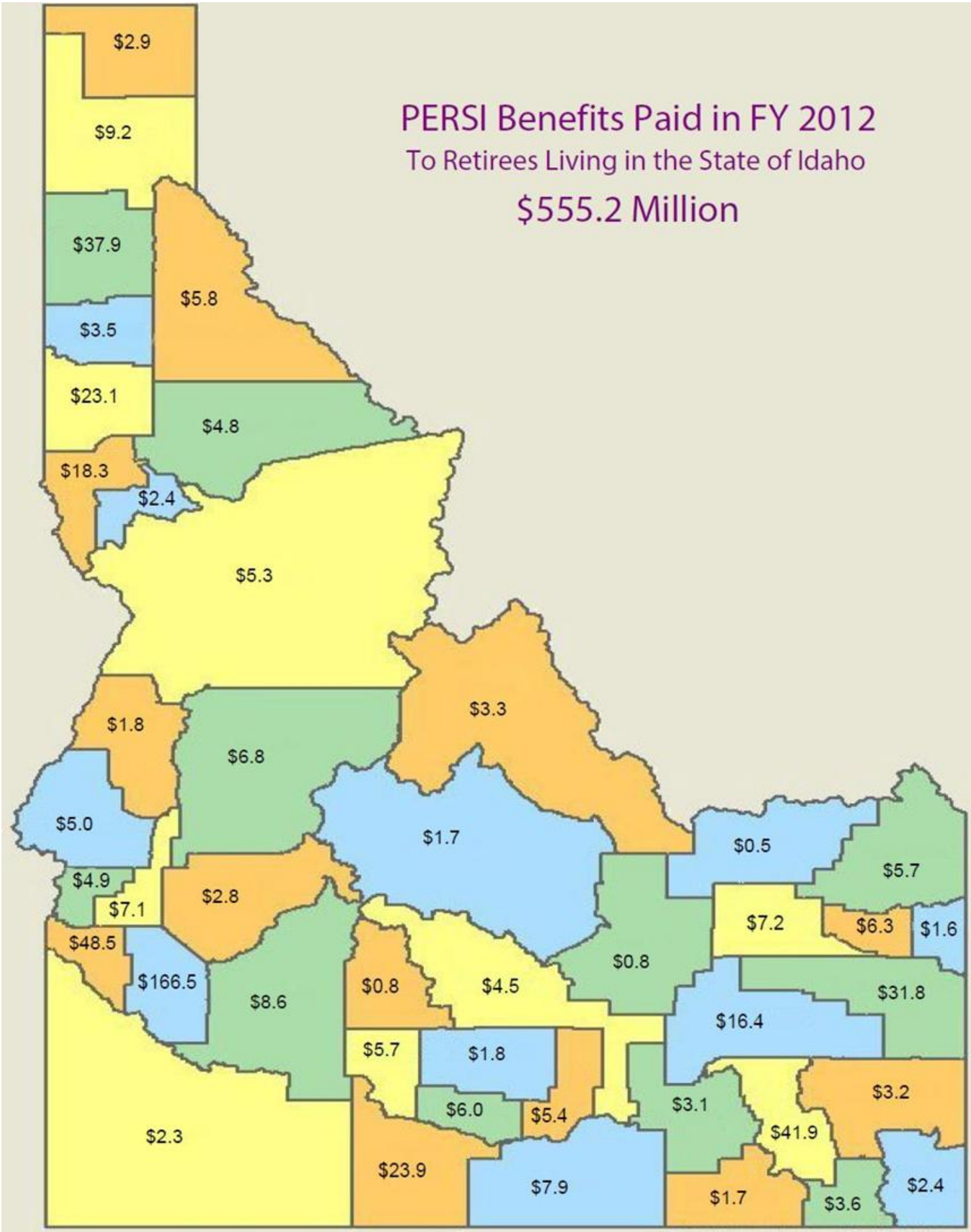
Cascade Medical Center
Elmore Medical Center
Weiser Memorial Hospital
Community Planning Assn.of SW Idaho
American Falls Housing Auth.
Assn. of Idaho Cities
Bear Lake Regional Com.
Bench Sewer Dist.
Bingham County Sr. Citizens Ctr.
Blaine County Recreational Dist.
Boise City/Ada Cty. Housing Auth.
Caldwell Housing Auth.
CCOA Aging, Weatherization and Human Services
Canyon County Mosquito Abatement Dist.
Capital City Development Corp.
Caribou Soil Conservation Dist.
Central Orchards Sewer Dist.
Clearwater-Potlatch Timber Protection Assn.
Coolin Sewer Dist.
Dry Creek Cemetery Dist.
Eagle Sewer Dist.
Eastern Idaho Fair Board
Eastern Idaho Regional Waste Water Auth.
Edwards Mosquito Abatement Dist.

Foster Grandparents of SE ID
Gem County Mosquito Abatement Dist.
Gem County Recreation
Genesee Cemetery Dist.
Gooding Cemetery Maint. Dist.
Grangeville Cemetery Maint. Dist.
Greater Middleton Parks & Rec Dist.
Hagerman Cemetery Dist.
Hayden Area Reg. Sewer Bd.
Hillcrest Cemetery Maint. Dist.
Housing Authority of Pocatello
Idaho Bureau of Educational Services for the Deaf and Blind
Idaho School Board Assn.
Idaho School District Council
Idaho Crop Improvement Assn.
Idaho Digital Learning Academy
Idaho Public Employees Assn.
Idaho Assn. of Counties
Idaho Heritage Trust, Inc.
Idaho Education Assn.
Idaho Assn. of School Admin.
Idaho County Risk Mgmt. Program
Iona Bonneville Sewer Dist.
Jerome Recreation Dist.
Kingston-Cataldo Sewer Dist.
Kootenai Metropolitan Planning Org.
Kuna Cemetary Maint. Dist.
Lewiston-Nez Perce County Airport Authority
Lincoln County Cemetery Dist.
Lincoln County Housing Auth.
Local Highway Technical Assistance Council
M-A-R Cemetery Dist.
Marsing-Homedale Cemetery Dist.
Meridian Cemetery Maint. Dist.
Moscow Cemetery Dist.
Nampa Housing Authority
Nez Perce County Fair Board
North Fremont Cemetery Dist.
North Idaho Fair
Orofino Cemetery Dist.
Payette Cnty. Recreation Dist.
Port of Lewiston
Post Falls Urban Renewal Dist.
Rexburg Cemetery Dist.
Shelley Cemetery Dist.
Southern Idaho Solid Waste Dist.
South Fork Coeur d'Alene Sewer Dist.
Targhee Regional Public Transit Authority
Twin Falls Housing Auth.
Valley Recreation Dist. of Hazelton
Valley Regional Transit
Valley Soil and Water Conservation Dist.
West Boise Sewer Dist.
W. Bonner Cemetery Maintenance
West End Cemetery Dist.
Wilder Cemetery Dist.
Wilder Housing Auth.

Aberdeen Library Dist.
Ada County Free Library
American Falls Free Library
Bear Lake County Library
Boundary County Free Library
Burley Library
Consolidated Free Library Dist.
Council Valley Free Library Dist.
East Bonner County Library Dist.
Franklin County Library Dist.
Fremont County Dist. Library
Jefferson Free Library Dist.
Latah County Library Dist.
Madison County Library Dist.
Meadows Valley Public Library Dist.
Meridian Library Dist.
North Bingham Cnty.Library Dist.
Oneida County Library
Portneuf Library Dist.
Prairie-River Library Dist.
Priest Lake Public Library
Salmon Library Dist.
South Bannock Free Library Dist.
Stanley Community Library Dist.
Valley of Tetons Dist. Library Bd.
West Bonner Library Dist.

Bear Lake County Fire Dist.
Blackfoot Fire Dept.
Boise Fire Dept.
Buhl Fire Dept.
Burley Fire Dept.
Caldwell Fire Dept.
Canyon County Ambulance Dist.
Cascade Rural Fire & EMS
Central Fire Dist.
Coeur d' Alene Fire Dept.
Cottonwood Rural Fire Dist.
Donnelly Rural Fire Protection Dist.
Eagle Fire Protection Dist.
Franklin County Fire Dist.
Garden Valley Fire Protection Dist.
Gem Cnty. Fire Protection Dist.
Greater Swan Valley Fire Protection Dist.
Hagerman Fire Protection Dist.
Homedale Rural Fire Protection Dist.
Idaho Falls Fire Dept.
Jerome Fire Dept.
Ketchum Fire Dept.
Kootenai County Fire and Rescue
Kootenai County Emergency Medical Svc.
Kootenai County Rescue Protection
Kuna Fire Dist.
Kuna Rural Fire Dist.
Lemhi Co. Fire Protection Dist.
Lewiston Fire Dept.
Lincoln County Emergency Svs.
McCall Fire Protection Dist.
Mica Kidd Island Fire Protect.Dist.
Moscow Fire Dept.
Nampa Fire Dept.
No. Ada Cnty. Fire/Rescue Vol.
No. Lakes Fire Protection Dist.
Northside Fire Dist.
Payette Fire Dept.
Plummer-Gateway Fire Protect.Dist.
Pocatello Fire Dept.
Rexburg-Madison Fire Dept.
Rock Creek Fire Protect. Dist.
Sagle Fire Dist.
Saint Maries Fire Protect. Dist.
Sandpoint Fire Dept.
Schweitzer Fire Dist.
Shoshone City & Rural Fire Prot. Dist.
Shoshone Cnty. Fire Dist. #1
Shoshone County Fire Dist. #2
Shoshone Co. Fire Protect. Dist. #2
South Central Region E911
South Fremont Fire Protect. Dist.
So. Idaho Timber Protection Assn.
Spirit Lake Fire Protect. Dist.
Star Joint Fire Protect. Dist.

Teton County Fire Protect. Dist.
Timberlake Fire Protect. Dist.
Twin Falls Fire Dept.
Weiser Ambulance Dist.
Weiser Area Rural Fire Dist.
Wendell Rural Fire Dist.
West End Fire Prot. Dist.
Westside Fire Dist.
Whitney Fire Protect. Dist.
Wilder Rural Fire Protect. Dist.
Wood River Fire Protect. Dist.
Worley Ambulance Assn.
Worley Fire Protect. Dist


PERSI Benefits Paid in FY 2012
To Retirees Living in the State of Idaho
$555.2 Million
$2.9
$9.2
$37.9
$3.5
$23.1
$5.8
$4.8
$18.3
$2.4
$5.3
$3.3
$1.8
$6.8
$5.0
$1.7
$0.5
$5.7
$4.9
$7.1
$2.8
$7.2
$6.3
$1.6
$48.5
$166.5
$8.6
$0.8
$4.5
$0.8
$31.8
$16.4
$5.7
$1.8
$3.2
$3.1
$6.0
$5.4
$41.9
$2.3
$23.9
$7.9
$1.7
$3.6
$2.4

Several publications and reports are distributed to members and employers to keep them informed about the status of their membership accounts and PERSI in general, including:

- Comprehensive Annual Financial Report
- Member Handbook
- Annual Membership Account Statement
- Remittance Advice
- Newsletters
- Brochures
- Information Returns (Form 1099R)
- Statement for Recipients of Annuities (Form W-2P)
- Pre-Retirement Education Materials
- Reports to Legislature
- Memorandums to Employers

To receive any of these materials, contact PERSI (numbers below). Additional PERSI information can be found on PERSI's website at www.persi.idaho.gov.

PERSI Office Locations:

Boise

Office Location:	Mailing Address:
607 North 8th Street	P.O. Box 83720
Boise, ID	Boise, ID 83720-0078

Coeur d'Alene
Office Location & Mailing Address:
2005 Ironwood Parkway
Suite 226
Coeur d'Alene, ID 83814

Pocatello

Office Location:	Mailing Address:
850 East Center	P.O. Box 1058
Suite D	Pocatello, ID 83204
Pocatello, ID	

Telephone:

PERSI Answer Center (208) 334-3365 Toll-free 1-800-451-8228

Employer Service Center (208) 287-9525 Toll-free 1-866-887-9525

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