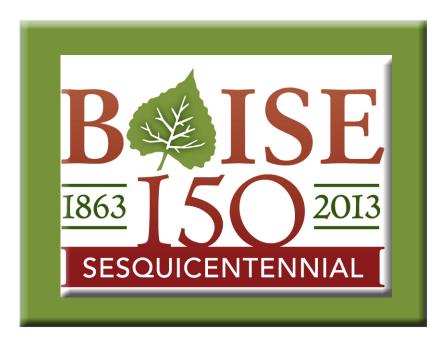
IDAHO'S CAPITAL CITY CELEBRATING 150 YEARS

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PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

A COMPONENT UNIT OF THE STATE OF IDAHO

2013 COMPREHENSIVE ANNUAL FINANCIAL REPORT As of and for Fiscal Year Ended June 30, 2013

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



Comprehensive Annual Financial Report As of and for Fiscal Year Ended June 30, 2013

This 2013 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

Kelly Cross, Public Information Officer

CELEBRATING BOISE, IDAHO'S CAPITAL CITY

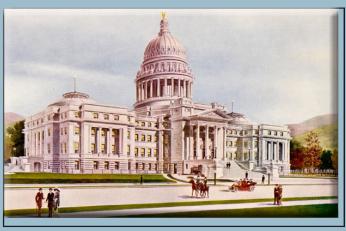
On December 24, 1864, Boise became the capital of the territory of Idaho. In 1890, President Benjamin Harrison signed Idaho into statehood. 2013 marks the 150th anniversary of the city's founding.





Built in 1886, Idaho's Territorial Capitol was eventually torn down to make way for construction of a new state capitol building in 1905.

The first phase of construction on the new capitol building included the rotunda and dome, the north wing housed the Supreme Court with offices positioned on either side of the abbreviated east and west corridors. In 1912, after seven years of construction, the central portion was completed and building occupants moved into their offices.





On January 9, 2010, the Idaho Statehouse, known as the "Capitol of Light," was rededicated after three years of restoration, renovation, and expansion that included two new 25,000 square-foot underground atrium wings.

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Boise City Police - Past to Present



Marshals were the first law enforcement in the city of Boise. In 1903, it was decreed that there would be a chief of police, a police sergeant and seven policemen or patrolmen. In 1930, the Boise police had a squad of motorcycle officers and the department had one female officer in its ranks.

In 1936, the Boise police department received a single radio transmitter located in dispatch, with receivers placed in some patrol vehicles. But two way radios would not be available for officers in Boise until 1939.

Today, the Boise police department employs 375 Idahoans; 300 of which are sworn officers, and 75 are civilian employees.



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
Lisa Steele, Deputy Director
Joanna Guilfoy, Deputy Attorney General
Robert M. Maynard, Chief Investment Officer
James E. Monroe, Chief Financial Officer
Patrice Perow, Public Information Officer
Wayne Ellis, Project Manager
Cheri Campbell, Human Resources Manager
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: AEW Capital Management, LP, Boston, MA

Alban Row, LLC, Mt. Pleasant, SC

Berkadia Commercial Mortgage, LLC Horsham, PA

Callan Associates, Inc., San Francisco, CA

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

State Street Bank and Trust Company, Boston, MA

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, LP, 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, LP, 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, G.P., Bala Cynwyd, PA

Highway 12 Capital Partners, LLC, Boise, ID

Ida-West Operating Services, Inc., Boise, ID

JH Whitney Capital Partners, LLC, New Canaan, CT Kohlberg Kravis Roberts & Co., LP, New York, NY

Chartwell Consulting, LLC, Sunapee, NH

CS Capital Management, Inc., Atlanta, GA Hamilton Lane Advisors, LLC, Bala Cynwyd, PA

Robert Storer, Juneau, AK

Kohlberg Management, LLC, Mt Kisko, NY Leonard Green & Partners, LP, Los Angeles, CA

Lindsay Goldberg, 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 73-74 in the Investment Section of this report.



Government Finance Officers Association

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, 2012

Executive Director/CEO





Public Pension Coordinating Council

Public Pension Standards Award For Funding and Administration 2013

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 Program Administrator

Organizational Chart

Retirement Board

Donald D. Drum Executive Director	Joanne Guilfoy Deputy Attorney General	Vacant Admin. Assistant		
Lisa Steele Deputy Director	Wayne Ellis Project Manager	Vacant Quality Assurance		
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 73-74	
Cheri Campbell Mgmt Asst. and Human Resources, Education and Communications	Patrice Perow Public Information Officer	Mike Mitchell Training Specialist	Carmen Brooks Training Specialist	
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	Brenda Cronin Financial Specialist Sr.	Barbara Weirick Financial Technician	Ellise Fowler Financial Technician	Debera Anderson Financial Technician
	Alice Brown Financial Technician.	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 Sr.	Joy Fereday IT Programmer Analyst Sr.	Ryan Evey IT Programmer Analyst Sr.	Kris Colt IT Info. System Tech
	B Iv . Iv Iv	Ctoor Down	Daniel Oussiles al	
	Branden Kennah IT Info. Sys Tech Sr.	Stacy Parr Web Master	Randy Graybeal IT Network Analyst	Timothy Wolfrum Technical Writer
Kimberlee Hall Member Services Manager				
	IT Info. Sys Tech Sr. Erin Duran	Web Master Sherry Slocum		
Member Services Manager Lisa Conn, Supervisor Member Services Retirement	IT Info. Sys Tech Sr. Erin Duran Admin. Asst. Catherine Atchison	Web Master Sherry Slocum Disability Specialist Susan Strouth	IT Network Analyst Kari Caven	Technical Writer Kathi Kaufman
Member Services Manager Lisa Conn, Supervisor Member Services Retirement	IT Info. Sys Tech Sr. Erin Duran Admin. Asst. Catherine Atchison Retirement Specialist Lynn Duncan	Web Master Sherry Slocum Disability Specialist Susan Strouth Retirement Specialist Jennifer Whitley	IT Network Analyst Kari Caven Retirement Specialist Lisa Mabe	Kathi Kaufman Customer Service. 2 Lynette Hancock
Member Services Manager Lisa Conn, Supervisor Member Services Retirement	IT Info. Sys Tech Sr. Erin Duran Admin. Asst. Catherine Atchison Retirement Specialist Lynn Duncan Retirement Specialist Cindy Eastman	Web Master Sherry Slocum Disability Specialist Susan Strouth Retirement Specialist Jennifer Whitley Retirement Specialist Shasta Luper	IT Network Analyst Kari Caven Retirement Specialist Lisa Mabe	Kathi Kaufman Customer Service. 2 Lynette Hancock Retirement Specialist Linda Parker
Member Services Manager Lisa Conn, Supervisor Member Services Retirement Center Melody Hodges, Supervisor Member Services Answer &	IT Info. Sys Tech Sr. Erin Duran Admin. Asst. Catherine Atchison Retirement Specialist Lynn Duncan Retirement Specialist Cindy Eastman Retirement Specialist Andrea Colglazier	Sherry Slocum Disability Specialist Susan Strouth Retirement Specialist Jennifer Whitley Retirement Specialist Shasta Luper Retirement Specialist Brett Harper	Kari Caven Retirement Specialist Lisa Mabe Retirement Specialist Katherine Pearce	Kathi Kaufman Customer Service. 2 Lynette Hancock Retirement Specialist Linda Parker Customer Service. 2 Stephen Mytrysak

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 2013 (FY13), these costs totaled \$6,412,827 including \$263,686 in depreciation and amortization, which are not cash expenditures 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, 2013, 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, 2013

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, 2013, 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 28, 2013: for each year of service, the monthly minimum benefit allowance was \$23.91 (\$28.70) to a maximum of the member's accrued benefit. Effective March 1, 2013 the monthly minimum benefit allowance was \$24.15 (\$28.98).

NORMAL FORM

Regular retirement allowance for retiree's life only, plus a lump sum death benefit if the retiree dies before allowances have paid out 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.



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 1.04% from January 1 through June 30, 2013 (18.16% from July 1 through December 31, 2012) 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, 2013 was 1%.



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 7, 2013

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, 2013 (FY13). 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, 2012. This was the 22nd 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 11th 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 48th 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 2013, the number of active PERSI members increased from 65,270 to 65,535. The number of retired members or annuitants receiving monthly allowances increased from 37,150 to 38,947. The number of inactive members who have not been paid a separation benefit increased from 26,682 to 27,110. Of these inactive members, 11,084 have achieved vested eligibility. Total membership in PERSI increased from 129,102 to 131,592 during the fiscal year. There are currently 755 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, 2013, 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 2013 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 \$1,583,780,190 for all pension funds during the fiscal year ended June 30, 2013.

ADDITIONS:

Contributions	\$	529,799,860
Transfers/Rollovers In		9,132,179
INVESTMENT INCOME:		
Net Appreciation (Depreciation) in Fair Value of Investments		780,395,595
Interest, Dividends and Other Investment Income		307,897,315
Less: Investment Expenses	_	(43,461,070)
Net Investment Income		1,044,831,840
OTHER INCOME	_	16,311
Total Additions	\$_	1,583,780,190

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 2013 are as follows:

DEDUCTIONS:

Benefits and Refunds	\$ 718,039,902
Administrative Expenses	6,308,487
Transfers/Rollovers Out	<u>17,001,384</u>
Total Deductions	<u>\$ 741,349,773</u>

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, 2013. 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, 2013, 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, 2013 July 1, 2013 Benefit Date: A. Actuarial Present Value of All Future Benefits for Contributing Members, Former Contributing Members and Their Survivors \$ 17,576.6 B. Actuarial Present Value of Total Future Normal Costs for Present Members \$ 3,403.7 C. Actuarial Liability [A - B] \$ 14,172.9 D. ORP Contributions 45.3 E. Actuarial Liability Funded by PERSI Contributions [C-D] \$ 14,127.6 F. Actuarial Value of Assets Available for Benefits \$ 12,053.5* G. Unfunded Actuarial Liability (funding excess) [E-F] \$ 2,074.1 H. Amortization Period on Valuation Date, Based on Contribution Rate Established as of Benefit Date 13.1 years I. Funded Ratio [F/E] 85.3%**

- * The total available assets are \$12,386.8 million, but are reduced by \$333.3 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, 2013 COLA and the scheduled contribution rate increases adopted during the 2012-2013 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 2013 was 9.1% gross, 8.7% net of investment expenses, and 8.6% net of all 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 <u>Idaho Code</u> and the Idaho Uniform Prudent Investor Act, in Sections 68-501 through 68-514 of the <u>Idaho Code</u> 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 8.6% net of all expenses for Fiscal Year 2013 due to a strong 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 2013 was 60% domestic equity and global equity, 15% international equity, 25% 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 July 1, 2013, the PERSI Base Plan had an amortization period of 13.1 years and a funding ratio of 85.3% of the present value of the projected benefits earned by employees. The closed Firefighters' Retirement Fund amortization period is 1.0 years, as of the July 1, 2013 valuation. For GASB reporting purposes, the Notes to Required Supplemental Schedules on page 55 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

PERSI is starting the second year of a four-year, \$13 million project to replace its pension administration system. The system PERSI has been using is nearing the end of its lifespan and a new system is needed to meet the challenges of a growing retiree population. The IRIS upgrade will ensure PERSI's ability to accurately process the ever-increasing amount of data required to maintain retirement records and pay benefits to thousands of Idaho public employees. The first phase of implementation of the new Idaho Retirement Information System (IRIS) focused on an employer-reporting component. PERSI has begun training employers throughout the state as they are introduced into the system in stages over the course of a year. The second phase of the project, focusing on Member Services has begun in earnest addressing functions such as member eligibility, benefit calculations and member account maintenance. The project is on schedule for full implementation in June 2016.

Compared to the very large IRIS project, PERSI's security review during the past year was small, but still of high importance. Protecting member information and instilling confidence in our system is as relevant today as it was when the Idaho Legislature first created PERSI back in 1963. Based on the review findings, PERSI began implementing new security measures. Access to the building is now limited to a single point of entry and visitors must sign in at the front desk to receive a visitor's badge



before one our staff escorts them to their destination. PERSI employees who meet with members are wearing name badges, and access to offices and stairwells requires a security badge. These initiatives along with existing internal controls are all designed to protect member information.

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



Boise's Changing Skyline

In 1929, J. R "Jack" Simplot founded the J. R. Simplot Company, a Boise, Idaho based agricultural supplier specializing in potato products.

JUMP (Jack's Urban Meeting Place) is a six-story, \$70 million, 65,000-square-foot facility under construction on 7.5 acres in downtown Boise. It will include a 3½-acre park and an outdoor amphitheater when completed. The Simplot Company plans to locate its headquarters in the facility when it is finished in 2014.



Helping Idaho public employees build a secure retirement.







INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the pension and other trust funds of the Public Employee Retirement System of Idaho (the System), which comprise the statement of plan net position as of June 30, 2013, and the related statements of changes in plan net position, for the year then ended, and the related notes to the financial statements. The prior year comparative information has been derived from the System's financial statements and, in our report dated October 16, 2012, expressed that the financial statements were presented fairly, in all material respects, the respective financial statements of the pensions and other trust funds.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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



accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective statements of the pension and other trust funds of the Public Employee Retirement System of Idaho, as of June 30, 2013, and the respective changes in plan net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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 21-28 and 53-55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the System's basic financial statements as a whole. The introductory, investment, actuarial and statistical sections are presented for purposes of additional analysis and are not a required part of the financial statements.

The additional supplementary information listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying financial information listed as supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 08, 2013, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering System's internal control over financial reporting and compliance.

October 08, 2013 Boise, Idaho

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2013 (UNAUDITED)

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, 2013. The June 30, 2012 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.

• The net position for all pension and other funds administered by the System increased over \$884 million during Fiscal Year 2013 and decreased over \$22.6 million during the Fiscal Year 2012. The increase in the defined benefit plans reflects the total of contributions received and a gross investment return exceeding benefits paid and administrative expenses. Changes in net position for the years ended June 30, 2013 and 2012 were as follows:

	2013	2012
PERSI Base Plan Firefighters' Retirement Fund PERSI Choice Plan 414(k) PERSI Choice Plan 401(k) Sick Leave Insurance Reserve Fund - State Sick Leave Insurance Reserve Fund - Schools	\$750,236,109 19,197,679 1,079,136 71,917,493 17,103,901 25,158,546	(\$53,357,404) (2,654,810) (3,335,382) 28,336,805 4,591,981 3,752,765
Total decrease/increase in plan net position	\$884,692,864	(\$22,666,045)

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, 2013 and 2012, the rate of return net of investment expenses on the investment assets are detailed below (these are plan-level returns). For the defined contribution plans, the PERSI Choice Plan 401(k) and 414(k), individual participant returns will vary depending on their specific investment choices. Returns for Choice Plan options can be found on the PERSI website under Investments/Choice Plan.

	2013	2012
PERSI Defined Benefit Plans	8.7%	1.2%
Sick Leave Insurance Reserve Fund	14.1%	2.2%

 All of the plans experienced investment gains in Fiscal Year 2013 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, 2013 and 2012, was \$1.08 billion and \$154 million, respectively.

	2013		2012
Net investment income:			
PERSI Base Plan	\$ 974,422,300	\$	137,217,232
Firefighters' Retirement Fund	24,760,648		3,485,154
PERSI Choice Plan 414(k)	4,924,714		625,534
PERSI Choice Plan 401(k)	40,724,178		6,406,117
Sick Leave Insurance Reserve Fund - State	15,142,268		2,298,334
Sick Leave Insurance Reserve Fund - Schools	 24,479,545		3,796,750
Total net investment income	\$ 1,084,453,653	\$	153,829,121

 As of June 30, 2013 and 2012, 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 defined benefit plans is as shown below. The valuation for the Firefighters' Retirement Fund is completed every other year, for 2011 the funded ratio was 93.2% and the amortization period was 1.6 years.

	2013 Funding Ratio	Amortization Period	2012 Funding Ratio	Amortization Period
PERSI Base Plan	85.3%	13.1	84.7%	14.8
Firefighters' Retirement Fund	95.5%	1.0	N/A	N/A

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 Schedules of Funding Progress on page 53 of this report. In 2013 the actuarial funding ratio for the two defined benefit plans increased from 2012 primarily because investment performance was above the actuarial expected rate. The amortization period decreased 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 statements of plan net position as of June 30, 2013 and 2012 indicate the net position available to pay future payments and gives a snapshot at a particular point in time. The statements of changes in plan

net position for the years ended June 30, 2013 and 2012 provide a view of the current year's activity. It details the additions and deductions to the individual funds and supports the change to the prior year's ending net position on the statements of plan net position. All pension fund statements are presented on a full accrual basis and reflect all trust activities, as incurred.

Notes to Financial Statements — The notes provide additional information essential for a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found on pages 33-50 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 Position

	As of June 30, 2013	As of June 30, 2012	\$ Change	% Change
Assets:				
Cash and cash equivalents	\$ 3,007,655	\$ 3,173,858	\$ (166,203)	(5.2)%
Investments sold receivable	182,452,753	672,706,973	(490,254,220)	(72.9)%
Other receivables	40,766,559	42,150,562	(1,384,003)	(3.3)%
Investments — at fair value	12,496,233,505	11,725,165,283	771,068,222	6.6 %
Prepaid retiree benefits	53,029,172	49,570,384	3,458,788	7.0 %
Capital assets — net of				
accumulated depreciation	4,748,082	2,914,853	1,833,229	62.9 %
Total assets	12,780,237,726	12,495,681,913	284,555,813	2.3 %
Literatura				
Liabilities:			(40- 00- 0-0)	(== =)=(
Investments purchased payable	380,949,971	866,217,329	(485, 267, 358)	(56.0)%
Benefits and refunds payable	662,770	456,639	206,131	45.1 %
Other liabilities	11,775,296	11,592,044	183,252	1.6 %
Total liabilities	393,388,037	878,266,012	<u>(484,877,975</u>)	(55.2)%
Net position restricted for pensions				
and amounts held in trust	\$ 12,386,849,689	\$ 11,617,415,901	\$ 769,433,788	6.6 %
	+ 1=,111,010,000	+ 11,211,110,001	+ 122,100,100	. 3.0 ,0

The fair market value of investments increased due to the combination of contributions received and an investment gross return of 9.1% exceeding benefits and administrative expenses. Liabilities for benefits and refunds payable vary at Fiscal Year-end depending on member request and timing. Change in asset values and timing of payments can affect the balance of liabilities at the statements of plan net position date.

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

Defined Benefit Pension Trust Funds Changes in Net Position

	Year Ended June 30, 2013		Year Ended June 30, 2012		\$ Change	% Change
Additions:						
Member contributions	\$ 184,663,426	\$	179,179,174	\$	5,484,252	3.1 %
Employer contributions	299,668,173		290,630,196		9,037,977	3.1 %
Investment income	999,182,948		140,702,386		858,480,562	610.1 %
Other additions	 16,311		24,089		(7,778)	(32.3)%
Total additions	 1,483,530,858		610,535,845		872,995,013	143.0 %
Deductions:						
Benefits and refunds paid	707,788,583		660,316,628		47,471,955	7.2 %
Administrative expenses	 6,308,487		6,231,431		77,056	1.2 %
Total deductions	 714,097,070		666,548,059		47,549,011	7.1 %
Changes in net position	\$ 769,433,788	\$	(56,012,214)	\$	825,446,002	1,473.7%

Investment income for the Fiscal Year 2013 was \$999.1 million as a result of the gross investment return of 9.1%. Contributions and other additions totaled \$484.3 million, resulting in total additions of \$1.4 billion exceeding benefits and administrative expenses paid of \$714 million by \$769.4 million. For Fiscal Year 2012, the gross investment return was 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. 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 2013, 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 Position

		As of June 30, 2013	,	As of June 30, 2012	\$ Change	% Change
Assets:						
Cash	\$	-	\$	60,840	\$ (60,840)	(100.0)%
Short-term investments		2,585,228		609,833	1,975,395	323.9 %
Investments — at fair value		522,804,939		451,913,014	70,891,925	15.7 %
Receivables	_	1,604,191		1,414,042	 190,149	13.4 %
Total assets	_	526,994,358		453,997,729	 72,996,629	16.1 %
Net position restricted for pensions and amounts held in						
trust	\$	526,994,358	\$	453,997,729	\$ 72,996,629	16.1 %

Net position increased from Fiscal Year 2012 to Fiscal Year 2013. The change reflects a positive return in the investment market and an increase in employer contributions. The change in cash is due to the timing of a transfer of funds at the end of the month. Receivables include contributions that are not yet recorded by the record keeper at year end plus accrued interest and dividends.

Defined Contribution Pension Trust Funds Changes in Net Position

	Year Ended June 30, 2013	Year Ended June 30, 2012	\$ Change	% Change
Additions:				
Member contributions	\$ 36,348,413	\$ 32,417,476	\$ 3,930,937	12.1 %
Employer contributions	9,119,848	383,189	8,736,659	2,280.0%
Investment income	45,648,892	7,031,651	38,617,241	549.2 %
Transfers and rollovers in	9,132,179	9,576,929	(444,750)	(4.6)%
Total additions	100,249,332	49,409,245	50,840,087	102.9 %
Deductions:				
Benefits and refunds paid	10,251,319	9,464,776	786,543	8.3 %
Transfers and rollovers out	17,001,384	14,943,046	2,058,338	13.8 %
Total deductions	27,252,703	24,407,822	2,844,881	11.7 %
Change in net position	\$ 72,996,629	\$ 25,001,423	\$ 47,995,206	192.0 %

The change in net position was impacted by a positive investment return for the fiscal year. Member contributions increased due to an increase 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. During the Fiscal Year 2013 the Firefighters Social Security Referendum was held. As a result some employers of firefighters have elected to contribute matching contributions to the Defined Contribution plan. The effect of this was a significant increase in employer contributions. The increase in benefits and refunds paid is a result of an increase in the number of retirees receiving benefits.

Other Trust Funds

During Fiscal Year 2013, 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 Position

	As of June 30, 2013	As of June 30, 2012	\$ Change	% Change
Assets:				
Cash	\$ 78,584	\$ 74,998	\$ 3,586	4.8 %
Investments — at fair value	322,861,632	280,604,369	42,257,263	15.1 %
Prepaid insurance premiums	1,197,547	1,295,919	(98,372)	(7.6)%
Due from other funds	1,675,063	1,575,032	100,031	6.4 %
Total assets	325,812,826	283,550,318	42,262,508	14.9 %
Liabilities — other liabilities	32,708	32,647	61	0.2 %
Net position restricted for pensions and amounts held in				
trust	\$ 325,780,118	\$ 283,517,671	\$ 42,262,447	14.9 %

The net position increased in Fiscal Year 2013 from Fiscal Year 2012 because of positive investment returns and contributions exceeding benefits paid.

Sick Leave Insurance Reserve Funds Changes in Net Position

	ear Ended ine 30, 2013	Year Ended une 30, 2012	\$ Change	% Change
Additions:				
Employer contributions Investment income Other additions	\$ 19,430,658 39,621,813 2,014	\$ 18,659,577 6,095,084 4,430	\$ 771,081 33,526,729 (2,416)	4.1 % 550.1 % (54.5)%
Total additions	59,054,485	24,759,091	34,295,394	138.5 %
Deductions:				
Benefits and refunds paid Administrative expenses	 16,687,698 104,340	 16,310,005 104,340	 377,693 	2.3 % .0 %
Total deductions	 16,792,038	 16,414,345	 377,693	2.3 %
Changes in net position	\$ 42,262,447	\$ 8,344,746	\$ 33,917,701	406.5 %

The changes in net position reflect a net return of 14.1% resulting in \$39.6 million in investment income, compared to \$6.1 million for Fiscal Year 2012. 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		
	2013	2012	Change	2013	2012	Change
Active participants	65,535	65,270	0.4 %	42,196	42,577	(0.9)%
Vested - Base Plan	44,447	44,016	1.0 %			
Non-vested - Base Plan	21,088	21,254	(0.8)%			
Actively contributing - Choice Plan				13,254	12,863	3.0 %
Retirees and beneficiaries	38,947	37,150	4.8 %	140	101	38.6 %
Terminated vested	11,084	10,823	2.4 %	12,724	11,997	6.1 %

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)

	2013	2012
Beginning — July 1	37,150	35,334
New Retirements	2,815	2,769
Death of retiree/beneficiary	(1,018)	(953)
Ending — June 30	38,947	37,150

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, 2013, PERSI's Base Plan had a funded ratio of 85.3% and an amortization period on the unfunded actuarial liability of 13.1 years. The investment return net of all expenses for 2013 was 8.6% compared to the assumed return of 7.5%. This positive movement is in large part to improvement in the investment market. 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 57% investment income, 27% 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.

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

STATEMENTS OF PLAN NET POSITION – PENSION TRUST FUNDS AND OTHER TRUST FUNDS JUNE 30, 2013 WITH COMPARATIVE FINANCIAL INFORMATION FOR JUNE 30, 2012

	Pension Trust Funds					
	PERSI	Firefighters'	PERSI Choice Plan			
	Base Plan	Retirement Fund	414(k)	401(k)		
ASSETS						
Cash and cash equivalents	\$ 2,932,780	\$ 74,875	\$ -	\$ -		
Investments—at fair value						
Fixed income investments						
Domestic	2,519,102,611	64,313,608	-	-		
International	73,247,395	1,870,033	-	-		
Idaho commercial mortgages	458,653,806	11,709,599	-	-		
Short-term investments	410,856,608	10,489,319	-	2,585,228		
Real estate equities	465,616,569	11,887,361	-	-		
Equity securities						
Domestic	4,756,554,231	121,436,564	-	-		
International	2,537,689,255	64,788,132	-	-		
Private equity	963,421,902	24,596,512	-	-		
Mutual, collective,						
unitized funds	-	-	57,979,323	464,825,616		
Total investments	12,185,142,377	311,091,128	57,979,323	467,410,844		
Receivables						
Investments sold	177,931,410	4,521,343	-	-		
Contributions	4,615,671	58,196	_	367,246		
Interest and dividends	35,198,283	894,409	162,905	1,074,040		
Total receivables	217,745,364	5,473,948	162,905	1,441,286		
Assets used in plan operations - net	4,748,082	-	-	-		
Due from other plans	-	-	-	-		
Prepaid retiree benefits	53,029,172					
Total assets	12,463,597,775	316,639,951	58,142,228	468,852,130		
Total assets	12,403,397,773	310,039,931	30,142,220	400,032,130		
LIABILITIES						
Accrued liabilities	9,857,398	242,835	-	-		
Benefits and refunds payable	662,770	-	-	-		
Due to other plans	1,675,063	-	-	-		
Investments purchased	371,509,689	9,440,282	-	-		
Total liabilities	383,704,920	9,683,117				
NET POSITION						
Net position restricted for pensions						
and amounts held in trust	\$ 12,079,892,855	\$ 306,956,834	\$ 58,142,228	\$ 468,852,130		



Other Trust Funds Sick Leave Insurance Reserve Fund			Totals				
	State		chools	 2013	2012		
		_					
\$	25,437	\$	53,147	\$ 3,086,239		3,309,696	
	33,486,197		47,653,045	2,664,555,461		2,792,631,983	
	-		-	75,117,428		79,152,672	
	-		-	470,363,405		489,343,413	
	-		-	423,931,155		420,342,243	
	-		-	477,503,930		528,484,448	
	74,888,795	1:	24,283,960	5,077,163,550		4,440,600,559	
	16,147,694		26,401,941	2,645,027,022		2,249,773,858	
	-		-	988,018,414		1,006,050,309	
	-		-	522,804,939		451,913,014	
	124,522,686	1	98,338,946	13,344,485,304	1	2,458,292,499	
	-		-	182,452,753		672,706,973	
	-		-	5,041,113		3,972,989	
	_			 37,329,637		39,591,615	
	-		-	224,823,503		716,271,577	
	-		-	4,748,082		2,914,853	
	562,877		1,112,186	1,675,063		1,575,032	
	358,308		839,239	 54,226,719		50,866,303	
-	125,469,308	2	00,343,518	13,633,044,910	1	3,233,229,960	
	12,279		20,429	10,132,941		10,049,659	
	-		-	662,770		456,639	
	-		-	1,675,063		1,575,032	
				 380,949,971		866,217,329	
	12,279		20,429	 393,420,745		878,298,659	
\$	125,457,029	\$ 2	00,323,089	\$ 13,239,624,165	\$ 1	2,354,931,301	

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

STATEMENTS OF CHANGES IN PLAN NET POSITION - PENSION TRUST FUNDS AND OTHER TRUST FUNDS YEAR ENDED JUNE 30, 2013 WITH COMPARATIVE FINANCIAL INFORMATION FOR JUNE 30, 2012

	Pension Trust Funds						
	PERSI	Firefighters'	PERSI C	oice Plan			
	Base Plan	Retirement Fund	414(k)	401(k)			
ADDITIONS							
Contributions							
Members	\$ 184,652,290	\$ 11,136	\$ 6,462	\$ 36,341,951			
Employers	285,440,860	14,227,313	-	9,119,848			
Transfers and rollovers in		<u> </u>		9,132,179			
Total contributions	470,093,150	14,238,449	6,462	54,593,978			
Investment income							
Net appreciation (depreciation)							
in fair value of investments		18,470,947	3,732,343	31,292,784			
Interest, dividends and	,,.	-, -, -, -, -	- , ,	- , - , -			
other investment income	289,567,930	7,358,093	1,389,771	9,581,521			
Less investment expenses	(42,045,151)	(1,068,392)	(197,400)	(150,127)			
-							
Total investment							
income (loss) - net	974,422,300	24,760,648	4,924,714	40,724,178			
Other- net	16,311						
Total additions	1,444,531,761	38,999,097	4,931,176	95,318,156			
DEDUCTIONS							
Benefits and refunds paid to							
members and beneficiaries	687,987,165	19,801,418	2,233,004	8,018,315			
Administrative expenses	6,308,487	-	-	-			
Transfers and rollovers out		-	1,619,036	15,382,348			
Total deductions	694,295,652	19,801,418	3,852,040	23,400,663			
INCREASE (DECREASE) IN NET POSITION	750,236,109	19,197,679	1,079,136	71,917,493			
NET POSITION HELD IN TRUST Beginning of year	11,329,656,746	287,759,155	57,063,092	396,934,637			
End of year	\$ 12,079,892,855	\$ 306,956,834	\$ 58,142,228	\$ 468,852,130			

Sick Leave Insurance Reserve Fund Totals State Schools 2013 \$ - \$ - \$ 221,011,839 \$ \$ 6,049,837 13,380,821 328,218,679	2012
\$ - \$ - \$ 221,011,839 \$ 6,049,837 13,380,821 328,218,679	
6,049,837 13,380,821 328,218,679	
6,049,837 13,380,821 328,218,679	211,596,650
0.400.400	309,672,962
<u> </u>	9,576,929
6,049,837 13,380,821 558,362,697	530,846,541
15,207,027 24,584,236 820,186,858	(101,608,701)
307,897,315	297,899,261
(64,759) (104,691) (43,630,520)	(42,461,439)
15,142,268 24,479,545 1,084,453,653	153,829,121
1,290 724 18,325	28,519
21,193,395 37,861,090 1,642,834,675	684,704,181
4 040 619 12 629 090 724 727 600	696 001 400
4,049,618 12,638,080 734,727,600 39,876 64,464 6,412,827	686,091,409 6,335,771
- 17,001,384	14,943,046
4,089,494 12,702,544 758,141,811	707,370,226
17,103,901 25,158,546 884,692,864	(22,666,045)
108,353,128 175,164,543 12,354,931,301 12	2,377,597,346
\$ 125,457,029 \$ 200,323,089 \$ 13,239,624,165 \$ 12	,354,931,301



PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

1. GENERAL DESCRIPTION OF THE FUNDS

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 five member retirement board (the "Board"), appointed by the Governor and confirmed by the Idaho Senate, manages the System. State law requires that two members of the Board be active PERSI members with at least ten years of service and three members who are Idaho citizens not members of the system except by reason of having served on the Board. Responsibilities of the Board include selecting the funding agents, establishing funding policy, and setting contribution rates.

Defined Benefit Retirement Plans — 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 <u>Idaho Code</u>. Statutes governing FRF are Title 72, Chapter 14 of the <u>Idaho Code</u>.

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, 2013 and 2012, the number of participating employer units in the PERSI Base Plan was:

	2013	2012
Cities	149	149
School districts	160	158
Highway and water districts	129	128
State subdivisions	95	96
Counties	42	42
Other	<u>180</u>	<u>179</u>
	<u>755</u>	<u>752</u>



As of June 30, 2013 and 2012, the number of benefit recipients and members in the System consisted of the following:

Members, retirees and beneficiaries currently receiving benefits during the fiscal year and terminated employees entitled to benefits but not yet receiving them:

	2013	2012
Members:		
Active	65,535	65,270
Terminated and vested	11,084	10,823
Retirees and beneficiaries	38,947	37,150

FRF has 22 participating employer units all consisting of fire departments also participating in PERSI. As of June 30, 2013, there were 2 active members and 551 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 1.04% from January 1, 2013 through June 30, 2013 (18.16% from July 1, 2012 through December 31, 2012) 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 <u>Idaho Code</u> 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 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 755 PERSI employer units are eligible to have participating employees in the PERSI Choice Plan. As of June 30, 2013, there were 42,196 participants, with balances in the PERSI Choice Plans. Some of these participants are in both the 401(k) Plan and the 414(k) Plan. As of June 30, 2013, the Choice Plan 401(k) had 25,281 participants, and the Choice Plan 414(k) had 29,930. 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 67-5333, 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 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	Maximum Allowable
State Service	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, 2013.

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 position when due and receivable, pursuant to formal commitments and statutory or contractual requirements, investment income is recognized when earned, and benefit payments and refunds and other expenses are recorded when the benefits are due and payable in accordance with the plans' terms. The pension funds are accounted for on a flow of economic resources measurement focus. The 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 <u>Idaho Code</u> and of fiduciary responsibilities in the <u>Idaho Code</u>, 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 8.2% of total investments. PERSI's real estate and commercial mortgage investments are 4.5% and 3.8% respectively of total investments.

Investment expenses presented within the statement of changes in plan net position do not include fees and costs for private equity investments nor does it include fees and commissions related to public equity transactions. These fees and costs are presented, for information purposes, within the Investment Section of PERSI's Comprehensive Annual Financial Report in the Schedule of Costs for Private Equity Partnerships and the Schedule of Broker Fees and Commissions. These costs are captured within the net asset value for investments as reported in the statements of plan net position and the statement of changes in plan net position.

The System purchases forward currency contracts for certain international investments and United States of America agency-guaranteed collateralized mortgage obligations for the purpose of enhancing liquidity, reducing transaction or other costs, or partially hedging an existing exposure. The System may incur minor recording costs for forward contracts until the settlement date. Potential future obligations for the forward contracts are not recognized until the contract expiration date.

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 position 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, 2012, from which the summarized information was derived.

New Accounting Standards –Two GASB standards were implemented during the Fiscal Year ending June 30, 2013: GASB 62 – GASB Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements; and GASB 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. The implementation of these standards 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 <u>Idaho Code</u> 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	\$ 2,400,198
FDIC insured/collateralized	264,614
Uninsured and uncollateralized	 421,427
Total	\$ 3,086,239

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, 2013, 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, 2013 are as follows:

Investment Table

Domestic fixed income	\$ 2,583,416,219
Co-mingled domestic fixed income (Sick Leave Insurance Reserve Fund)	81,139,242
International fixed income	75,117,428
Idaho commercial mortgages	470,363,405
Short-term investments	423,931,155
Real estate	477,503,930
Domestic equities	4,877,838,997
Domestic equities-convertibles	151,798
Co-mingled domestic equity (Sick Leave Insurance Reserve Fund)	199,172,755
International equities	2,602,477,386
Co-mingled international equity (Sick Leave Insurance Reserve Fund)	42,549,636
Private equity	988,018,414
Mutual, collective, and unitized funds	522,804,939
Total Investments	\$ 13,344,485,304

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, 2013, the System had futures contracts with a fair value of \$386,595 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, 2013, the System had the following net futures contracts exposure:

	-	sure covered by contract
Cash and Cash Equivalents Eurodollar	\$	4,710,813
Euribor future		9,671,859
U.S. Treasury note futures		(12,501,219)
U.S. Treasury bond futures		271,688
US Ultra (Long-Term Treasury) bond future		(1,325,813)

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, 2013, the System had option contracts payable with a fair value of \$86,867, which is included in Domestic Fixed Income. At June 30, 2013, the System had the following options contract exposure:

Exposure covered by contract

Fixed income purchased put options

\$ 86,867

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, 2013, the System had entered into forward currency contracts to sell foreign currencies with a fair value of \$134,585,618 and had entered into forward currency contracts to buy foreign currencies with a fair value of \$130,687,480. Forward currency contracts are receivables or payables reported as investments sold or investments purchased. Net unrealized gains of \$3,965,578 at June 30, 2013 were recorded, which represent the gain which would occur from executing these forward foreign currency contracts.

Mortgage-Backed Securities — These investments are valued based on the cash flows from interest and principal payments on the underlying mortgages. As a result, they are sensitive to prepayments, which are likely to occur in declining interest rate environments, thereby reducing the value of the securities. Details regarding interest rate risk for these investments are included in the Interest Rate Risk section 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, 2013, the System had invested in TIPS with a fair value of \$1,324,370,620.

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, 2013, the System's fixed income assets that are not government guaranteed represented 51% of the fixed income portfolio. The System's fixed income assets are shown with current credit ratings in the table that follows.

Credit Quality of fixed income securities at fair value

Credit Quality						
S&P Rating Level		Domestic	International		Total	
Short-Term						
A-1+	\$	37,710,569	\$	-	\$ 37,710,569	
A-1		28,965,376		-	28,965,376	
A-2		-		-	-	
Long-Term						
AAA		40,314,035	23,384,72	26	63,698,761	
AA*		361,979,054	719,30	00	362,698,354	
A		288,167,044	24,536,93	30	312,703,974	
BBB		128,774,159	12,160,92	22	140,935,081	
BB		10,457,921		-	10,457,921	
В		7,060,757		-	7,060,757	
CCC		4,568,000		-	4,568,000	
CC		1,023,799		-	1,023,799	
С		-		-	-	
D		791,765		-	791,765	
Not rated		300,324,760	14,315,5	50	314,640,310	
Total Credit Risk fixed						
income securities		1,210,137,239	75,117,42	28	1,285,254,667	
U.S. Government		1,756,738,307		-	1,756,738,307	
Pooled Investments		110,545,809		-	110,545,809	
Idaho Mortgages		470,363,405		-	470,363,405	
Total	\$ 3	3,547,784,760	\$ 75,117,42	28	\$ 3,622,902,188	

^{*}Includes US Government Agencies implicitly guaranteed by US Government: FFCB \$686,329; FHLB \$25,494,133; FHLMC \$86,271,951; FNMA \$110,009,697

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 89.6%, in short-term instruments held at the custodian bank. Of the remaining cash and deposits at June 30, 2013, approximately 3.0% or, \$12,899,894, was held by various counterparties not in the System's name. The remainder, approximately 7.4%, is invested in custodial bank-maintained collective investment funds.

E. Concentration of Credit Risk

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

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

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 invested assets.

F. Interest Rate Risk

Market or interest rate risk is the greatest risk faced by an investor in the debt securities market. The price of a debt security typically moves in the opposite direction of the change in interest rates. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. This risk is managed within the portfolio using the effective duration methodology. The methodology takes into account optionality on bonds and scales the risk of price changes on bonds depending upon the degree of change in rates and the slope of the yield curve. All of the System's fixed income portfolios are managed in accordance with operational guidelines which include an expected range of interest rate risk in the portfolio. Per the System's investment policy, 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	Duration in Years
Asset-backed Securities	\$	5,574,558	(0.12)
Asset-backed Securities		198,841	N/A
Mortgages		8,817,866	2.13
Commercial Paper		76,508,816	0.30
Corporate Bonds		511,865,485	6.79
Fixed Income Derivatives		390,365	5.76
Fixed Income Derivatives		86,867	N/A
Government Agencies		53,587,624	6.66
Government Agencies		198,824	N/A
Government Bonds		476,651,711	6.02
Government Mortgage-backed Securities		385,587,173	2.43
Government Mortgage-backed Securities		3,187,419	N/A
Pooled Investments		29,406,567	0.08
Pooled Investments		81,139,242	N/A
Private Placements		73,313,062	4.38
Private Placements		90,420,317	N/A
TIPS		1,280,486,618	9.65
Idaho Mortgages		470,363,405	N/A
Total			
	\$	3,547,784,760	

Effective duration of international fixed income assets by security type:

Investment	Fa	air Value	Effective Duration in Years
Asset-Backed Securities	\$	217,366	N/A
Corporate Bonds		2,325,171	3.47
Government Agencies		6,160,277	0.95
Government Bonds		66,414,614	4.10
Total	\$	75,117,428	



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, 2013, is highlighted in the table that follows.



Currency exposures:

CURRENCY	Short-term Investments	Equ	ıity	Fixed Income	Total USD Equivalent Fair Value	r —
	.	·	404.00=		- 4	
AUSTRALIAN DOLLAR	\$ (19,736,638	,	401,887	\$ 7,454,475		
BRAZIL REAL	(242,777	,	445,208	1,311,01	· · ·	
CANADIAN DOLLAR	(19,400,594	,	058,357	18,508,922		
CHILEAN PESO	4,424	l 7,	279,787		- 7,284,21	
CHINESE YUAN RENMINBI		-	532		- 532	
COLOMBIAN PESO	4,823		577,787		- 3,582,610	
CZECH KORUNA	62,752		804,750		- 3,867,502	
DANISH KRONE	40,262	-	431,459		- 15,471,72 ⁻	
EGYPTIAN POUND	57,948		239,312		- 1,297,260	
EURO CURRENCY UNIT	(27,991,41		132,982	25,332,997		
HONG KONG DOLLAR	372,537	•	134,411		- 236,506,948	
HUNGARIAN FORINT	122,043	•	592,501		- 7,714,54	
INDONESIAN RUPIAH	144,36	•	498,776		- 46,643,137	
ISRAELI SHEKEL	66,903		824,453		- 5,891,356	
JAPANESE YEN	373,26 ⁻²		796,502		- 377,169,760	
KENYAN SHILLING			175,063		- 175,060	
MALAYSIAN RINGGIT	83,443	3 23,	028,361		- 23,111,804	4
MEXICAN NEW PESO	(5,265,398	30,	604,123	11,956,857	7 37,295,582	2
MOROCCAN DIRHAM	7,105		297,655		- 304,760	
NEW TAIWAN DOLLAR	305,172	2 86,	629,792		- 86,934,964	4
NEW TURKISH LIRA	(145,195	5) 60,	122,491		- 59,977,296	6
NEW ZEALAND DOLLAR	18,243	3	599,789		- 618,032	2
NORWEGIAN KRONE	4,502,62	8,	203,344		- 12,705,965	5
PHILIPPINES PESO	14,993	36,	990,133		- 37,005,126	6
POLISH ZLOTY	(2,986,562	2) 13,	951,738	7,185,059	9 18,150,23	5
POUND STERLING	(1,486,815	5) 427,	117,464	2,365,78	1 427,996,430	0
RUSSIAN RUBEL (NEW)		- 14,	827,115		- 14,827,115	5
S AFRICAN COMM RAND	(102,292	2) 68,	747,077	1,596,639	9 70,241,424	4
SINGAPORE DOLLAR	25,477	30,	475,039		- 30,500,516	6
SOUTH KOREAN WON	(3,695,67)) 176,	023,054		- 172,327,383	3
SRI LANKA RUPEE	•	-	372,574		- 372,574	4
SWEDISH KRONA	20,715	5 26,	898,487		- 26,919,202	2
SWISS FRANC	(1,316,15	5) 116,	188,936		- 114,872,78°	1
THAILAND BAHT	6,834	,	173,312		- 52,180,146	6
Total value of investments subject to foreign currency risk	\$ (76,135,59) \$ 2,670,	644,251	\$ 75,711,74	1 \$ 2,670,220,40 ⁻	1

4. ASSETS USED IN PLAN OPERATIONS

Assets used in plan operations at June 30, 2013, consist of the following:

	2013
Buildings and improvements Less accumulated depreciation	\$ 5,515,888 (3,802,886)
Total buildings and improvements	1,713,002
Computer software development - Galena Less accumulated amortization	6,331,360 (6,331,360)
Total computer software development - Galena	
Equipment Less accumulated depreciation	481,849 (370,366)
Total equipment	111,483
Computer software development - IRIS	2,724,608
Less accumulated amortization Total computer software development - IRIS	(23,646) 2,700,962
Equipment - IRIS	230,312
Less accumulated depreciation Total equipment	(7,677) 222,635
Total assets used in plan operations	\$ 4,748,082

For the year ended June 30, 2013, depreciation expense on the buildings and improvements was \$160,695. The equipment had a total depreciation expense of \$79,345 for 2013. 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 are amortized as each phase is implemented. Beginning May 2013, the Employer Reporting component of IRIS began being amortized over 10 years. Amortization for 2013 was \$23,646. Equipment purchased for IRIS began being depreciated in May 2013 over 5 years. The balance on contracts pertaining to the completion of the IRIS project at June 30, 2013 was \$10.1 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, <u>Idaho Code</u>, is 25 years. The maximum amortization period for FRF permitted under Section 59-1394, <u>Idaho Code</u>, is 50 years. The payroll for employees covered by the PERSI Base Plan and FRF was approximately \$2,695,882,000 and \$338,200, respectively for the year ended June 30, 2013.

Normal cost is 14.19% of covered payroll and the amount available to amortize the unfunded actuarial liability is 4.2% 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 <u>Idaho Code</u> 33-107B (4)(a)(ii). In July, 2007 <u>Idaho Code</u> 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 1.49% and the payoff date extended from 2015 to 2025.

Optional retirement plan employees of higher education:

Colleges and universities

1.49%

The contribution rates for the year ended June 30, 2013 are:

	Active M	Active Members		yers
	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%.

The planned contribution rate increase for July 1, 2013 was implemented.

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 Actuarial cost method Amortization method	July 1, 2013 Entry age actuarial cost Level percentage of projected payroll — open	July 1, 2013 Entry age actuarial cost 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 %	7.50 %
Projected salary increases	4.5 % - 10.25 %	4.5 % - 10.25 %
Includes salary inflation	3.75%	3.75%
Postretirement benefit increase	1.00 %	1.00 %
Implied price inflation rate	3.25%	3.25%

SCHEDULES OF FUNDING PROGRESS PUBLIC EMPLOYEE RETIREMENT FUND AND FIREFIGHTERS' RETIREMENT FUND FISCAL YEAR 2013

(Dollars in millions) (UNAUDITED)

	PERSI						
Actuarial Valuation Date	(1) Actuarial Market 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, 2013	12,053.5	14,172.9	45.3	2,074.1	85.3	2,697.6	76.9

- (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.
- 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	(6) UAAL as a Percentage of Covered Payroll (3): (5)
July 1, 2013	307.0	321.5	14.5	95.5	(e.) 63.0	23.0

⁽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 declined in 2008 and 2009, then increased in 2010 and 2011. A tough financial market resulted in a decline in 2012, but 2013 saw a rebound and large gain in the actuary value.

A multi-year presentation of funding progress for the Fiscal Years 2008 – 2013 can be found immediately following the notes to the Financial Statements in the Required Supplementary Information Section on pages 52-54.

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 <u>Idaho Code</u>. 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, 2013, 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 \$294,159, \$283,020, and \$278,921 for the three years ended June 30, 2013, 2012, and 2011, 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, 2013 of \$415,735,943 and \$13,765,399.

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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 2008 - 2013 (Dollars in millions) (UNAUDITED)

PERSI

Actuarial Valuation Date	(1) Actuarial Market 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, 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
July 1, 2013	12,053.5	14,172.9	45.3	2,074.1	85.3	2,697.6	76.9

- (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, 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				
July 1, 2013	307.0	321.5	14.5	95.0	63.0	23.0

(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 2008 - 2013 (Dollars in millions) (UNAUDITED)

			FRF			
	Empl	oyer Contributio	ns	Em ploy	yer Contributions	s (c.)
Year Ended June 30	Total Employer Contributions (Statutory)	Annual Required Contribution (ARC) (a.)	Percentage Contributions	Total Employer Contributions	Annual Required Contribution	Percentage Contributions
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	
2013	285.4	295.5	97.0	14.2	1.7	853.9

⁽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, 2013

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 Actuarial cost method Amortization method	July 1, 2013 Entry age actuarial cost Level percentage of projected payroll — open	July 1, 2013 Entry age actuarial cost Level dollar amount — open
Remaining amortization period	25 years	30 years
Asset valuation method Actuarial assumptions:	Market value	Market value
Investment rate of return	7.50 %	7.50 %
Projected salary increases —	4.5 % - 10.25 %	4.5% - 10.25%
Includes salary inflation	3.75 %	3.75 %
Postretirement benefit increase	1.00 %	1.00 %
Implied price inflation rate	3.25 %	3.25 %



PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

ADDITIONAL SUPPLEMENTARY SCHEDULES



PUBLIC EMPLOYEE RETIREMENTSYSTEM OF IDAHO

SCHEDULE OF INVESTMENT EXPENSES YEAR ENDED JUNE 30, 2013

INVESTMENT AND RELATED SERVICES:		
Adelante Capital	\$	3,362,088
AEW Captial Management LP	·	1,645,393
Baring Asset Management, Inc.		1,723,873
BCA Publication, Inc.		7,500
Bernstein, Sanford C.		4,637,499
Bloomberg, LP		59,881
Brandes Investmetn Partners, LP		1,757,254
Capital Guardian Trust Company		1,614,072
Chadwick, Saylor & Co., Inc.		2,009,224
Choice Plan Managers		347,528
Clearwater Advisors, LLC		769,377
D.B. Fitzpatrick & Co., Inc.		2,119,210
Donald Smith & Company		2,655,176
Genesis Asset Managers, Ltd.		2,647,494
Longview Partners		2,017,368
Mellon Capital Management		947,051
Mellon Trust		2,819,992
Mondrian Investment Partners		1,148,276
Mountain Pacific Investment Advisors, Inc.		1,205,959
Pareto Partners		181,222
Peregrine Capital Management		1,344,852 353,751
Prudential Investments State Street Global Advisors		536,198
Tukman Grossman Capital Management, Inc.		2,057,578
Wells Fargo Bank		71,950
Western Asset		1,045,289
Yardarni Research		7,500
Zesiger Capital Group		2,281,875
		41,374,430
		, ,
CONSULTING AND OTHER SERVICES:		
Alban Row		81,041
Berkadia Commercial Mortgage (formally Capmark)		19,550
Callan Associates		306,791
Chartwell Consulting LLC		81,818
Eide Bailly LLP		84,650
Foster, Pepper, Shefelman PLLC		153,435
Hamilton Lane Advisors, Inc.		215,000
Ice Miller LLP		2,639
Milliman, Inc.		213,761
Robert Storer Whiteford Toylor & Breaten		84,094
Whiteford, Taylor & Preston		18,729
Xerox HR Solutions LLC		994,582
		2,256,090
TOTAL	\$	43,630,520



PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

SCHEDULE OF ADMINISTRATIVE EXPENSES YEAR ENDED JUNE 30, 2013

PORTFOLIO-RELATED EXPENSES: Personnel expenses Operating expenses	\$ 609,127 379,573 988,700
OTHER ADMINISTRATIVE EXPENSES:	
Personnel expenses	3,320,413
Operating expenses	1,737,927
Building depreciation expense	160,695
Equipment depreciation expense	77,106
Software amortization expense	23,646
	5,319,787
SICK LEAVE FUND EXPENSES — Administrative	
personnel expenses	 104,340
Total	\$ 6,412,827





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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the pension and other trust funds of the Public Employee Retirement System of Idaho (the System), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Public Employee Retirement System of Idaho's basic financial statements, and have issued our report thereon dated October 08, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

Purpose of this Report

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

Boise, Idaho October 08, 2013

Boise -- Home to Boise State University

Opening day at Boise Junior College -- September 6, 1932.



In 1965, BJC went from a two-year to a four-year college. Four years later in 1969, it became a state college. In 1974, Boise State University was established.



Boise State University's new Micron Business and Economic Center was dedicated on August 21, 2012.

Helping Idaho public employees build a secure retirement.

「乙凹と上の凹とフ

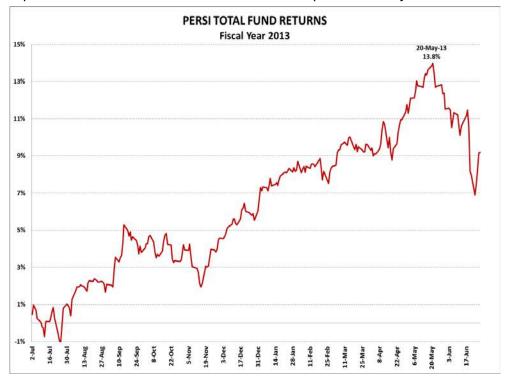


REPORT ON INVESTMENT ACTIVITY OVERVIEW OF FISCAL YEAR 2013*

With returns of 9.1%, investment gains of over \$1.092 billion, and asset levels that rose from \$11.933 billion at the start of the year to \$12.756 billion at the close, Fiscal Year 2013 was a good year – one that, for much of the year, had the potential to be great.

PERSI spent much of the fiscal year with solid double digit returns, funding ratios well above 90%, investment gains of over \$1.65 billion, and record assets of substantially over \$13 billion. But, with the introduction of a single word – "taper" – the nature of the capital markets switched dramatically in the final weeks of the fiscal year. The term referred to the anticipated slowing of the Federal Reserve purchase of bonds in "QEIII", the third round of quantitative easing. The tangible reference to the eventual end of the almost unlimited provision of liquidity by Chairman Bernanke and other Federal Reserve officials (even if months and years in the future) blunted the upward momentum of the world capital markets. Bond yields rose, dropping fixed income returns, and global equity markets dropped over 6% during late May and June. With China still slowing noticeably, emerging markets continued the sell-off that began at the start of the calendar year, and were down over -14% over the same period. As a result, the fiscal year to date gains retreated from highs reached on May 21 to, at one point, with only a few days remaining, returns of +6.8% for the fiscal year to date [below the 7.5% gross returns (7.0% net) that serves as PERSI's "hurdle rate" for the year]. A late rally in the final days of the fiscal year substantially raised yearlong returns to comfortable levels.

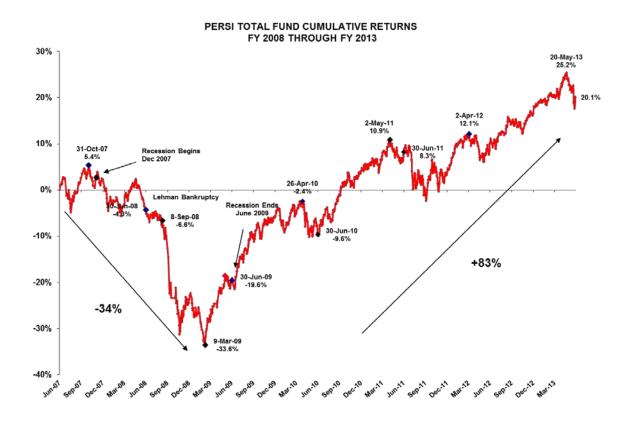
In a break from the past four "Groundhog Years", FY 2013 saw a mostly calm background environment without major European crises, US fiscal dramas, or other heart-stopping events. Instead, until the final few weeks, the markets seemed to be mostly resilient to general economic events, and the fiscal year avoided the deep holes in returns that had characterized the previous five years:



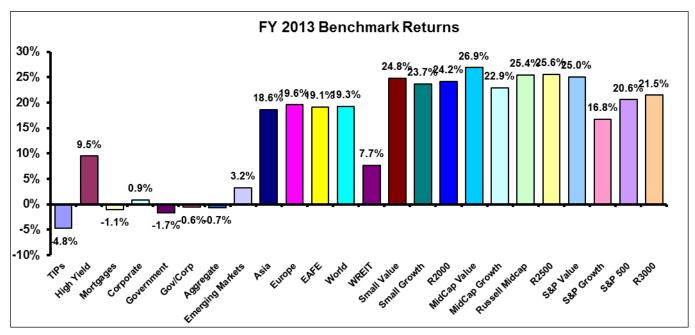
^{*} The investment section of the CAFR was compiled using information from the System's custodial bank, Bank of New York Mellon, our consultant, Callan Associates, and internally generated data. Unless otherwise noted, investment returns are based on investment fair market values and made on a time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



The fiscal year continued the historic rise of +83% for the fund since the crisis lows of March 2009:



The equity markets saw the bigger "established" markets having the best returns, with the S&P 500 returning 20.6%, the Russell 2500 mid/small cap returning 25.6%, and MSCI EAFE developed markets returning 19.1%. In sharp contrast emerging markets (3.2%), REITs (7.7%), private equity (13.6%) and private real estate (-13.4%) had markedly worse returns (with private real estate reflecting a major portfolio restructuring). Investment grade bonds (-0.7%) had one of the rare negative annual return years, and TIPS [Treasury Inflation Protected Securities] sank -4.8%.

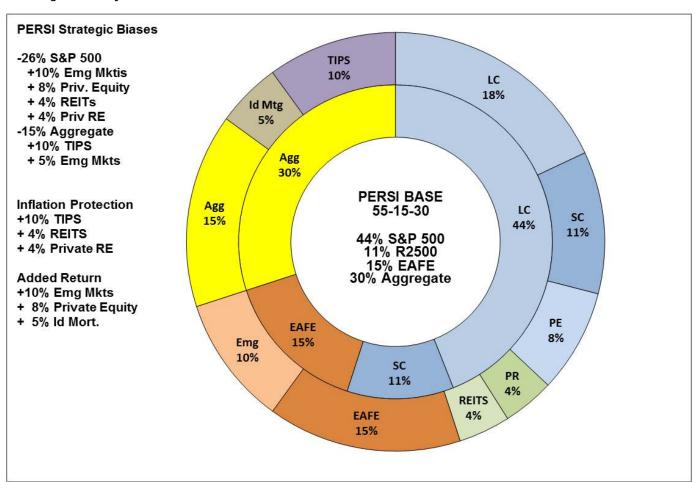




These market trends, in fact, explain the most interesting feature of this fiscal year – that PERSI actual returns trailed the reference 55% Russell 3000, 15% MSCI EAFE, 30% Barclay's Aggregate benchmark ["55-15-30"] by -5.2%.

This "underperformance" in fact exactly reflects PERSI's intended structure — one that has been in place for the past two decades. PERSI's strategic biases have consistently reduced the 55-15-30 benchmark's bias to the S&P 500 by -26% (from a 44% weighting to an 18% weight). That money has been shifted to Emerging Markets (10% weight), Private Equity (8% weight), Private Real Estate (4% weight), and REITS (4% weight). The other major shift, with smaller return consequences, has been to take 15% of the monies from the Barclay's Aggregate 30% reference weight and shifted to a 10% general weighting of TIPS, and 5% weight in the Idaho Commercial Mortgage program. These biases account for all but 60 basis points of the -5.2% disparity.

[PERSI's weighting to small cap equities and EAFE is the same as the 55-15-30 reference benchmark, with an 11% weighting to mid/small cap US stocks, and a 15% weighting to MSCI EAFE stocks. All of these weightings "look through" the activities of the active managers, and account for their biases (such as a tendency to overweight small cap stocks) in individual portfolio construction. Staff monitors active manager portfolios to assure that overall portfolio characteristics remain consistent with our long-term strategic biases].





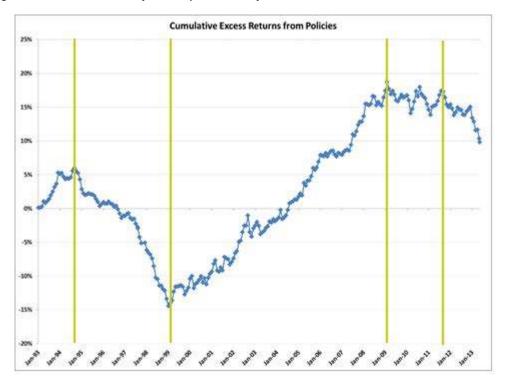
These shifts have been a basic feature of PERSI's strategic structure for at least the past two decades, and have been responsible for practically all of PERSI's relative performance both to peers and to the base reference 55-15-30 benchmark. Active management, rebalancing, currency hedging, and all other PERSI activities have essentially cancelled each other out. These strategic biases put in place collectively by the decisions of the Board, staff, and consultants have driven, are driving, and will drive the performance of the PERSI portfolio.

The central idea is that when the S&P 500 is one of the best performing capital markets in the world, PERSI will normally have no problem meeting its funding goals (as occurred in the mid-1990s). The problem PERSI faces is when the S&P 500 is a mediocre or terrible market both absolutely and relatively that PERSI needs protection – as occurred in the first decade of the 2000s.

Besides additional diversification, PERSI has shifted money to other areas for purposes of increased inflation protection (S&P 500 to REITS and Private Real Estate, Barclay's Aggregate to TIPS) and long-term added return (S&P 500 to emerging markets and private equity, Barclay's Aggregate to private debt in the Idaho Commercial Mortgage Program). All of these strategic biases go back decades, (private real estate began in 1981, the small cap and emerging market bias has been in place since the late 1980s, the Idaho Commercial Mortgage program began in the late 1980s, and the REIT and TIPS biases were added in 1997-1998).



These strategic biases have multi-year impacts, not just over weeks or months:

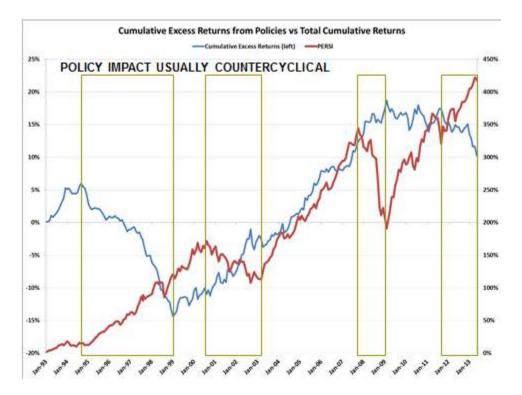


The above slide shows the cumulative impact of the strategic polices as excess returns to a 55-15-30 portfolio. As can be seen, these strategic shifts added to return from 1992-1994, consistently subtracted from return from late 1994 through early 1999, consistently added to return for over a decade from 1999 to March of 2009, gradually kept pace from 2009 through 2011, and then, starting in December of 2011, have consistently subtracted from returns through this fiscal year, and markedly accelerated in this calendar year.

As a side note, the recent pattern of excess returns is very similar to the 1994-1999 period, with the downward acceleration of 1997 (due to the Asian crisis) similarly impacted by the recent collapse of the emerging markets (both absolutely and relatively) this calendar year. [These returns relative to the 55-15-30 reference benchmark also usually parallels PERSI's peer universe standings].



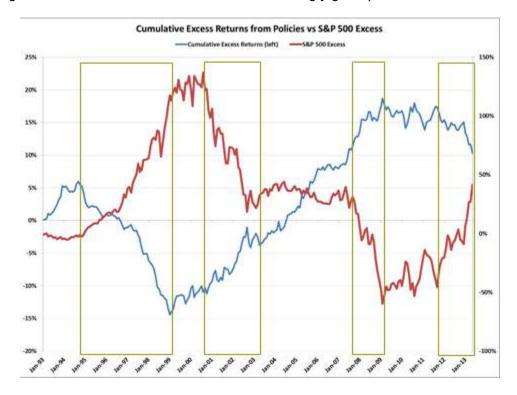
But, most notably, when the strategic policy excess returns are compared to PERSI's overall returns, the counter-cyclical nature of our strategic biases becomes apparent:



Here the cumulative excess returns from the strategic biases (left axis) are overlaid with the cumulative returns of the PERSI fund (right scale). Four time periods are emphasized. First is the period from 1994 through early 1999, when the strategic biases subtracted from return. But this was exactly a period when PERSI had some of its best overall returns in its history. Again this is very similar to the current period beginning around the start of this calendar year, where strategic policies are hurting returns, but PERSI overall is having an excellent absolute year.

And, in contrast, when PERSI overall had terrible (and negative) returns during the Tech Wreck recession of 2001-2003, and the Great Collapse of 2008-2009, PERSI's strategic biases markedly softened the blows. And, PERSI policies added to or generally were neutral to returns in other periods.

The reason is clear – that PERSI returns are primarily counter-cyclical to S&P 500 relative returns – our strategic policies "kick in" when the S&P 500 is a mediocre or poor relative capital market, in exchange for subtracting from return when the S&P 500 has exceedingly good performance:



This chart compares the strategic policy excess return (still on the left axis) with the cumulative excess return of the S&P 500 to overall PERSI returns. The same four periods as in the previous chart are highlighted. Here the relationship is stark – when the S&P 500 is markedly leading all other PERSI assets combined (as in 1994 – 1999, and since November of 2011 and particularly this calendar year), PERSI's strategic biases hurt overall performance. But, as is the case this year and as shown in the previous chart, these are exactly the multi-year periods when PERSI overall returns are well ahead of the actuarial discount rate.

Further, when the S&P 500 was a mediocre performer (generally paralleling the other capital markets), PERSI's strategic biases either added to returns (1993-1994, 1999-2001, 2003-2007) or generally kept pace (2009-2011).

Consequently, PERSI's strategic biases have performed exactly as expected and hoped when they were put in place many years ago. The only environment they have yet to be tested in is one in which unexpected inflation rears its head.

In the first investment section narrative in PERSI's annual reports (1996), we laid out our long-term investment philosophy and emphasized that "[t]here are two themes which consistently appear in many of PERSI's investment policies and strategies: [1] Generate Consistent Real (Inflation-Adjusted) Returns; and [2] Provide Protection Against Poor or Mediocre U.S. Markets." With regard to providing protection, we went on to state:

"Many of PERSI's investment policies provide 'insurance' from poor to mediocre U.S. capital markets. PERSI's underlying allocation is driven toward U.S. assets, since in the longer term (20 - 50 years), U.S. assets provide the best protection against U.S. inflation..."

"But this also means that the greatest risk in the shorter term (1-5 years) to many PERSI funding goals (such as stable contribution rates and discretionary COLAs) are poor or mediocre U.S. equity and fixed income markets."

"In order to provide protection in those poor or mediocre U.S. markets, PERSI has built in a capacity to have a higher concentration of assets than many public funds in sectors other than the traditional U.S. capital markets – thus usually leading to higher international exposures (including emerging markets) and [other] exposures than the typical public fund. . . ."

"Even with these additional exposures, PERSI will still have the bulk of its investments in the U.S. stock and bond markets. If U.S. capital markets are doing well, then PERSI will have no problem both meeting the funding standards assumed by the actuaries and providing discretionary COLAs. The possibility of giving up . . . returns because of these additional exposures when U.S. markets are doing well is worth it when the trade-off is gaining back that extra return (and possibly more) when U.S. markets are poor and PERSI funding goals and discretionary COLAs are under pressure."

"Consequently, PERSI expects to do poorly in peer comparisons when U.S. capital markets [do] well. But in that instance, PERSI will usually have no problem in meeting its funding goals. PERSI, instead, is generally oriented to providing better returns than many other funds when U.S. capital markets are performing poorly or are mediocre, and when the jeopardy to PERSI's funding goals would otherwise be high. Over the longer term, PERSI expects to perform relatively well with its commitment to equities over fixed income."

1996 Comprehensive Annual Report – p. 33

This fiscal year demonstrates the consistency of that policy.

Consequently, PERSI's peer returns for the fiscal year were significantly below median for the year. This recent performance also dragged PERSI's relative three year and five year rankings to below median for the first time since the mid-1990s. Longer term returns continue to be significantly above average:

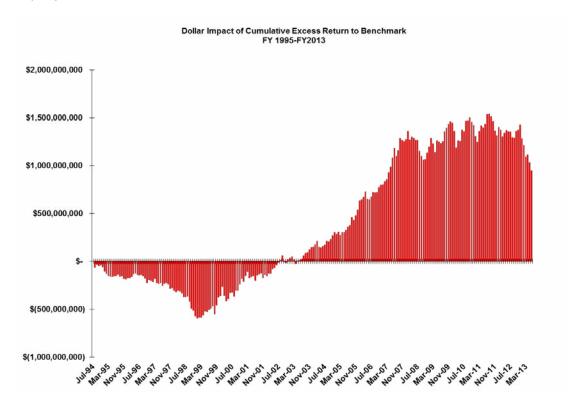
RANKINGS IN THE CALLAN PUBLIC FUND UNIVERSE AND MELLON MASTER TRUST (633 funds) UNIVERSE June 30, 2013 Percentile Rankings over Period

'ercentile Rankings over Perio (1 is highest, 100 is lowest)

	1Yr	3Yrs	5Yrs	7Yrs	10Yrs	20 Yrs
Return (%)	9.1	10.2	4.8	5.5	7.8	8.1
Policy Return	14.2	13.1	6.1	5.6	7.2	7.8
Callan Median Fund	12.0	11.0	5.3	5.4	7.1	7.9
Mellon Median Fund	11.6	10.7	4.9	5.3	7.3	
PERSI Rank (Percentile	e)					
Callan Public Funds	[^] 88	68	69	49	17	34
Mellon All Funds	75	64	53	45	32	



Since July of 1994 (when specific records on these numbers were first kept by staff), PERSI's strategic biases have added well over \$1 billion to both general market returns (as represented by the reference 55-15-30 benchmark) through its additional activities in emerging markets, private assets, TIPS, REITS and similar programs, as follows.

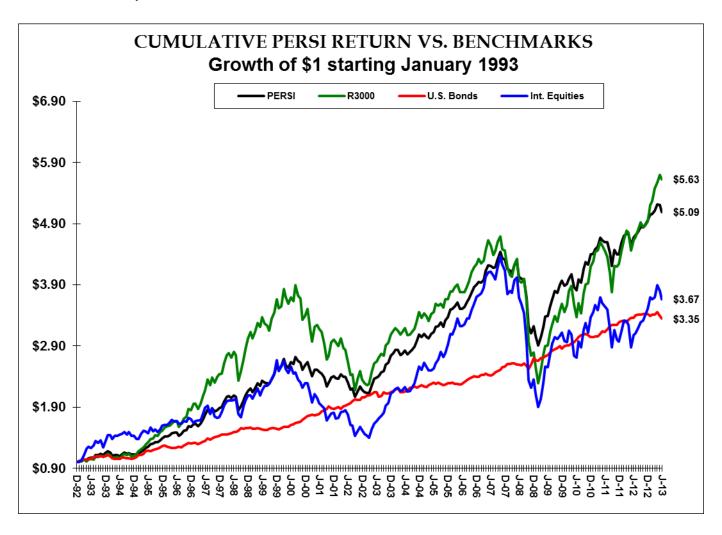


PERSI's annualized return over this period was 8.4%, the 55-15-30 benchmark return was 8.0%. The cumulative outperformance over the period has been over 33%.

That approximately half a percent difference in return over 20 years represents over \$1.1 billion in added value.



Since 1993, every dollar invested in PERSI has returned more than fivefold, to \$5.09:



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 six years, and has survived relatively unscathed through all of the crises of the past 20 years.

During the last fiscal year, PERSI's US public equity component kept pace with the indices with a 21.5% return. Tukman (22.1%), Mountain Pacific (22.5%) and Donald Smith (27.5%) beat the Russell 3000, while Peregrine (our large cap growth manager) lagged significantly (13.3%).

The overall US equity component, however, returned only 14.2%, dragged down by private equity (13.6%) and real estate (-5.1%). Real estate, in turn, was influenced by negative private returns due to portfolio restructuring (-13.4%) and adequate public real estate (REIT) returns of 7.0%.

Global Equity underperformed the MSCI World market index with returns of 18.7%. This was both below the MSCI World index (at 19.3%) and below US equity general returns (21.5%). Our most recent global equity manager, Longview, led the pack with 27.6%, with Brandes (22.1%), Bernstein Global (24.1%), and Cap Guardian (22.7%) also beating the index for the year. Their outperformance, however, was outweighed by poor relative returns from Zesiger (6.2%) (due in large part to emerging markets exposure) and Barings (12.8%).



Developed market international equity (MSCI EAFE) returned 19.1% for the year, dramatically outperforming emerging market equity (MSCI Emerging Markets at 3.2%) for the third year in a row. Mondrian, our developed markets manager lagged the EAFE index with a 16.2% return, while Genesis outperformed the emerging markets index with 5.5% returns, and Bernstein Emerging underperformed with the worst equity account performance at -2.8% (reflecting their general exposure to commodity sensitive countries and their deep value bias).

PERSI fixed income ended its long-standing streak of outperforming benchmarks, with a return for the year of -2.8% compared to the returns of investment grade bonds as represented by the Barclay's Aggregate index at -0.7%. As with the periods of outperformances, this was due in large part to PERSI's weighting towards TIPS, which had a terrible relative and absolute (for bonds) year at -5.2%. This return melded the SSGA TIPs return of -5.4% and the Western active TIPs account return of -4.9%. Western with its nominal bond portfolio had a good year with 2.0% returns, and Barings slightly outperformed at -0.6%. Idaho Mortgages lost -1.1% for the year, while the mortgage backed securities managers largely tracked the general mortgage market with returns of -1.6% for Clearwater and -1.3% for DBF.

All in all a good year for PERSI.

ROBERT M. MAYNARD Chief Investment Officer

INVESTMENT SUMMARY FOR THE YEAR ENDED JUNE 30, 2013

Types of Investment	Marke	t Valı	ue	Percent of Total Market Value		
Short-term Investments Fixed Income		\$	423,931,155		3.4%	
Domestic	2,583,416,219			20.7%		
International	75,117,428			0.6%		
Commercial Mortgages	470,363,405			3.8%		
Total Fixed Income			3,128,897,052		25.1%	
Equity						
Domestic Equity	4,877,990,795			38.9%		
International Equity	2,602,477,387	•		20.8%		
Total Equity			7,480,468,182		59.8%	
Private Equity			988,018,414		7.9%	
Real Estate			477,503,930	_	3.8%	
Total Base Plan Investments		\$	12,498,818,733	_	100.0%	
Other Funds:						
Sick Leave Insurance Reserve Fund			322,861,632			
Choice Plan 414(k)			57,979,323			
Choice Plan 401(k)			464,825,616			
Total Investments in All Funds		\$	13,344,485,304			



Schedule of Investments by Account (including interest and dividends receivable) as of June 30, 2013

Base Plan and Firefighters' Retirement Fund Adelante Capital Management

base Plan and Firenghiers Retirement Fund		
Adelante Capital Management	\$ 369,511,637	
Advent International, LP	35,548,969	
Apollo Management, LP	64,095,800	
American Securities Opportunities Associates II, LLC	14,523,928	
Baring Asset Management-Global Equity	360,111,052	
Baring Asset Management-Global Fixed Income	173,050,066	
Bernstein-Emerging Markets	305,645,860	
Bernstein-Global Equity	396,890,846	
Blackstone Capital Partners, LP	57,142,508	
BNY Mellon Capital Management-International Stock Index	510,033,998	
BNY Mellon Capital Management-Mid Cap Completion	167,231,833	
BNY Mellon Capital Management-R2000 Small Cap	118,186,605	
BNY Mellon Capital Management-S&P 500 Large Cap	1,235,090,543	
BNY Mellon Capital Management-REIT Index	104,791,658	
BNY Mellon Capital Management-Emerging Market Index	313,527,203	
Brandes Investment Partners	399,428,501	
Bridgepoint Cap LTD	17,312,020	
Capital Guardian	377,822,042	
Cascade	87,384,347	
Cerberus Investment Partners	31,577,545	
Chisholm Management, LP	2,945,117	
Clearwater Advisors, LLC-TBAs	129,284,681	
CVC European Equity	42,414,596	
D.B. Fitzpatrick & CoFixed Income	147,119,107	
D.B. Fitzpatrick & CoIdaho Mortgages	472,314,160	
Donald Smith & Co.	400,587,314	
Endeavour Capital	8,120,421	
Enhanced Equity, LP	37,792,116	
Epic Venture Fund	10,074,629	
First Reserve Fund XI	63,445,979	
Frazier Technology Ventures II, LP	12,513,069	
Galen Associates, LP	32,890,526	
Genesis Asset Managers	326,120,836	
Goense Bounds & Partners, LP	1,891,774	
Gores Capital Partners, LLP	30,909,312	
Green Equity Investors IV, LP	50,538,543	
Hamilton Lane Co - Investment Fund, LP	54,545,545	
Hamilton Lane Secondary Fund, LP	25,250,611	
Highway 12 Ventures, LP	57,287,288	
Ida-West	3,166,480	
JH Whitney & Co, LLC	32,362,232	
KKR 2006 Fund, LP	29,192,946	
Kohlberg & Co.	40,519,010	
Koll Partners, LLP	260,369,696	
Lindsay Goldberg & Bessemer	48,558,865	
Littlejohn, LP	2,046,670	
Longview Partners	395,739,820	
McCown DeLeeuw & Co. IV, LP	85,280	
Mellon Transition Management Services	1,980,569	(Continued)
Monoth Transition Managomont Convictor	1,000,000	(Continuou)



Schedule of Investments by Account (including interest and dividends receivable) as of June 30, 2013

Mondrian Investment Partners	366,631,441	
Mountain Pacific Investment Advisors	391,666,119	
Newbridge Asia, LP	25,699,411	
Olympic IDA Fund II, LLC	166,244,170	
Peregrine Capital Management	368,407,365	
PERSI Cash in Short-Term Investment Pool	35,904,247	
Private Debt	14,696,317	
Providence Equity Partners, LLP	57,071,862	
Prudential Investments	38,044,488	
State Street Global Advisors-Fixed Income	676,856,804	
State Street Global Advisors-TIPS	912,059,581	
T3 Partners, LP	82,178,541	
Tukman Grossman Capital Management	394,751,689	
Veritas Capital Partners, LP	14,172,220	
W. Capital Partners, LP	3,008,143	
Western Asset Management	170,531,702	
Western Asset-TIPS	378,523,034	
Zesiger Capital Group	356,462,495	
Zesiger Capital Group-Private Equity	21,945,197	
Total Base Plan and Firefighters' Retirement Fund		\$ 12,333,828,979
Choice Plan		
BNY Mellon Aggregate Bond Index	12,080,254	
BNY Mellon Dow Jones U.S. Completion Total Stock Market Index	7,353,163	
BNY Mellon Dow Jones U.S. Total Stock Market Index	4,081,993	
BNY Mellon International EAFE Fund	4,110,988	
BNY Mellon S&P 500	9,785,877	
Brandes International Equity Fund	6,170,411	
Calvert SI Balance Fund	1,141,331	
Dodge and Cox Income Fund	11,951,576	
PERSI Choice Plan Contribution Holding Account	2,585,228	
PERSI Choice Plan Loan Fund	6,048,831	
T. Rowe Price Small Cap Fund	15,527,921	
Total Return Fund	422,696,937	
Vanguard Growth & Income Fund	11,994,151	
PERSI Short Term Investment Portfolio	11,098,451	
Total Choice Plan		526,627,112
Sick Leave Insurance Reserve Fund		
State Street Global Advisors-Domestic Equity	199,172,755	
State Street Global Advisors-International Equity	42,549,635	
State Street Global Advisors-Fixed Income	81,139,242	
Total Sick Leave Insurance Reserve Fund		322,861,632
	-	
Total Market ∀alue, Including Investment Receivables and Payables		13,183,317,723
-		
Add: Investments Purchased Payable		380,949,971
Less: Investments Sold Receivable		(182,452,753)
Less: Interest and Dividends Receivable	_	(37,329,637)
	_	
Total Market ∀alue, Net of Investment Receivables and Payables	_	\$ 13,344,485,304 (Concluded)
	-	

Investment Results for the Year Ended June 30, 2013

MANAGERS	TOTAL MKT VAL (MILLIONS)	TOTAL				Periods Er 5 YRS. *	-
U.S. EQUITY	(22.0110)						
MELLON CAPITAL MANAGEMENT MID CAP	\$ 173.0	1.4%	26.2	26.2	19.7	8.3	10.7
MELLON CAPITAL MANAGEMENT R2000 SMALL CAP	122.2	1.0%	24.2	24.2	18.8	8.7	9.4
MELLON CAPITAL MANAGEMENT S&P 500 LC	1,277.4	10.0%		20.6	18.4	6.9	7.3
MOUNTAIN PACIFIC	405.1	3.2%		22.5	18.6	10.3	10.3
TUKMAN GROSSMAN CAPITAL MGMT	408.3	3.2%		22.1	17.5	9.3	6.4
DONALD SMITH & CO. PEREGRINE	414.3 381.0	3.2% 3.0%		27.5 13.3	15.5 16.4	12.5 7.7	
TOTAL U.S. PUBLICLY TRADED EQUITY	3,181.3	25.0%		21.2	17.8	8.7	8.3
BENCHMARK - Russell 3000	5,101.0	20.070	21.5	21.5	18.6	7.2	7.8
PRIVATE EQUITY							
IDA-WEST	3.3	0.0%	10.1	10.1	25.6	22.3	26.9
GALEN III	34.0	0.3%		8.2	1.8	(0.5)	5.3
MCCOWN DE LEEUW	-	0.0%	0.0	0.0	0.6	5.6	(32.1)
PROVIDENCE EQ PARTNERS	59.0	0.5%	(1.8)	(1.8)	11.8	3.9	25.4
CHISOLM PARTNERS	3.0	0.0%		42.6	53.0	31.2	21.8
LITTLEJOHN II L.P.	2.1	0.0%		73.4	14.9	31.4	31.8
GOENSE BOUNDS	2.0	0.0%		6.5	(11.9)	, ,	14.7
HWY 12 FD VENTURE LP T3 PARTNERS II L.P.	59.3 85.0	0.5% 0.7%		6.2 17.8	14.4 14.8	3.2 3.1	(0.6) 12.9
APOLLO MGMT LP	66.3	0.7%		29.7	18.4	10.9	31.4
GREEN EQUITY IV L.P.	52.3	0.4%		21.2	23.1	16.1	0
GORES CAPITAL AD LLC	32.0	0.3%		(7.1)		9.2	
W CAPITAL PARTNERS	3.1	0.0%	(14.8)	(14.8)	(7.6)	(8.5)	
FRAZIER TECH VENTURES II	12.9	0.1%		22.8	7.4	(1.3)	
KOHLBERG & CO.	41.9	0.3%		12.4	17.0	9.4	
HAMILTON SECONDARY	26.1	0.2%		4.9	13.4	7.3	
CVC EUROPEAN EQUITY HAMILTON LANE CO-INVESTMENT FUND	43.9 56.4	0.3% 0.4%		25.1 25.4	28.6 10.8	6.9 0.8	
BRIDGEPOINT EUROPE III	17.9	0.4%		9.3	13.3	(1.9)	
NEWBRIDGE ASIA LP	26.6	0.2%		19.9	24.2	25.6	
JH WHITNEY EQUITY PARTNERS IV	33.5	0.3%		15.3	6.5	3.6	
BLACKSTONE CAPITAL PARTNERS	59.1	0.5%	26.3	26.3	12.2	3.1	
ENHANCED EQUITY FUND LP	39.1	0.3%		1.4	6.7	4.5	
LINDSEY, GOLDBERG, BESSEMER	50.2	0.4%		7.6	17.6	9.7	
KKR 2006 FUND	30.2	0.2%		22.0	16.1	9.1	
FIRST RESERVE FUND XI CERBERUS INST PARTNERS	65.6 32.7	0.5% 0.3%		3.3 15.4	7.5 13.4	2.6 8.6	
EPIC VENTURE FUND	10.4	0.3%		30.7	20.2	7.7	
ADVENT INTERNATIONAL	36.8	0.3%		21.0	13.9	5.6	
AMERICAN SECURITIES OPPORTUNITIES FUND II	15.0	0.1%		14.8	12.2		
VERITAS CAPITAL PARTNERS	14.7	0.1%	29.6	29.6			
ENDEAVOUR CAPITAL PARTNERS	8.4	0.1%	(4.9)	(4.9)			
ZESIGER CAPITAL GROUP	22.7	0.2%	, ,	(7.2)	(1.2)		1.2
TOTAL PRIVATE EQUITY	1,045.5	8.2%	13.6	13.6	13.9	6.2	12.8
REAL ESTATE KOLL PARTNERS	269.3	2.1%	(26.9)	(26.9)	(10.4)	(15.8)	
OLYMPIC IDA FUND II	171.9	1.3%	, ,	26.8	29.5	(1.9)	
CASCADE	90.4	0.7%		(27.0)			
ADELANTE - PUBLIC R/E	382.2	3.0%	, ,	7.0	19.3	6.3	10.7
MELLON CAPITAL MANAGEMENT REIT INDEX**	108.4	0.8%					
PRUDENTIAL	39.3	0.3%	9.8	9.8	17.0	(1.9)	6.7
TOTAL R/E MANAGERS	1,061.5	8.2%	. ,	(5.1)	7.0	(3.0)	7.5
BENCHMARK - NCREIF			10.5	10.5	13.3	2.3	8.5
TOTAL U.S. EQUITY	5,288.3	41.4%	14.2	14.2	14.9	5.9	8.2
BENCHMARK - Russell 3000			21.5	21.5	18.6	7.2	7.8
GLOBAL EQUITY							
BARING ASSET MANAGEMENT	372.4	2.9%		12.8	12.1	3.3	8.8
BRANDES INVST PARTNERS	413.1	3.2%		22.1	13.4	2.2	7.1
CAPITAL GUARDIAN ZESIGER CAPITAL GROUP	390.8	3.1%		22.7	13.6	2.9	7.4 8.0
BERNSTEIN GLOBAL	368.7 410.5	3.0% 3.2%		6.1 24.1	3.0 10.0	0.2 (2.7)	8.0
LONGVIEW PARTNERS	409.3	3.2%		27.6	10.0	(2.1)	
TOTAL GLOBAL EQUITY	2,364.8	18.6%		18.7	11.4	1.8	7.8
TOTAL U.S./GLOBAL EQUITY	\$ 7,653.1	60.0%	15.0	15.0	13.6	4.2	7.9
BENCHMARK - Russell 3000			21.5	21.5	18.6	7.2	7.8
	75						

(Continued)

Investment Results for the Year Ended June 30, 2013

MANAGERS	TOTAL MKT VAL (MILLION:	FUND	Investmen FISCAL	t Perform 1 YR.	ance for Pe 3 YRS. *		•
INTERNATIONAL EQUITY							
GENESIS INVESTMENTS	\$ 33	7.3 2.69	6 5.5	5.5	7.0	4.6	16.9
MELLON CAPITAL MANAGEMENT INTL STK INDX	52			19.0	10.5	(0.2)	
MONDRIAN	37			16.2	10.6	0.7	
BERNSTEIN EMERGING	31						
MELLON CAPITAL MANAGEMENT EMERGING STK INDX**	324	1.3 2.69	, ,	((===)	()	
TOTAL INTERNATIONAL EQUITY	1,88	1.4 14.89	6 8.8	8.8	6.7	0.7	10.3
TOTAL INT'L EQUITY (HEDGED) ¹	1.88	1.4 14.8%	6 8.7	8.7	6.4	0.7	10.1
EAFE INDEX NET	1,00	14.07	19.1	19.1	10.6	(0.2)	
EALE INDEX NET			13.1	13.1	10.0	(0.2)	0.2
TOTAL EQUITY	9,53	7.5 74.89	6 13.6	13.6	12.1	3.7	8.5
BENCHMARK - Russell 3000			21.5	21.5	18.6	7.2	7.8
FIXED INCOME							
DBF & CO FIXED	15:		, ,			4.5	4.3
DBF & CO-IDAHO MTGS	48		(,			6.9	6.0
STATE ST ADV-FX	70		, ,			5.6	4.6
SSGA-TIPS	94:		, ,			6.7	6.4
CLEARWATER-TBA	13:		()			4.4	4.5
REAL ESTATE PVT DEBT BARING ASSET MANAGEMENT	179	5.2 0.19 9.0 1.49	(/			(3.4) 5.0	5.0
WESTERN ASSET	17:		. ,	(0.6) 2.0	6.6	8.3	5.0
WESTERN TIPS	39					4.5	
TOTAL FIXED INCOME	3.17		\ /	(2.8)	<u> </u>	6.0	5.3
BENCHMARK - BC Aggregate Bonds	-,		(0.7)	()		5.2	4.5
DEL TOTALITA CONTROLLED AND CONTROLL			(0.1)	(0.1)	, 0.0	0.2	4.0
OTHER							
UNALLOCATED CASH	3	7.1 0.39	6 2.1	2.1	2.5	3.8	6.0
MELLON TRANSITION MANAGEMENT SERVICES		2.0 0.09		61.3	37.4	222.2	
TOTAL OTHER	3:	0.39	6				
COMBINED TOTAL ²	\$ 12.75	E 400.00	, 0.1	0.1	10.0	4.0	7.0
	\$ 12,75	3.5 100.09	6 9.1 14.1	9.1	10.2	4.8 5.9	7.9
BENCHMARK - 55% Russell 3000			14.1	14.1	12.9	5.9	7.1
30% BC Aggregate Bonds 15% MSCI EAFE Index							
15% MSCI EAFE INDEX							
Add: Other PERSI DC Choice Plan Investments ²	10:						
Sick Leave Fixed Income Investments		1.1					
Sick Leave Equity Securities	24						
Investments Purchased Less:Interest and Dividends Receivable	38	7.3)					
Investments Sold	(18:	•					
IIIVESUIICIUS SUU	(10.	4)					
Total Investments							
Net of Receivables and Payables	\$ 13,34	1.5					

^{*}Rates of Return are annualized

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

(Concluded)

¹Includes Pareto Partners currency overlay account-Pareto account suspended January 2013

²Total Return Fund included in investment results

^{**}accounts opened less than one year

^{***}Performance is gross of fees

Schedule of Investment Income for the Last Six Years

Year	Interest	<u>Dividends</u>	Gains & Losses*	<u>Total</u>
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
2013	110,329,885	180,373,163	817,663,490	1,108,366,538

^{*} Includes realized and unrealized gains and losses and other investment income

Largest Stock Holdings (by Market Value) June 30, 2013

	Shares	Stock	Market Value
1	1,745,696	WELLS FARGO & CO	\$ 72,044,874
2	156,807	APPLE INC	62,108,117
3	365,759	SIMON PROPERTY GROUP INC	57,760,661
4	48,413	SAMSUNG ELECTRONICS CO LTD	56,889,117
5	3,863,271	MICRON TECHNOLOGY INC	55,360,673
6	1,555,778	MICROSOFT CORP	53,721,014
7	57,539	GOOGLE INC	50,655,609
8	1,803,861	PFIZER INC	50,526,147
9	1,127,474	AMERICAN INTERNATIONAL GROUP INC	50,398,088
10	259,639	INTERNATIONAL BUSINESS MACHINE	49,619,609

A complete list of portfolio holdings is available upon request.

Largest Bond Holdings (by Market Value) June 30, 2013

	Par	Bonds	Description	Market Value
1	74,198,796	US TREASURY INFLATION INDEX SECURITY	1.125% 01/15/2021 DD 01/15/11	\$ 79,352,125
2	78,399,602	US TREASURY INFLATION INDEX SECURITY	0.125% 01/15/2022 DD 01/15/12	76,788,726
3	73,506,909	US TREASURY INFLATION INDEX SECURITY	0.125% 04/15/2016 DD 04/15/11	75,396,257
4	67,416,865	US TREASURY INFLATION INDEX SECURITY	0.125% 04/15/2017 DD 04/15/12	69,170,782
5	46,289,080	US TREASURY INFLATION INDEX SECURITY	3.875% 04/15/2029 DD 04/15/99	66,714,136
6	49,586,562	US TREASURY INFLATION INDEX SECURITY	2.375% 01/15/2025 DD 07/15/04	59,069,992
7	56,333,022	US TREASURY INFLATION INDEX SECURITY	0.125% 01/15/2023 DD 01/15/13	54,621,006
8	51,050,990	US TREASURY INFLATION INDEX SECURITY	0.625% 07/15/2021 DD 07/15/11	52,686,204
9	53,266,982	US TREASURY INFLATION INDEX SECURITY	0.125% 07/15/2022 DD 07/15/12	52,064,320
10	43,624,898	US TREASURY INFLATION INDEX SECURITY	2.000% 01/15/2026 DD 01/15/06	50,376,549

A complete list of portfolio holdings is available upon request.



Schedule of Fees and Commissions for the Year Ended June 30, 2013

			Commission
Broker Name	Base Commission	Total Shares	per Share
DEUTSCHE BK SECS INC, NY (NWSCUS33)	\$ 550,506	137,490,887	
MORGAN STANLEY & CO INC, NY	193,297	22,549,509	0.00857
MERRILL LYNCH INTL LONDON EQUITIES	162,909	30,503,825	0.00534
DEUTSCHE SEC ASIA LTD, HONG KONG	162,729	78,806,756	0.00206
GOLDMAN SACHS INTL, LONDON (GSILGB2X)	153,344	11,675,199	0.01313
CITATION GROUP/BCC CLRG, NEW YORK	151,653	4,544,104	0.03337
GOLDMAN SACHS & CO, NY	148,367	15,461,878	0.00960
CREDIT SUISSE (EUROPE), LONDON	129,936	19,041,038	0.00682
UBS EQUITIES, LONDON	128,513	39,986,803	0.00321
DEUTSCHE BK INTL EQ, LONDN (DEUTGB22EEQ)	116,680	10,894,989	0.01071
INVESTMENT TECHNOLOGY GROUP, NEW YORK	113,037	8,753,372	0.01291
KIM ENG SEC USA INC, NY MERRILL LYNCH PIERCE FENNER SMITH INC NY	102,966 99,632	99,841,000 2,917,236	0.00103 0.03415
ITG INC, NEW YORK	99,632 86,458	6,913,787	0.03413
BERNSTEIN SANFORD C & CO, NEW YORK	85,110	2,519,862	0.03378
J P MORGAN SECURITIES INC, BROOKLYN	82,562	3,281,835	0.02516
CREDIT SUISSE, NEW YORK (CSUS)	81,969	4,156,524	0.02310
UBS SECURITIES LLC, STAMFORD	80,191	3,600,131	0.02227
CITIGROUP GBL MKTS INC, NEW YORK	79,480	2,418,664	0.03286
WEEDEN & CO, NEW YORK	67,591	1,695,165	0.03987
J P MORGAN SECS LTD, LONDON	65,891	5,348,034	0.01232
SIDOTI & CO LLC, NEW YORK	65,189	1,594,147	0.04089
MERRILL LYNCH PIERCE FENNER, WILMINGTON	57,526	7,731,959	0.00744
MORGAN J P SECS INC, NEW YORK	55,525	8,318	6.67528
JEFFERIES & CO INC, NEW YORK	53,002	1,293,354	0.04098
CITIGROUP GLOBAL MARKETS LTD, LONDON	52,259	10,672,968	0.00490
MORGAN STANLEY & CO, LONDON (MSLNGB2X)	51,402	4,268,301	0.01204
RBC CAPITAL MARKETS LLC, NEW YORK	49,885	1,921,926	0.02596
MACQUARIE BANK LTD, HONG KONG	48,241	10,692,063	0.00451
CREDIT LYONNAIS SECS (ASIA), HONG KONG	47,144	58,056,205	0.00081
ISI GROUP INC, NY	46,561	1,178,869	0.03950
WATERMILL INSTITUTIONAL TRD, JERSEY CITY	44,448	1,111,200	0.04000
CJS SECURITIES INC, JERSEY CITY	43,069	1,101,110	0.03911
CREDIT LYONNAIS SECS, SINGAPORE	40,388	5,522,644	0.00731
OPPENHEIMER & CO INC, NEW YORK	40,132	1,252,922	0.03203
BNY CONVERGEX, NEW YORK	39,965	760,455	0.05255
J.P. MORGAN CLEARING CORP, NEW YORK	39,741	4,547,495	0.00874
BARCLAYS CAPITAL LE, JERSEY CITY	38,840	1,046,590	0.03711
GOLDMAN SACHS INTL, NY	37,975	810,046	0.04688
INSTINET CORP, NY	37,463	2,360,774	0.01587
Other Brokers Under \$35,000	1,439,880	244,908,103	0.00588
TOTAL BROKER COMMISSIONS	\$ 5,171,456	873,240,047	\$ 0.00592

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

Schedule of Fees and Commissions for the Year Ended June 30, 2013

PRIVATE EQUITY COSTS

Advent International GPE, L.P.	\$	452,500
American Securities Opportunities Fund II, L.P.		300,000
Apollo Investment Fund, L.P.		(375,964)
Blackstone Capital Partners, L.P.		593,267
Chisholm/Nautic Partners , L.P.		(200,883)
CVC European Equity Partners, L.P.		364,970
Endeavour Capital Fund VI, L.P.		367,000
Enhanced Equity Funds, L.P.		329,135
EPIC Venture Fund IV, LLC		300,000
First Reserve, L.P.		505,606
Gores Capital Partners II, L.P.		97,996
Green Equity Investors, L.P.		241,308
Hamilton Lane Co-Investment Fund, L.P.		(108,241)
Hamilton Lane Secondary Funds, L.P.		334,226
Highway 12 Venture Funds, L.P.		552,314
J.H. Whitney, L.P.		(394,537)
KKR 2006 Fund, L.P.		86,565
Kohlberg Investors, L.P.		(248,578)
Lindsay Goldberg, L.P.		705,945
Providence Equity Partners III, L.P.		357,394
T3 Partners II, L.P.	_	862,457
TOTAL	\$:	5,122,478

Schedule of Fees and Commissions for the Year Ended June 30, 2013

Average Assets						
Investment Fees	ent Fees Under Management			Fees	Basis Points	
Investment Manager Fees						
Equity Managers	\$	7,642,426,620	\$	29,226,902	38	
Fixed Income Managers		3,317,674,629		4,655,360	14	
Real Estate Managers		636,196,972		4,008,368	63	
Total Average Assets	\$	11,596,298,221				
Total Investment Manager Fees				37,890,630	_ 33	
Other Investment Service Fees						
Custodian/Record Keeping Fees				3,886,523		
Investment Consultant Fees				863,175		
Legal Fees				174,803		
Actuary/Audit Service Fees				298,411	-	
Total Investment Service Fees				5,222,912	4	
Total Defined Benefit Plans Fees			\$	43,113,542	37	
Total Defined Contribution Plans' Fees				347,528		
Total Other Trust Funds' Fees				169,450	-	
Total Fees			\$	43,630,520		

Note: Broker Fees are Included on a Separate Schedule

STATEMENT OF INVESTMENT POLICY AND GUIDELINES

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,
- the 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.

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 7.50% 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 7.00%]. Assuming all of the actuarial assumptions are accurate, this 7.50% 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 7.50% 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 7.50% rate before fees and 7.00% rate net of fees assume an inflation rate of 3.25% and an annual general state salary growth rate of 3.75%. 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 7.50% [7.00% 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 7.50% 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 proxies 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.

3. 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

(Expected Returns are before fees and expenses)

	Expected	Expected	Strategic	Strategic
Asset Class	Return	Risk	Normal	Ranges
Equities			70%	66% - 77%
U.S./Global Equity	9.2%	18.7%	55%	50% - 65%
International	9.3%	20.0%	15%	10% - 20%
Fixed Income	3.3%	4.3%	30%	23% - 33%
Cash	2.8%	0.9%	0%	0% - 5%

Total Fund	Expected Return	Expected Inflation	Expected Real Return	Expected Risk
Actuary	7.50%	3.25%	4.25%	n/a
Portfolio	7.45%	2.50%	4.95%	12.97%

VI. Deposit and Investment Risk Policy - GASB 40

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

◆Investment Section ◆◆

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.



Built in 1925 as a Union Pacific railroad depot, the Boise Depot is one of Boise's most prominent landmarks. It was placed on the National Register of Historic Places in 1974. After purchasing the building in 1990, Morrison Knudsen Co. began a three-year restoration. No longer used as a train depot, the facility is open to the public and used for special events.



Helping Idaho public employees build a secure retirement.

CTUARIAL







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October 29, 2013

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 (PERSI) 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, 2014. 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 2013, 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. On July 1, 2013, the first contribution rate increase went into effect as scheduled. In October 2013, the remaining two scheduled rate increases were each delayed one year. This report does not reflect the latest delay in the scheduled increases.

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		Total	Fire & Police		General/Teachers		
Year of		Member	Employer	Member	Employer	Member	Employer
Change	Total Rate	Rate	Rate	Rate	Rate	Rate	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
2013	18.39	7.03	11.36	8.36	11.66	6.79	11.32

Contribution rate increases were scheduled for July 1, 2014 (1.5%) and July 1, 2015 (2.28%) but have each been delayed one year.

Our July 1, 2013 actuarial valuation found that the System's rates are sufficient to pay the System's normal cost rate of 14.19% if the future scheduled contribution rate increases are reflected. As of July 1, 2013, there is an unfunded actuarial liability of \$2,074.1 million. The current rates plus the schedule of rate increases in effect at July 1, 2013 are sufficient to amortize the Unfunded Actuarial Accrued Liability (UAAL) in 13.1 years.

Funding Status

Based on the July 1, 2013 actuarial valuation, the unfunded actuarial accrued liability was decreased by \$179.8 million due to an asset gain recognized as of July 1, 2013. Specifically, the System's assets earned a gross return before expenses of 9.08%, which is 1.58% above the actuarial assumption of 7.50%. All other actuarial experience gains and losses further decreased the actuarial accrued liability by \$3.4 million. Thus, the total experience gain for the year was \$183.2 million.

Also, the actuarial accrued liability was increased by \$70.3 million because actual contributions plus assumed investment returns were less than the normal cost and the interest on the unfunded actuarial accrued liability. The change in the actuarial cost method from aggregate entry age to individual entry age increased the actuarial accrued liability by an additional \$143.5 million.

All of these items resulted in a total actuarial loss of \$30.6 million and a change in funding status from an 84.7% funding ratio on July 1, 2012 to 85.3% on June 30, 2013. 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, 2013 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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RLS/MCO/JDB/pap



Public Employee Retirement System of Idaho

EXHIBIT 1: SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS EFFECTIVE JULY 1, 2013

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, 2013 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, 2013 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 E	imployees	
			M	ale	Fer	male
	First Year		First Year	_	First Year	
Age	Eligible	Thereafter	Eligible	Thereafter	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						
	M	ale	Fer	nale			
	First Year	_	First Year				
Age	Eligible	Thereafter	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 I	General Employees		chers
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	Fire and	General Employees		Teac	hers
Service	Police	Male	Female	Male	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:

		General E	General Employees		hers
Age	Fire & Police	Male	Female	Male	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	Fire and	General Employees		Teach	ners
Service	Police	Male	Female	Male	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.

	Fire and	General E	Employees	Tead	chers
Age	Police	Male	Female	Male	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 individual entry age actuarial cost method is used. The normal cost rates used in this valuation were calculated based on all current active members as of July 1, 2013, for each sex and type of employee in the valuation. The normal costs and projected fiscal year 2014 salaries for all active members were calculated. The ratio of the two is the aggregate normal cost rate. The current normal cost rate was adopted in August, 2013.

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 October 2013 Board meeting, the scheduled contribution rate increases on July 1, 2014 and July 1 2015, were each delayed one year.

At the August 2013 Board meeting, the change in the actuarial cost method was approved.

EXHIBIT 2: SCHEDULE OF ACTIVE MEMBER VALUATION DATA

			Annual Salaries	*
Valuation Date		Annual Valuation	Average	% Increase in
July 1	Number	Payroll	Annual Pay	Average Annual Pay
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
2013	65,535	2,634,566,000	40,201	2.2

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.

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

		Number		COLA Percentage
Valuation Date July 1	Total	Added	Removed	Increases Granted Previous March 1
2004 2005 2006 2007 2008	26,043 27,246 28,438 29,619 30,912	1,875 1,959 2,073 2,101 2,160	823 756 881 920 867	2.2% 2.7% +100% Restoration 3.6 3.8 2.0
2009 2010 2011 2012 2013	32,197 33,625 35,334 37,150 38,947	2,235 2,335 2,652 2,769 2,815	950 907 943 953 1,018	1.0 -1.48% +2.48% Partial Restoration 1.0 1.0 1.0

Annual Benefits

Valuation Date July 1	Total Rolls End of Year	Added to Rolls ⁽²⁾	Removed from Rolls	Average	% Increase in Average
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
2013	651,466,000	51,630,000	11,209,000	16,727	1.7

⁽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, 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
July 1, 2013	12,053.5	14,172.9	45.3	2,074.1	85.3	2,697.6	76.9

⁽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					
Actuarial	Actuarial Value of	Active Member Contributions	Retirees and Beneficiaries	Active Members (Employer Financed Portion)		of Actuarial Ac s Covered by	
Valuation Date	Assets	(A)	(B)	(C)	(A)	(B)	(C)
July 1, 2004	\$7,420.2	\$1,717.7	\$3,198.1	\$3,239.0	100.0%	100.0%	77.3%
July 1, 2005	8,208.8	1,875.1	3,606.7	3,296.9	100.0	100.0	82.7
July 1, 2006	9,177.1	2,142.5	4,088.9	3,467.6	100.0	100.0	84.9
July 1, 2007	10,945.8	2,335.6	4,582.9	3,513.4	100.0	100.0	100.0
July 1, 2008	10,402.0	2,642.0	5,022.9	3,546.9	100.0	100.0	77.2
July 1, 2009	8,646.0	2,867.7	5,396.2	3,468.3	100.0	100.0	11.0
July 1, 2010	9,579.8	2,813.7	5,820.0	3,554.2	100.0	100.0	26.6
July 1, 2011	11,360.1	2,838.9	6,284.8	3,517.5	100.0	100.0	63.6
July 1, 2012	11,306.2	3,114.9	6,925.0	3,356.8	100.0	100.0	37.7
July 1, 2013	12,053.5	3,304.1	7,425.2	3,443.6	100.0	100.0	38.5



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

	Gain(Loss) for Period		eriod
	2010-2011	2011-2012	2012-2013
Investment Income Investment income was greater (less) than expected.	\$ 1,212.2	\$ (669.0)	\$ 179.8
Pay Increases Pay increases were less (greater) than expected.	281.9	171.3	49.4
Membership Growth (Additional) liability for new members.	(13.0)	(8.1)	(15.2)
Return to Employment Less (more) reserves were required for terminated members returning to work.	(10.7)	(10.5)	(9.9)
Death After Retirement Retirees died younger (lived longer) than expected.	(5.8)	(9.2)	(6.9)
Cost of Living Adjustment (COLA) Different Automatic COLA than expected.	NA	NA	NA
Other Miscellaneous gains (and losses) resulting from other causes. (1)	(37.8)	7.1	(14.0)
Total Gain (Loss) During the Period From Actuarial Experience	\$ 1,426.8	\$ (518.4)	\$ 183.2
Contribution Income Actual contributions were greater (less) than the normal cost and interest on the Unfunded Actuarial Accrued Liability.	(92.8)	(31.5)	(70.3)
Non-Recurring Items Changes in actuarial assumptions caused a gain (loss) (2) Changes in actuarial methods caused a gain (loss) (3) Changes in plan provisions caused a gain (loss) (4) Delay of future contribution rate increases	None None (4.7) (6.1)	(255.0) None None (6.0)	None (143.5) None 0.0
Composite Gain (Loss) During the Period	\$ 1,323.2	\$ (810.9)	\$ (30.6)

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 2011-2012, this reflects changes made to the demographic and economic assumptions adopted according to the 2012 Active Member Experience Study.

⁽³⁾ For 2012-2013, this reflects the change from Aggregate Entry Age Cost Method to Individual Entry Age Cost Method

⁽⁴⁾ 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
6/30/13	2,697.6	281.6	3.8	285.4	295.5 ⁽⁴⁾	97

⁽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.

⁽⁴⁾ See Table C-5 of the valuation for further disclosures. The ARC of 10.813% for the PERSI fiscal year ending June 30, 2013 is based on three months at 12.17% as computed in the 2010 valuation and nine months at 10.36% as computed in the 2011 valuation.



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
6/30/13	10.44	10.813 ⁽³⁾	97

- (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.
- (3) See Table C-5 of the valuation for further disclosures. The ARC of 10.813% for the PERSI fiscal year ending June 30, 2013 is based on three months at 12.17% as computed in the 2010 valuation and nine months at 10.36% as computed in the 2011 valuation.



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 <u>Idaho Code</u>, with amendments effective through July 1, 2013. The benefit and contribution provisions of this law are summarized briefly below, along with corresponding references to the <u>Idaho Code</u>. This summary does not attempt to cover all the detailed provisions of the law. Only those benefits in effect through July 1, 2013 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, 2013 is 6.79% (8.36%) of salary. Increases scheduled for July 1, 2014 and July 1, 2015, were reflected in the July 1, 2013 actuarial valuation and the results displayed in this report. However, those increases were each delayed one year by the Board at the October 2013 Board meeting.

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, 2014, and July 1, 2015, are reflected in this valuation as described in Section 5 of the July 1, 2013 Actuarial Valuation report. However, it should be noted that in October 2013, the Board delayed the future rate increases one year.

Service Retirement Allowance

Eligibility

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

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).

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, <u>Idaho Code</u>, 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.





October 29, 2013

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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 of the Idaho Firefighters' Retirement Fund (FRF) from 1981 through 1988 and biennial valuations from July 1, 1990 to July 1, 2000. Starting with the July 1, 2001 valuation, actuarial valuations occurred annually through the July 1, 2007 valuation. Beginning July 1, 2007, the valuations are biennial again. The next actuarial valuation is scheduled for July 1, 2015.

Contribution Rates

FRF covers a closed group of firefighters who were hired before October 1, 1980 and who receive benefits in excess of those provided under the Public Employee Retirement System of Idaho (PERSI). The cost of these excess benefits is paid by member contributions, employer contributions, and receipts from a fire insurance premium tax. Employer contributions comprise two elements: 8.65% of the salaries of covered members and an additional rate applied to the salaries of all firefighters of the employer. The additional rate is designed to meet the costs of the Fund not covered by other resources. Idaho Code Section 59-1394 requires the cost of the excess benefits to be retired by the schedule of contributions over a given period of time not to exceed 50 years.

FRF benefits were offset by PERSI benefits effective October 1, 1980. Effective July 1, 1990, all members hired after June 30, 1978 are to receive the same FRF benefits as members hired earlier.

Effective October 1, 1994, the PERSI benefits and contributions were increased. The FRF additional contribution rate to fund the excess benefits was decreased to 15.40% and the total employer contributions for FRF members remained fixed at 35.90% for Class A & B firefighters and 27.25% for Class D firefighters.

The Retirement Board lowered the PERSI contribution rates starting October 31, 1997 and made the reduction permanent as of April 25, 2000. The FRF excess contribution rate was increased to 17.24% since the total employer contributions for FRF members remained fixed at the 35.90%/ 27.25% rates.

The Retirement Board raised the PERSI contribution rates, with the first increase effective July 1, 2004, and additional increases effective July 1, 2005 and July 1, 2006 an additional 0.1% contribution was added to provide for a \$100,000 death benefit for duty related deaths. The FRF excess contribution rate was maintained at 17.24%. The July 1, 2004 rate increase took effect as scheduled, but the other two rate increases were delayed by the Board to July 1, 2006 and July 1, 2007.

After the July 1, 2006 PERSI and FRF valuation reports were completed, the PERSI Board delayed the effective date of the scheduled contribution rate increases to July 1, 2008 and July 1, 2009. In October 2007, the Board cancelled the remaining scheduled contribution rate increases.

After the July 1, 2009 PERSI and FRF valuation reports were completed, the PERSI Board approved three new contribution rate increases scheduled for July 1, 2011, July 1, 2012, and July 1, 2013. These were adopted in December 2009 due to a significant drop in funded status because of investment losses in the year ending June 30, 2009,

Due to the 12.01% investment return in the year ending June 30, 2010, in December 2010, the PERSI Board delayed the scheduled contribution rate increases for July 1, 2011, July 1, 2012, and July 1, 2013, to July 1, 2012, July 1, 2013, and July 1, 2014, respectively.

Due to the 20.25% investment return in the year ending June 30, 2011, in December 2011, the Board delayed the scheduled contribution rate increases for July 1, 2012, July 1, 2013, and July 1, 2014, to July 1, 2013, July 1, 2014, and July 1, 2015, respectively.

On July 1, 2013, the first of three scheduled contribution rate increases went into effect. This raised the member contribution for Class D Firefighters from 7.69% to 8.36%. It also increased the PERSI Rate employer contribution from 10.73% to 11.66% for all firefighter groups.

Funding Status

Based on the July 1, 2013 actuarial valuation, the current schedule of contribution rates will amortize the FRF excess benefit costs by July 1, 2014 or 1.0 years from the valuation date. This is longer than the expected amortization period as of July 1, 2013 based on the July 1, 2011 valuation. It is shorter than the Fund's original funding goal, which is to amortize the liabilities over five years or by June 30, 2018 (40 years from July 1, 1978). The current amortization period is less than the statutory maximum of 50 years.

The unfunded actuarial accrued liability (UAAL) was increased by \$12.9 million due to an asset loss recognized as of July 1, 2013. Specifically, the Fund's assets earned an annual average net return after expenses of 4.89% for the 2012 and 2013 plan years which was less than the actuarial assumption of 7.00%. All experience gains and losses (including the asset loss) over the two-year period since the prior valuation resulted in the UAAL being increased by \$4.6 million. The actuarial accrued liability was decreased by \$26.6 million because actual contributions plus assumed investment returns were more than the normal cost and the interest on the unfunded actuarial accrued liability. The UAAL was further reduced by \$0.3 million due to the economic assumption changes from the 2012 Experience Study, implemented on July 1, 2012. The change in the assumed annual cost of living adjustment to the PERSI offset benefit increased the UAAL by an additional \$15.7 million.

The funding status increased from a 93.2% funding ratio on July 1, 2011, to 95.5% on June 30, 2013. 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, 2013 actuarial valuation report presented summaries of the actuarial assumptions and methods used in the valuation. The FRF assumptions generally reflect the assumptions used for the PERSI Fire and Police members, but are modified to reflect the characteristics expected of the closed group of FRF members.

The wage growth and inflation assumption were changed on July 1, 2010. The mortality assumptions for the plan were changed on July 1, 2010, in conjunction with changes to the assumptions for the PERSI base plan, as described in Appendix A of the July 1, 2011 valuation. The wage growth and

inflation assumption were again changed on July 1, 2012, as was the investment return assumption. As of July 1, 2013, the assumption for future Cost of Living Adjustments to the PERSI offset benefit was changed.

The next major PERSI 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 the PERSI 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 Fund and reasonable expectations) and which in combination, offer our best estimate of anticipated experience affecting the Fund. 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.

The assumptions and methods used for funding purposes meet the parameters set for the disclosures presented in the financial section by Government Accounting Standards Board (GASB) Statement No. 25, Financial Reporting for Defined Benefit Plans and Note Disclosures for Defined Contribution Plans. 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 Fund. 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 Fund 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 Fund 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	Contribution Rates as a Percent of Pay
Exhibit 9	Provisions of Governing Law

Respectfully submitted,

Mark C. Olleman, F.S.A., M.A.A.A. Consulting Actuary

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MCO/JDB/mji



EXHIBIT 1: SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS EFFECTIVE JULY 1, 2013

1. Investment Return (Adopted July 1, 2012)

The annual rate of investment return on the assets of the Fund 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 PERSI Board based upon recommendations from the retained actuary. The actuarial assumptions are based on periodic studies of the PERSI total fund's actual experience.

4. Service Retirement (Adopted July 1, 1992)

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

Years Since Becoming Eligible to Retire ⁽¹⁾	Age	Probability of Service Retirement ⁽¹⁾
0 - 4	N/A	10.0%
5+	35 - 49 50 - 59	40.0 40.0
	60 61 62 63 64	60.0 30.0 65.0 40.0 40.0
	65 - 69 70	60.0 Immediate retirement is assumed at age 70

⁽¹⁾ Eligibility occurs after 20 years of service, or attained age 60 with five years of service.

5. Mortality (Adopted July 1, 2010)

The mortality rates used for all members of the Fund, active and retired, are from the RP-2000 Combined Mortality Table for males with generational mortality adjustments with ages unadjusted. The mortality rates assumed for spouses are from the RP-2000 Combined Mortality Table for females with generational mortality adjustments; with ages set back one year. For disabled members, the mortality rates used in the valuation are from the RP-2000 Mortality Table for disabled males with generational mortality adjustments, set back one year. These tables are illustrated in Table A-4A of the July 1, 2013 valuation report.

The Generational mortality adjustments provide a margin for future mortality improvements. The adjustments are applied from the base year of the tables (2000) to the year in which the mortality assumption is applied. The adjustments are done using the standard RP-2000 projection scale

(Scale AA). These tables are illustrated in Tables A-4A and A-4B of the July 1, 2013 valuation report.

6. Disability Retirement (Adopted July 1, 1996)

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

Age	Duty-Related	Non-Duty Related
25	.030%	.015%
35	.030	.015
45	.100	.100
55	.400	.400

7. Other Terminations of Employment (Adopted July 1, 2002)

Assumed annual rates of termination for persons who are not eligible for service retirement are illustrated below:

Years of Service	Annual Rate
5	8.0%
10	4.0
15	2.5
20	2.0

8. Future Salaries (Adopted July 1, 2012)

In general, the total annual rates at which salaries are assumed to increase include 3.75% per year for increases in the general wage level of membership. The general wage level increases are due to inflation and increases in productivity. Due to the closed group and the aging of the membership, the general wage assumption is assumed to adequately cover any additional increases due to promotions and longevity.

9. Replacement of Terminated Members

The Firefighters' Retirement Fund is a closed group. No new members are permitted. The total number of firefighters in PERSI (including those hired October 1, 1980 and later) is assumed to remain unchanged from year to year.

10. Postretirement Benefit Increases (Cost of Living Adjustments) (Adopted July 1, 2013)

FRF benefits are based on paid salary and are assumed to increase at the same rate as the average paid firefighter's salary, or 3.75% per year. For members whose FRF benefits are offset by their PERSI benefits, the PERSI benefits are assumed to have post-retirement benefit increases of 1.00% per year. The assumptions regarding PERSI future post-retirement benefit increases is part of the funding policy for the FRF.

11. Probability of Marriage

It is assumed that there is an 85% probability that the member has an eligible spouse. The spouse's age is assumed to be three years younger than the member's.

12. Fire Insurance Premiums (Adopted July 1, 2004)

The fire insurance premiums received for the plan year ending June 30, 2013, amounted to \$3,345,821 or approximately 5.31% of all firefighters' covered compensation during the same

period. Future fire insurance premiums are expected to provide contributions as a decreasing percentage of compensation, due to the assumption that the firefighters' covered compensation (including Class D members) will increase at the rate of 3.75% per year, but future fire insurance premiums are assumed to increase at a rate of only 3.25% per year. The rate for the increase for covered compensation was adopted July 1, 2012. The rate for the increase of fire insurance premiums was adopted July 1, 2010.

13. Actuarial Cost Method (Adopted July 1, 1996) – Funding Policy

The actuarial present value of future benefits not provided by PERSI, less the actuarial value of the assets and the present value of future statutory contributions for Class A & B members, is amortized as a level percentage of covered compensation, which includes the Class D firefighters. This can be considered a modified aggregate cost method.

14. Actuarial Cost Method (Adopted July 1, 1998) – GASB Disclosures

For GASB disclosure purposes, costs are determined based on the entry age normal cost method. The actuarial present value of future benefits not provided by PERSI less the present value of future normal costs equals the actuarial accrued liability. The unfunded actuarial accrued liability (UAAL) is equal to the actuarial accrued liability less the actuarial value of the assets. The UAAL is amortized as a level dollar amount over a fixed amortization period. The current amortization period is based on an open 30-year period from July 1, 2009. The ARC is then the total of the normal cost allocated to the current plan year plus the amortization payment on the UAAL. Prior to July 1, 2006, the UAAL was amortized over a closed 40-year period from July 1, 1996. This assumption was adopted July 1, 1998, but applied retroactively to the July 1, 1996 valuation.

15. Experience Studies

The last experience study was 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. Some economic assumptions were updated July 1, 2012, to reflect the findings in the most recent experience study. The FRF assumptions generally reflect the assumptions used for the PERSI Fire and Police members, but are modified to reflect the characteristics expected of the closed group of FRF members.

16. Recent Changes

The mortality assumptions were modified as of July 1, 2010, in conjunction with changes to the mortality assumptions for the PERSI base plan, as described in Appendix A of the July 1, 2013 valuation report. The wage growth assumption, the inflation assumption, and the investment return assumption were modified effective July 1, 2012. The PERSI benefit post-retirement benefit increase assumption was changed effective July 1, 2013.

EXHIBIT 2: SCHEDULE OF ACTIVE MEMBER VALUATION DATA

			Annual Salaries	
Valuation Date July 1	Number	Total (1)	Average	Annual Increase in Average
2001	103	\$ 5,771,086	\$ 56,030	0.7%
2002	81	4,981,492	61,500	9.8
2003	57	3,750,432	65,797	7.0
2004	42	2,840,572	67,633	2.8
2005	20	1,526,466	76,323	12.8
2006	13	1,034,693	79,592	4.3
2007	10	791,125	79,113	(0.6)
2009	5	437,818	87,564	5.2
2011	4	368,842	92,211	2.6
2013	3	307,849	102,616	5.5

⁽¹⁾ Annualized average salaries for covered members for the 12-month period commencing October 1 of the previous calendar year. For years ending after June 30, 2003, the 12-month period is the period from July 1 to June 30 of the previous calendar year.

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

		Number		COLA
Valuation Date July 1	Total	Added	Removed	Increases Granted Previous January 1
2001	526	31	13	7.55%
2002	558	41	9	1.51
2003	576	27	9	4.41
2004	582	21	15	2.56
2005	599	25	8	4.33
2006	597	10	12	4.36
2007	590	5	12	2.42
2009	573	6	23	5.10
2011	566	14	21	3.30
2013	551	3	18	2.18

Annual	l Benefits
Amua	

Valuation Date July 1	Total (2)	Added (3)	Removed	Average	Annual Increases in Average
2001	\$16,607,752	\$2,529,792	\$342,401	\$31,574	11.2%
2002	17,834,237	1,458,868	232,384	31,961	1.2
2003	19,329,902	1,725,487	229,822	33,559	5.0
2004	20,095,076	1,148,461	383,287	34,528	2.9
2005	21,699,127	1,833,685	229,634	36,226	4.9
2006	22,636,930	1,320,848	383,045	37,918	4.7
2007	22,992,269	754,703	399,364	38,970	2.8
2009	24,598,935	2,442,928	836,262	42,930	5.0
2011	25,998,263	2,147,165	747,837	45,933	3.4
2013	26,499,035	1,255,415	754,643	48,093	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⁾ Combined annual benefits from FRF and PERSI. The FRF benefits comprised \$19,906,895 of the 2013 total.

⁽³⁾ Includes postretirement increases.

EXHIBIT 4: SCHEDULE OF FUNDING PROGRESS (All Dollar Amounts in Millions)

Actuarial Valuation Date July 1	Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL) (1)	Unfunded Actuarial Accrued Liabilities (UAAL) (2)	Funded Ratio	Covered Payroll (3)	UAAL as a Percentage of Covered Payroll
2001	\$200.4	\$316.2	\$115.8	63.4%	\$32.9	352.0%
2002	181.5	300.3	118.8	60.4	34.4	345.3
2003	182.7	310.7	128.0	58.8	37.0	345.9
2004	210.4	302.6	92.2	69.5	39.8	231.7
2005	227.2	309.1	81.9	73.5	42.2	194.1
2006	248.8	312.3	63.5	79.7	45.0	141.1
2007	291.5	314.8	23.3	92.6	47.6	48.9
2009	225.3	325.3	100.0	69.3	55.7	179.5
2011	290.4	311.5	21.1	93.2	59.3	35.6
2013	307.0	321.5	14.5	95.5	63.0	23.0

⁽¹⁾ Actuarial present value of future excess benefits less actuarial present value of excess statutory contributions over amounts required by PERSI, for years prior to 1996. For years after 1996, the excess of the actuarial present value of future excess benefits less the present value of future normal cost contributions under the entry age cost method.

⁽²⁾ Actuarial accrued liabilities less actuarial value of assets.

⁽³⁾ Covered Payroll includes compensation paid to all active firefighters for whom contributions were made to FRF. Covered Payroll differs from the Active Member Valuation Payroll shown in Exhibit 2, which is an annualized compensation of only those members hired prior to October 1, 1980, who were active on the actuarial valuation date. For years prior to 1996, Covered Payroll is estimated. See footnote to Exhibit 7.

EXHIBIT 5: SOLVENCY TEST
(All Dollar Amounts in Millions)

		Actuarial Liabilities (1) for					
Actuarial Valuation	Actuarial	(A)	(B)	(C) Active Members (Employer		tion of Actuaria lities Covered Assets	
Date July 1	Value of Assets	Active Member Contributions	Retirees and Beneficiaries	Financed Portion)	(A)	(B)	(C)
2001	\$200.4	\$0.3	\$274.5	\$43.0	100.0%	72.9%	0.0%
2002	181.5	0.2	270.5	30.4	100.0	67.0	0.0
2003	182.7	0.2	289.4	21.5	100.0	63.1	0.0
2004	210.4	0.1	287.7	15.2	100.0	73.1	0.0
2005	227.2	0.1	301.6	7.4	100.0	75.3	0.0
2006	248.8	0.0	308.1	4.2	100.0	80.8	0.0
2007	291.5	0.0	312.0	2.8	100.0	93.4	0.0
2009	225.3	0.0	324.0	1.3	100.0	69.5	0.0
2011	290.4	0.0	310.7	0.8	100.0	93.5	0.0
2013	307.0	0.0	320.4	1.1	100.0	95.8	0.0

⁽¹⁾ Computed based on funding policy methods and assumptions.



EXHIBIT 6: ANALYSIS OF ACTUARIAL GAINS OR LOSSES (All Dollar Amounts in Millions)

	Gair	n (Loss) for Pe	riod
	2007-2009	2009-2011	2011-2013
Investment Income Investment income was greater (less) than expected.	\$(100.7)	\$ 42.7	\$ (12.9)
Pay Increases Pay increases and COLAs were less (greater) than expected.	5.9	(0.3)	8.1
Death After Retirement Retirees died younger (lived longer) than expected.	-	-	-
Other Miscellaneous gains (and losses) resulting from other causes.	(5.0)	(1.9)	0.2
Total Gain (Loss) During the Period From Actuarial Experience	\$(101.6)	\$ 40.5	\$ (4.6)
Contribution Income Actual contributions plus assumed investment returns were greater (less) than the normal cost and interest on the Unfunded Actuarial Accrued Liability.	24.9	17.1	26.6
Non-Recurring Items Changes in actuarial assumptions and benefits caused a gain (loss).		21.3	(15.4)
Composite Gain (Loss) During the Period	\$ (76.7)	\$ 78.9	\$ 6.6

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

EXHIBIT 7: SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER AND ALL OTHER CONTRIBUTING ENTITIES (Actual Dollar Amounts)

Fiscal Year Ending	Covered Employee Payroll (1)	Statutory Employer Contributions (2)	Additional Employer Contributions (2)	Insurance Premium Payment from the State	Total Employer Contributions	Annual Required Contribution (ARC) (3)	Percentage of ARC Contributed
2004	\$ 39,789,908	\$ 301,089	\$ 7,421,215	\$ 4,001,053	\$11,723,357	\$10,200,418	114.9%
2005	42,198,856	181,916	7,275,080	4,268,619	11,725,615	7,225,585	162.3
2006	45,012,038	106,814	7,760,075	4,155,314	12,022,203	6,455,083	186.2
2007	47,638,976	78,450	8,212,960	3,827,763	12,119,173	5,033,291	240.8
2008	52,097,173	54,297	8,981,553	3,834,553	12,870,403	1,826,307	704.7
2009	55,747,655	41,362	9,610,896	3,563,731	13,215,989	1,826,307	723.6
2010	58,146,207	36,937	10,024,405	3,480,989	13,542,331	7,959,238	170.1
2011	59,337,447	31,616	10,229,773	3,052,326	13,313,715	7,959,238	167.3
2012	59,883,692	25,532	10,323,948	3,136,829	13,486,309	1,666,127	809.4
2013	62,969,139	25,617	10,855,876	3,345,821	14,227,314	1,666,127	853.9

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

⁽²⁾ Employer contributions are made as a percentage of actual payroll rather than as a dollar amount. The Statutory Employer FRF contributions in excess of PERSI required contributions are payable only on Class A & B active member payroll. The Additional Employer FRF contributions are payable on Class A & B and Class D active member payrolls.

⁽³⁾ Starting July 1, 1996, the Annual Required Contributions (ARC) are computed as a dollar amount based on the entry age cost method and future payroll contributions from Class A & B members only. The ARC is computed for GASB reporting purposes only. The actual employer contributions as a percentage of payroll varied from those determined by the actuarial valuation based on the funding policy as shown in Table D-2 of the actuarial valuation report. Thus, as long as the actual contributions are made as a percentage of payroll under the current funding policy methods and assumptions, as required by the most recent actuarial valuation, the actual dollar amount of the employer contributions will differ from the dollar amount of the Annual Required Contributions (ARC).

EXHIBIT 8: CONTRIBUTION RATES AS A PERCENT OF PAY

	State Contributions	Employer Contributions			Total Employer Contributions For Members		
Year (1)	Fire Insurance Premium Tax ⁽²⁾	PERSI Rate	Statutory FRF Rate	Additional Rate	Social Security	Hired Before 10/1/80 (3)	Hired After 9/30/80 (4)
Effective							
Date:	July 1	October 1	January 1	October 1	January 1	October 1	October 1
2001	7.10%	10.01%	8.65%	17.24%	7.65%	35.90%	34.90%
2002	7.60	10.01	8.65	17.24	7.65	35.90	34.90
2003	7.60	10.11	8.65	17.24	7.65	36.00	35.00
2004	6.60	10.73	8.65	17.24	7.65	36.62	35.62
2005	6.70	10.73	8.65	17.24	7.65	36.62	35.62
2006	6.60	10.73	8.65	17.24	7.65	36.62	35.62
2007	6.90	10.73	8.65	17.24	7.65	36.62	35.62
2009	5.20	10.73	8.65	17.24	7.65	36.62	35.62
2011	5.10	10.73	8.65	17.24	7.65	36.62	35.62
2013	5.30	11.66	8.65	17.24	7.65	37.55	36.55

⁽¹⁾ Rates become effective on dates shown in given year. Biennial valuations were performed 1988-2000.

⁽²⁾ Rate expressed as a percentage of the value of future fire insurance premium taxes over the value of future covered compensation.

⁽³⁾ PERSI rate plus Statutory FRF rate plus additional rate.

⁽⁴⁾ PERSI rate plus additional rate plus Social Security.

EXHIBIT 9: PROVISIONS OF GOVERNING LAW

This exhibit outlines our understanding of the laws governing the Firefighters' Retirement Fund (FRF), compared with the provisions that apply to firefighters of the Public Employee Retirement System of Idaho (PERSI), as contained in Sections 59-1301 through 59-1399 for PERSI and Sections 72-1401 through 72-1472 for FRF, inclusive of the <u>Idaho Code</u> through July 1, 2013. Each currently active firefighter hired before October 1, 1980, is entitled to receive the larger of (a) a benefit based on the FRF provisions, considering all of his service as a firefighter, and (b) a PERSI benefit, based on membership service beginning October 1, 1980, plus prior service rendered before July 1, 1965. Firemen hired October 1, 1980 and later (Class D members) are not entitled to FRF benefits.

In 1990, the law was changed to provide benefits to all members of FRF equally. Prior to the change, members hired after July 1, 1978, and before October 1, 1980, (Class C members) received a lower level of benefits. Class A members are members hired prior to July 1, 1976, who chose Option 1, where contributions are calculated on the basis of statewide average paid firefighter's salary. Benefits are based on the statewide average salary in effect at the date of retirement. Class B members are all Option 2 members hired prior to July 1, 1978, where contributions are calculated on the basis of the individual's annual average salary, but benefits are based on actual pay.

Retirement Provisions Affecting Firefighters In Idaho

July 1, 2013

	Public Employee Retirement System	Firefighters' Retirement Fund
Member Contribution Rate	8.36% of salary.	11.45% of salary. ⁽¹⁾
Service Retirement Allowance		
Eligibility	Age 60 with five years of service, including six months of membership service.	20 years of service. (2)
Amount of Annual Allowance	2.30% of the highest 3.5-year average salary for each year of credited service.	40% of final five-year average salary ⁽¹⁾ plus 5.00% of average salary for each year of service in excess of 20 years.
Maximum Benefit	100% highest three-year average salary.	65% of final five-year average salary. (1)
Minimum Benefit	For retirement during or prior to 1974, \$72 annual allowance for each year of service, increasing in subsequent years at the rate of cost-of-living increases in retirement allowances.	None.

⁽¹⁾ For firefighters employed prior to July 1, 1976, who chose Option 1, contributions are calculated on the basis of average paid firefighter's salary. Benefits are based on the statewide average salary in effect at the date of retirement.

For firefighters employed prior to July 1, 1976, who chose Option 2, contributions are based on the individual members' salaries for the prior year. Benefits are based on actual pay.

⁽²⁾ Completed years of service. No partial years of service are recognized.



	Public Employee Retirement System	Firefighters' Retirement Fund	
Non-Duty Disability Retirement Allowance			
Eligibility	Five years of membership service.	Five years of service. (2)	
Amount of Annual Allowance	Projected service retirement allowance based on accrued service plus service projected to age 60 (projected service is limited to excess of 30 years over accrued service), less any amount payable under workers' compensation law.	2.00% of final five-year average salary ⁽¹⁾ times years of service ²⁾ , or same as service retirement benefit if eligible.	
Normal Form	Temporary annuity to age 60 plus any death benefit.	Payable for firefighter's lifetime, with 100% of benefit continued to eligible surviving spouse or children.	
Duty Disability Retirement Allowance			
Eligibility	If hired after July 1, 1993, no service requirement, otherwise same as non-duty disability retirement.	No age or service requirements.	
Amount of Annual Allowance	Same as non-duty disability retirement.	65% of final five-year average salary.	
Normal Form	Same as non-duty disability retirement.	Same as non-duty disability retirement.	
Special Disability Benefit			
Eligibility	Firefighters hired after October 1, 1980 and prior to July 1, 1993, with less than	None.	

Benefit Same as FRF disability benefit. None.

10 years of service.

(1) For firefighters employed prior to July 1, 1976, who chose Option 1, contributions are calculated on the basis of the statewide average paid firefighter's salary. Benefits are based on the statewide average salary in effect at the date of retirement.

For firefighters employed prior to July 1, 1976, who chose Option 2, contributions are based on the individual members' salaries for the prior year. Benefits are based on actual pay.

(2) Completed years of service. No partial years of service are recognized

	Public Employee Retirement System	Firefighters' Retirement Fund			
Death Benefits Before Retirement					
Eligibility	Five years of service for surviving spouse's benefit.	Non-duty death: Five years of service. (2) Duty death: No service requirement. Benefits are payable to surviving spouse or, if no eligible surviving spouse, to unmarried children under 18.			
Amount of Benefit	 Accumulated contribution with interest, or The surviving spouse of a member with five years of service who dies while: 	100% of the benefit the firefighter would have received as a duty or non-duty disability allowance, depending on cause of his death.			
	i. contributing;ii. noncontributing, but eligible for benefits; oriii. retired for disability				
	receives an automatic joint and survivor option applied to the actuarial equivalent of the member's accrued service retirement allowance.				
Normal Form	Payable for member's lifetime, with death benefit determined by option selected at retirement.	Payable for firefighter's lifetime, with 100% of benefit continued to eligible surviving spouse or children.			
Optional Form	Actuarial equivalent of the normal form under the options available according to the mortality and interest basis adopted by the Board.	None.			
Death Benefits After Retirement					
Eligibility	Designated beneficiary or estate.	Surviving spouse or, if no eligible surviving spouse, unmarried children under 18.			
Amount of Benefit	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.	100% of firefighter's retirement allowance.			

(2) Completed years of service. No partial years of service are recognized.



	Public Employee Retirement System	Firefighters' Retirement Fund
Early Retirement Allowance		
Eligibility	Age 50 with five years of service including six months of membership service (contributing members only).	None.
Amount of Allowance	Full accrued service retirement allowance if age plus service equals 80; otherwise, the accrued service retirement allowance reduced by 3.00% for each of the first five years by which the early retirement date precedes the date the member would be eligible to receive his full accrued benefit, and by 5.75% for each additional year.	None.
Vested Retirement Allowance		
Eligibility	Former contribution members with five years of membership service are entitled to receive benefits after attaining age 50.	Firefighters who terminate after five years of service (2) are entitled to receive benefits beginning at age 60.
Amount of Allowance	Same as early retirement allowance.	2.00% of final five-year average salary times years of service (2).
Withdrawal Benefit	Accumulated contributions with interest.	Accumulated contributions with interest.

(3) Completed years of service. No partial years of service are recognized.

Public Employee Retirement System

Firefighters' Retirement Fund

Post-Retirement Increases

Amount of Adjustment

Increases are based on a cost-of-living factor reflecting the changes in the Consumer Price Index, subject to a maximum total increase or decrease of 6.00% in any year.

If the Consumer Price Index increases by at least 1% from August to August, a 1.00% annual postretirement increase is effective the following March. An additional postretirement increase of up to 5.00% each year may be authorized by the Board if it finds that the value of the System's assets are no less 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 automatically equal to the change in the CPI-U. A decrease cannot be more than 6%. Member benefits cannot decrease below the amount at the initial benefit date.

Benefits increase or decrease by the same percentage by which the average paid firefighter's salary increases or decreases. The change for the year is effective each February.

Boise City Firefighters SERVING THE COMMUNITY SINCE 1876

On January 24, 1876 a volunteer Fire Department was officially organized in Boise with 28 men. In April of the same year, a blacksmith shop at 619 Main Street was converted into the first firehouse.

On December 15, 1883 a two-story, two-bay firehouse was dedicated "The City Hall" station at the site of the first firehouse. An office on the second floor was the home of Boise



City Hall. This firehouse served Boise until September 1, 1903 when the new Central Station was opened at the corner of 6th & Idaho Street (as pictured).

Today, the Boise Fire Department serves a population of approximately 250,000 residents in Idaho's largest city. Emergency response services are delivered from 17 fire stations located throughout the city in a 130+ square mile response area. The department employs nearly 300 full time Union and City employees within the three divisions: Administration, Operations, and Fire Prevention.



Boise Fire Station 15 opened in Harris Ranch on July 24, 2012. This facility was 10-years in the making. The building design increases firefighter safety and maximizes opportunities for firefighters to train while remaining in the station and available for service.

Helping Idaho public employees build a secure retirement.

ATISTICA



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 2013, the number of active PERSI members Increased from 65,270 to 65,535. The number of retired members or annuitants receiving monthly allowances increased from 37,150 to 38,947. The number of inactive members who have not been paid a separation benefit increased from 26,682 to 27,110 Of these inactive members, 11,084 have achieved vested eligibility. Total membership in PERSI increased from 129,102 to 131,592 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, 2013 there were 755 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

_	Acti	ve Member	s	Inac	tive Membe	ers	Retirees		
_		Non-			Non-				
	Vested	vested	Total	Vested	vested	Total		Total	
Cities	4,857	2,085	6,942	1,521	946	2,467	3,417	12,826	
Female	1,463	674	2,137	504	397	901	1,198	4,236	
Male	3,394	1,411	4,805	1,017	549	1,566	2,219	8,590	
Counties	4.960	2,675	7,635	916	1,446	2,362	3,187	13,184	
Female	2,430	1,308	3,738	516	814	1,330	1,670	6,738	
Male	2,530	1,367	3,897	400	632	1,032	1,517	6,446	
Schools	20,195	8,985	29,180	4,089	7,501	11,590	16,917	57,687	
Female	15,141	6,628	21,769	3,310	5,868	9,178	11,897	42,844	
Male	5,054	2,357	7,411	779	1,633	2,412	5,020	14,843	
State	11,244	5,694	16,938	3,545	5,057	8,602	12,067	37,607	
Female	5,806	3,073	8,879	2,048	2,810	4,858	6,017	19,754	
Male	5,438	2,621	8,059	1,497	2,247	3,744	6,050	17,853	
All Others	3,191	1,649	4,840	1,013	1,076	2,089	3,359	10,288	
Female	924	630	1,554	542	700	1,242	1,437	4,233	
Male	2,267	1,019	3,286	471	376	847	1,922	6,055	
Grand Total	44,447	21,088	65,535	11,084	16,026	27,110	38,947	131,592	
Female	25,764	12,313	38,077	6,920	10,589	17,509	22,219	77,805	
Male	18,683	8,775	27,458	4,164	5,437	9,601	16,728	53,787	



Table 2
Changes in Membership

Active Members			Retired I	Retired Members		
Number	Average Age	Average Years of Service	Number	Average Age	Number	
63,385	45.9	10.2	26,043	72.3	18,837	
64,391	46.0	10.2	27,246	72.1	20,028	
64,762	46.2	10.4	28,438	72.0	21,848	
65,800	46.2	10.3	29,619	72.0	22,690	
66,765	46.2	10.3	30,912	71.9	23,712	
67,813	46.5	10.4	32,197	71.8	23,086	
67,020	46.7	10.6	33,625	71.3	24,119	
65,798	46.9	10.8	35,334	71.5	25,489	
65,270	46.9	10.8	37,150	71.6	26,682	
65,535	46.8	10.7	38,947	71.7	27,110	
	63,385 64,391 64,762 65,800 66,765 67,813 67,020 65,798 65,270	Number Average Age 63,385 45.9 64,391 46.0 64,762 46.2 65,800 46.2 66,765 46.2 67,813 46.5 67,020 46.7 65,798 46.9 65,270 46.9	NumberAverage AgeAverage Years of Service63,38545.910.264,39146.010.264,76246.210.465,80046.210.366,76546.210.367,81346.510.467,02046.710.665,79846.910.865,27046.910.8	NumberAverage AgeAverage Years of ServiceNumber63,38545.910.226,04364,39146.010.227,24664,76246.210.428,43865,80046.210.329,61966,76546.210.330,91267,81346.510.432,19767,02046.710.633,62565,79846.910.835,33465,27046.910.837,150	NumberAverage AgeYears of ServiceNumberAverage Age63,38545.910.226,04372.364,39146.010.227,24672.164,76246.210.428,43872.065,80046.210.329,61972.066,76546.210.330,91271.967,81346.510.432,19771.867,02046.710.633,62571.365,79846.910.835,33471.565,27046.910.837,15071.6	

Table 3a

Retired Members by Type of Benefit – PERSI Base Plan

		Type of Retirement			Option S	elected
Amount of Monthly Benefit	Total Number of Retirees	Normal	Disability	Beneficiary	Joint & Survivor	Straight Life*
\$0 - 250	5,478	4,761	10	707	1,367	4,111
251 - 500	5,787	5,141	71	575	1,259	4,528
501 - 750	4,423	3,847	170	406	1,024	3,399
751 - 1,000	3,511	2,045	167	288	848	2,663
1,001 - 1,250	2,956	2,538	174	244	800	2,156
1,251 - 1,500	2,541	2,176	202	163	701	1,840
1,501 - 1,750	2,167	1,890	161	116	655	1,512
1,751 - 2,000	1,927	1,707	135	85	594	1,333
Over 2,000	10,157	9,510	419	228	3,585	6,572
Totals	38,947	34,626	1,509	2,812	10,833	28,114

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 9	Selected
Amount of Monthly Benefit	Total Number of Retirees	Normal	Disability	Beneficiary	Joint & Survivor	Straight Life*
\$0 - 250	4	2		2	2	2
251 - 500	10	1		9	1	9
501 - 750	7	5		2	5	2
751 - 1,000	9	7		2	7	2
1,001 - 1,250	16	12	1	3	13	3
1,251 - 1,500	16	13	1	2	14	2
1,501 - 1,750	14	11	1	2	12	2
1,751 - 2,000	24	17	2	5	19	5
Over 2,000	451	317	28	106	345	106
Totals	551	385	33	133	418	133

Joint & Survivor (also known as Contingent Annuitant)

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.

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	39	27	8	4
251 - 500	48	37	3	8
501 - 750	22	19	1	2
751 - 1,000	18	12	1	5
1,001 - 1,250	6	5		1
1,251 - 1,500	1	1		
1,501 - 1,750	1			1
1,751 - 2,000				
Over 2,000	5	4		1
Totals	140	105	13	22

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

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).



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 7/1/03 to 6/30/04	4-00		4		4		
Average monthly benefit	\$533	\$281 \$1,790	\$598	\$991	\$1,565	\$2,379	\$3,333
Average final average salary Number of retired members	\$1,754 81	φ1,790 299	\$2,328 229	\$2,766 243	\$3,199 255	\$3,882 296	\$4,402 368
ramber of rounda membere	01	200	220	210	200	200	000
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 Number of retired members	\$1,889 72	\$2,066 292	\$2,503 287	\$2,935 271	\$3,346 264	\$3,823 283	\$4,431 405
Number of retired members	12	232	207	271	204	200	403
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 Number of retired members	\$1,382 80	\$1,870 291	\$2,448 289	\$2,964 291	\$3,308 274	\$3,845 332	\$4,459 445
Number of retired members	00	291	209	291	2/4	332	443
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 Number of retired members	\$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 Number of retired members	\$1,956 53	\$2,552 403	\$2,786 329	\$3,239 365	\$3,713 356	\$4,385 382	\$4,854 581
Number of retired members	30	400	023	000	000	002	301
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
Period 7/1/12 to 6/30/13							
Average monthly benefit	\$535	\$365	\$688	\$1,102	\$1,577	\$2,413	\$3,351
Average final average salary	\$2,482	\$2,408	\$2,888	\$3,303	\$3,725	\$4,421	\$4,933
Number of retired members	58	475	404	381	406	391	496



Table 4b

Average Benefit Payments – Firefighters' Retirement Fund

Retirement Effective Dates	Years Credited Service							
	0-4	5 - 9	9 10 - 14	15 - 19	20 - 24	25 - 29	30	+
Period 7/1/03 to 6/30/04 Average monthly benefit Average Final Average Salary Number of retired members						\$1,294 \$4,449 14	\$1,834 *	
Period 7/1/04 to 6/30/05 Average monthly benefit Average Final Average Salary Number of retired members						\$871 \$4,642 25		
Period 7/1/05 to 6/30/06 Average monthly benefit Average Final Average Salary Number of retired members						\$1,133 * 2	\$830 \$4,639 7	
Period 7/1/06 to 6/30/07 Average monthly benefit Average Final Average Salary Number of retired members							\$606 *	
Period 7/1/07 to 6/30/08		No	Valuation	Complete	ed			
Period 7/1/08 to 6/30/09 Average monthly benefit Average Final Average Salary Number of retired members							\$315 \$5,440 2	
Period 7/1/09 to 6/30/10		No	Valuation	Complete	ed			
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	Complete	ed			
Period 7/1/12 to 6/30/13 Average monthly benefit Average Final Average Salary	**		**	**	**	**	**	**

^{*}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					05 00	20
	0 - 4*	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
Period 7/1/04 to 6/30/05 Average monthly benefit Number of retired members		\$1,000 1	\$275 2	\$537 3	\$585 2		\$538 6
Period 7/1/05 to 6/30/06 Average monthly benefit Number of retired members		\$139 1	\$1,000 1	\$1,000 1	\$1,964 4	\$750 2	\$698 6
Period 7/1/06 to 6/30/07 Average monthly benefit Number of retired members			\$150 2	\$425 2	\$409 2	\$616 4	\$648 4
Period 7/1/07 to 6/30/08 Average monthly benefit Number of retired members		\$1,788 2	\$278 2	\$600 2	\$675 2	\$300 1	\$756 8
Period 7/1/08 to 6/30/09 Average monthly benefit Number of retired members		\$525 3	0	\$452 8	\$542 7	\$817 3	\$360 10
Period 7/1/09 to 6/30/10 Average monthly benefit Number of retired members	\$445 1	\$1,063 7	\$285 7	\$566 19	\$729 11	\$642 8	\$529 28
Period 7/1/10 to 6/30/11 Average monthly benefit Number of retired members	\$445 1	\$913 11	\$378 11	\$511 25	\$794 17	\$621 14	\$674 38
Period 7/1/11 to 6/30/12 Average monthly benefit Number of retired members	\$850 1	\$525 12	\$425 14	\$514 30	\$534 12	\$489 13	\$588 37
Period 7/1/12 to 6/30/13 Average monthly benefit Number of retired members	\$820 2	\$456 14	\$515 14	\$554 27	\$480 22	\$683 17	\$644 44

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

	Age & S	Service		Disabilities				
	Bene	efits	Retira	nts (1)		Refu	ınds	
Fiscal								
<u>Year</u>	<u>Retirants</u>	Survivors (2)	Pre-NRA	Post-NRA	<u>Survivors</u>	<u>Death</u>	<u>Separation</u>	<u>Total</u>
PERSI	BASE PLAN a	and FRF						
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
2013	602,758,058	29,847,798	19,229,642	10,737,466	1,385,697	11,562,936	32,266,986	707,788,583

PERSI CHOICE PLAN

2008	5,631,977
2009	6,766,643
2010	7,703,591
2011	10,110,544
2012	9,464,776
2013	10,251,319

SICK LEAVE INSURANCE RESERVE TRUST FUND

2008	12,867,321
2009	14,339,783
2010	14,304,262
2011	15,267,853
2012	16,310,005
2013	16,687,698

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

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

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



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	(2)
1986	3.2	1.0	3.2	2.2	(2)
1987	1.5	1.5	1.5	0.0	(2)
1988	4.5	1.0	4.5	3.5	
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	(2)
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	(3)
2003	1.8	1.0	1.8	0.8	(0)
2004	2.2	2.2	2.2	0.0	(3)
2005	2.7	2.7	2.7	0.0	(0)
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	1.0	1.69	.69	
2014	1.52		rmined 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 Position - Base Plan

(last 10 fiscal years)

	2004	2005	2006	2007
Additions:				
Employee Contributions	131,089,520	145,638,100	154,313,873	159,601,160
Employer Contributions	212,612,908	236,116,938	250,816,313	259,489,787
Investment Income ¹	171,985,483	190,922,592	215,827,564	249,200,581
Gains and Losses	941,608,584	579,046,289	753,557,611	1,544,783,501
Transfers/Rollovers In				
Other Income	68,284	149,317	127,213	238,637
Total additions to plan net position	1,457,364,779	1,151,873,236	1,374,642,574	2,213,313,666
Deductions				
Benefit Payments	301,747,688	331,934,293	368,878,921	408,095,615
Refunds	26,537,280	24,328,709	29,580,469	27,570,866
Administrative Expenses	6,991,503	7,115,594	7,307,876	6,680,619
Transfers/Rollovers Out				
Total deductions to plan net position	335,276,471	363,378,596	405,767,266	442,347,100
Change in net position	1,122,088,308	788,494,640	968,875,308	1,770,966,566

¹ Investment income is reported net of investment expense.



2008	2009	2010	2011	2012	2013
170,710,597	180,063,010	178,124,381	178,415,845	179,168,074	184,652,290
273,410,279	284,608,663	284,932,418	279,174,844	277,143,887	285,440,860
275,703,902	221,899,829	200,479,456	231,745,111	240,033,473	247,522,779
(779,405,404)	(1,920,771,032)	833,597,303	1,697,095,152	(102,816,241)	726,899,521
215,297	84,268	12,261	37,716	24,089	16,311
(59,365,329)	(1,234,115,262)	1,497,145,819	2,386,468,668	593,553,282	1,444,531,761
448,660,441	483,128,952	517,046,719	558,619,602	599,848,356	654,141,410
31,151,910	34,845,676	36,747,852	38,753,611	40,830,899	33,845,755
5,905,580	6,232,678	6,471,359	5,973,540	6,231,431	6,308,487
485,717,931	524,207,306	560,265,930	603,346,753	646,910,686	694,295,652
(545,083,260)	(1,758,322,568)	936,879,889	1,783,121,915	(53,357,404)	750,236,109

Table 7b Changes in Net Position - FRF Plan

(last 10 fiscal years)

	2004	2005	2006	2007
Additions:				
Employee Contributions	147,586	89,172	38,205	34,588
Employer Contributions	11,723,357	11,725,615	12,106,263	12,130,774
Investment Income 1	4,865,169	5,273,480	5,838,887	6,625,115
Gains and Losses	26,636,466	15,993,861	20,386,356	41,068,797
Transfers/Rollovers In				
Other Income				
Total additions to plan net position	43,372,578	33,082,128	38,369,711	59,859,274
Deductions				
Benefit Payments	15,656,031	16,268,091	16,826,643	17,083,762
Refunds				
Administrative Expenses				
Transfers/Rollovers Out				
Total deductions to plan net	15,656,031	16,268,091	16,826,643	17,083,762
Change in net position	27,716,547	16,814,037	21,543,068	42,775,512

¹ Investment income is reported net of investment expense.

2008	2009	2010	2011	2012	2013
23,190 12,866,827 7,249,703 (20,494,659)	18,753 13,434,204 5,772,048 (49,963,011)	16,185 13,542,331 5,165,228 21,423,526	13,746 13,313,715 5,912,515 43,298,001	11,100 13,486,309 6,096,564 (2,611,410)	11,136 14,227,313 6,289,701 18,470,947
(354,939)	(30,738,006)	40,147,270	62,537,977	16,982,563	38,999,097
17,163,333	17,945,071	18,372,312	19,238,671	19,637,373	19,801,418
17,163,333	17,945,071	18,372,312	19,238,671	19,637,373	19,801,418
(17,518,272)	(48,683,077)	21,774,958	43,299,306	(2,654,810)	19,197,679



Table 7c Changes in Net Position - Choice Plan 401(k) (last 10 fiscal years)

	2004	2005	2006	2007
Additions:				
Employee Contributions	17,489,692	21,464,820	25,873,335	29,668,354
Employer Contributions	236,121	203,026	282,128	190,850
Investment Income 1	3,243,549	4,433,590	5,544,611	6,331,682
Gains and Losses	7,317,598	5,195,696	10,216,259	26,809,103
Transfers/Rollovers In	3,318,115	8,275,628	6,246,072	8,512,489
Other Income				
Total additions to plan net position	31,605,075	39,572,760	48,162,405	71,512,478
Deductions				
Benefit Payments	2,022,236	3,126,755	3,478,900	3,568,243
Refunds				
Administrative Expenses				
Transfers/Rollovers Out	313,424	1,269,780	2,040,953	5,015,298
Total deductions to plan net	2,335,660	4,396,535	5,519,853	8,583,541
Change in net position	29,269,415	35,176,225	42,642,552	62,928,937

¹ Investment income is reported net of investment expense.

2008	2009	2010	2011	2012	2013
34,868,605	35,680,207	33,413,555	33,068,567	32,417,476	36,341,951
217,878	153,211	127,154	180,556	383,189	9,119,848
6,606,090	6,144,038	6,144,609	7,441,583	8,267,997	9,431,394
(20,059,176)	(45,522,778)	20,858,277	51,079,923	(1,861,880)	31,292,784
8,946,219	6,057,764	4,867,768	7,469,551	9,576,929	9,132,179
30,579,616	2,512,442	65,411,363	99,240,180	48,783,711	95,318,156
3,882,154	4,951,776	6,013,245	7,771,465	7,123,041	8,018,315
5,982,049	7,069,099	7,676,334	12,032,837	13,323,865	15,382,348
	, ,	, ,	, ,	, , ,	, ,
9,864,203	12,020,875	13,689,579	19,804,302	20,446,906	23,400,663
20,715,413	(9,508,433)	51,721,784	79,435,878	28,336,805	71,917,493



Table 7d Changes in Net Position - Choice Plan 414(k) (last 10 fiscal years)

	2004	2005	2006	2007
Additions:				
Employee Contributions				
Employer Contributions				
Investment Income ¹	(64,877)	(66,349)	517,524	1,781,823
Gains and Losses	8,384,355	5,586,185	6,197,819	9,903,322
Transfers/Rollovers In				
Other Income				
Total additions to plan net position	8,319,478	5,519,836	6,715,343	11,685,145
Deductions				
Benefit Payments	197,414	276,432	484,674	1,695,744
Refunds				
Administrative Expenses				
Transfers/Rollovers Out	1,663,219	2,188,162	1,999,769	1,242,579
Total deductions to plan net	1,860,633	2,464,594	2,484,443	2,938,323
Change in net position	6,458,845	3,055,242	4,230,900	8,746,822

¹ Investment income is reported net of investment expense.

2008	2009	2010	2011	2012	2013
					6,462
1,789,833	1,365,004	1,168,118	1,244,977	1,190,148	1,192,371
(4,902,983)	(11,880,802)	4,877,123	9,321,922	(564,614)	3,732,343
(3,113,150)	(10,515,798)	6,045,241	10,566,899	625,534	4,931,176
1,749,823	1,814,867	1,690,346	2,339,079	2,341,735	2,233,004
1,291,002	1,056,981	1,208,031	1,627,984	1,619,181	1,619,036
3,040,825	2,871,848	2,898,377	3,967,063	3,960,916	3,852,040
(6,153,975)	(13,387,646)	3,146,864	6,599,836	(3,335,382)	1,079,136



2013

	Covered		Percentage of Total
Participating Employers	Employees	Rank	System
State of Idaho	16,938	1	26%
Meridian School District	3,444	2	5%
Boise Ind. School District	2,965	3	5%
Ada County	1,565	4	2%
Nampa School District	1,275	5	2%
City of Boise	1,244	6	2%
Pocatello School District	1,183	7	2%
Coeur d`Alene School District	973	8	2%
Idaho Falls School District	955	9	1%
Bonneville School District	945	10	1%
All other	34,048	-	52%
Total (656 employers)	65,535	i.	100%

2004

			Percentage of
	Covered		Total
Participating Employers	Employees	Rank	System
State of Idaho	18,117	1	29%
Boise Ind. School District	3,044	2	5%
Meridian School District	2,727	3	4%
Nampa School District	1,317	4	2%
Ada County	1,300	5	2%
City of Boise	1,202	6	2%
Idaho Falls School District	1,058	7	2%
Coeur d`Alene School District	993	8	2%
Pocatello School District	967	9	1%
Bonneville School District	762	10	1%
All other	31,898	-	50%
Total (576 employers)	63,385	=	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

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

Falls Irrigation District



Fish Haven Area Rec. Sewer Dist. West Bonner Water & Sewer Fremont-Madison Irrigation Dist. Grand View Mutual Canal Co. Granite Reeder Water & Sewer Havden 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 Pavette 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. 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.

Grangeville Hwy. Dist. Greencreek Hwy. Dist. Hagerman Hwy. Dist.

Gooding Hwy. Dist.

Hillsdale Hwy. Dist. Homedale Hwy. Dist.

Independent Hwy. Dist.

Jerome Hwv. Dist. Kamiah Hwy. Dist. Keuterville Hwy. Dist. Kidder-Harris Hwy. Dist.

Lakes Hwy. Dist. Lost River 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 Hwv. 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 Hwv.Dist. Winona Hwv. 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.

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 Kootenai Tech. Ed. Campus 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. Odyssey Charter School Oneida School Dist. Palouse Prairie Educ. Org. Parma School Dist. Payette School Dist. Pleasant Valley School Dist. Plummer-Worley Jnt. School 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.

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

Bannock Planning Organization Cascade 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 Ctv. 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.

Taylor's Crossing Public Charter

South Lemhi School Dist.

St. Anthony School Dist.

STEM Charter Academy

Sugar-Salem School Dist.

Swan Valley School Dist.

School

Teton School Dist.

St. Maries School Dist.



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 Latah County Library Dist. Iona Bonneville Sewer Dist. Jerome Recreation Dist. Kingston-Cataldo Sewer Dist. Kootenai Metropolitan Planning

Org. Kuna Cemetary Maint, Dist. Lewiston-Nez Perce County Airport Portneuf Library Dist. 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. 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.

Madison County Library Dist.

Meadows Valley Public Library Dist.

Meridian Library Dist.

North Bingham Cnty.Library Dist.

Oneida County Library 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

Gem Cntv. 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. Minidoka County Fire Protect. Dist.

Moscow Fire Dept. Nampa Fire Dept.

No. Ada Cnty. Fire/Rescue Vol. No. Lakes Fire Protection Dist.

Northside Fire Dist.

Paradise Valley Fire Dist.

Pavette 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.

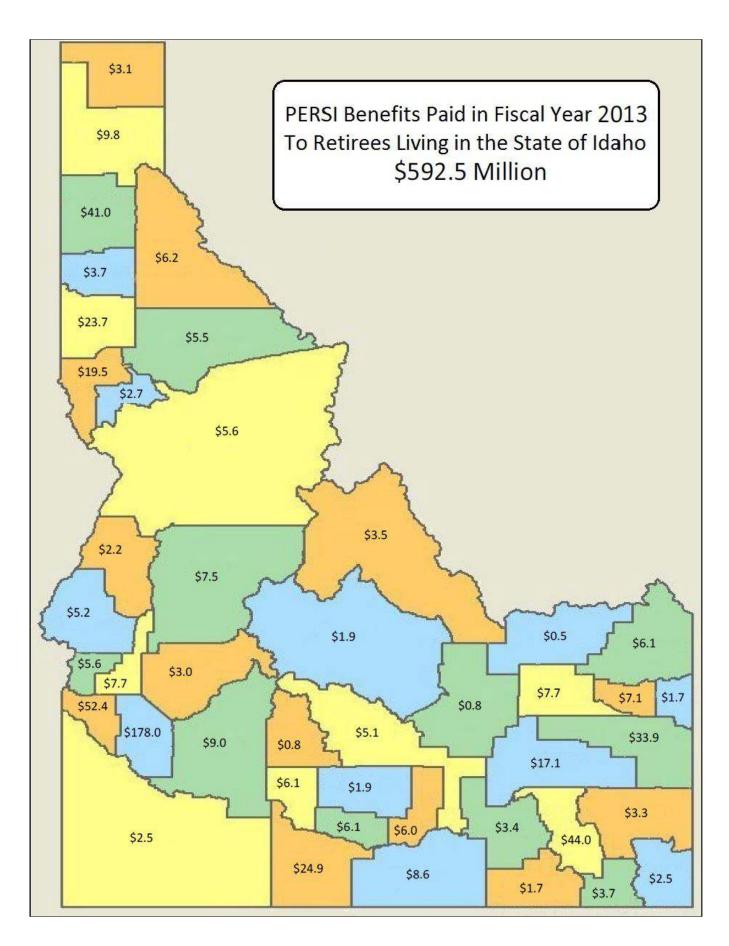
Dist. #2

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





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
- Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc. (Form 1099R)
- 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:

850 East Center

Suite D

Pocatello, ID

Mailing Address:
P.O. Box 1058
Pocatello, ID 83204

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

Choice Plan Toll-free 1-866-437-3774

