Craters of the Moon National Monument

Craters of the Moon National Monument and Preserve is a U.S. National Monument and National Preserve in the Snake River Plain in central Idaho, situated between the small Idaho towns of Arco and Carey. The protected area's features are volcanic and represent one of the best-preserved flood basalt areas in the continental United States.

Craters of the Moon Campground has 51 sites – none of which can be reserved in advance. Camping facilities are basic but do include water, restrooms, charcoal grills, and trash containers. National Park Service rangers present evening programs at the campground amphitheater in the summer. Camping enables visitors to enjoy the park during the evening and morning, when the heat, glare and wind are far less.

Helping Idaho public employees build a secure retirement.

FINANCIAL SECTION

PERSI
Public Employee Retirement System of Idaho

EideBailly
CPAs & BUSINESS ADVISORS

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, 2014, and the related statement of changes in plan fiduciary net position, for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Public Employee Retirement System of Idaho, as of June 30, 2014, and the respective changes in plan fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Public Employee Retirement System of Idaho's June 30, 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 8, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages 21-28 and 53-57 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 opinions 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 December 15, 2014, 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.

December 15, 2014
Boise, Idaho

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014

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, 2014. The June 30, 2013 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 401(k) and 414(k), and two Sick Leave Insurance Reserve trust funds – State and Schools.

Financial Highlights

- The net position for all pension and other funds administered by the System increased over $2 billion during Fiscal Year 2014 and increased over $884 million during the Fiscal Year 2013. The increase in the defined benefit plans reflects the total of contributions received and an investment return exceeding benefits paid and administrative expenses. Changes in net position for the years ended June 30, 2014 and 2013 were as follows:

	2014	2013
PERSI Base Plan	$1,785,048,627	$750,236,109
Firefighters' Retirement Fund	45,217,480	19,197,679
PERSI Choice Plan 414(k)	5,597,974	1,079,136
PERSI Choice Plan 401(k)	117,152,538	71,917,493
Sick Leave Insurance Reserve Fund - State	24,779,936	17,103,901
Sick Leave Insurance Reserve Fund - Schools	37,074,618	25,158,546
Total increase in plan net position	$2,014,871,173	$884,692,864

- 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, 2014 and 2013, 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.

	2014	2013
PERSI Defined Benefit Plans	16.8%	8.7%
Sick Leave Insurance Reserve Fund	18.5%	14.1%

- All of the plans experienced investment gains in Fiscal Year 2014 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, 2014 and 2013, was $2.2 billion and $1.1 billion, respectively.

	2014	2013
Net investment income:		
PERSI Base Plan	$2,006,540,166	$974,422,300
Firefighters' Retirement Fund	50,966,862	24,760,648
PERSI Choice Plan 414(k)	9,470,647	4,924,714
PERSI Choice Plan 401(k)	80,991,676	40,724,178
Sick Leave Insurance Reserve Fund - State	23,097,449	15,142,268
Sick Leave Insurance Reserve Fund - Schools	36,880,546	24,479,545
Total net investment income	$2,207,947,346	$1,084,453,653

- As of June 30, 2014 and 2013, 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 plan is as shown below. The amortization period for the Firefighters' Retirement Fund is N/A as the fund is fully funded.

	2014 Funding Ratio	Amortization Period	2013 Funding Ratio	Amortization Period
PERSI Base Plan	93.9%	5.5	85.3%	13.1
Firefighters' Retirement Fund	110.9%	N/A	95.5%	1.0

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. In 2014 the actuarial funding ratio for the two defined benefit plans increased from 2013 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, 2014 and 2013 indicates 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, 2014 and 2013 provides a view of the current year's activity. It details the additions and deductions to the individual funds and supports the change to the prior year's ending net position on the statement of fiduciary net position. All pension fund statements are presented on a full accrual basis and reflect all trust activities, as incurred.

Notes to Financial Statements — The notes provide additional information essential for a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found on pages 33-51 of this report.

Required Supplementary Information — The required supplementary information consists of Schedule of Net Pension Liability, Schedule of Changes in Net Pension Liabilities, Schedule of Contributions, Schedule of Investment Returns and related notes concerning the methods and assumptions used in calculations of actuarially determined contributions.

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, 2014	As of June 30, 2013	$ Change	% Change
Assets:				
Cash and cash equivalents	$ 3,398,903	$ 3,007,655	$ 391,248	13.0 %
Investments sold receivable	138,022,415	182,452,753	(44,430,338)	(24.4)%
Other receivables	41,408,722	40,766,559	642,163	1.6 %
Investments — at fair value	14,230,441,280	12,496,233,505	1,734,207,775	13.9 %
Prepaid retiree benefits	56,581,990	53,029,172	3,552,818	6.7 %
Capital assets — net of accumulative depreciation	7,107,840	4,748,082	2,359,758	49.7 %
Total assets	14,476,961,150	12,780,237,726	1,696,723,424	13.3 %
Liabilities:				
Investments purchased payable	245,991,213	380,949,971	(134,958,758)	(35.4)%
Benefits and refunds payable	403,145	662,770	(259,625)	(39.2)%
Other liabilities	13,450,996	11,775,296	1,675,700	14.2 %
Total liabilities	259,845,354	393,388,037	(133,542,683)	(33.9)%
Net position:				
Net investment in capital assets	7,107,840	4,748,082	2,359,758	49.7 %
Unrestricted amounts	14,210,007,956	12,382,101,607	1,827,906,349	14.8 %
Net position	$ 14,217,115,796	$ 12,386,849,689	$ 1,830,266,107	14.8 %

The fair market value of investments increased due to the combination of contributions received and an investment return of 16.8% (net of investment expenses) 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 statement of fiduciary net position date.

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

Defined Benefit Pension Trust Funds Changes in Net Position

	Year Ended June 30, 2014	Year Ended June 30, 2013	$ Change	% Change
Additions:				
Member contributions	$ 203,900,049	$ 184,663,426	$ 19,236,623	10.4 %
Employer contributions	325,186,606	299,668,173	25,518,433	8.5 %
Investment income	2,057,507,028	999,182,948	1,058,324,080	105.9 %
Other additions	12,690	16,311	(3,621)	(22.2)%
Total additions	2,586,606,373	1,483,530,858	1,103,075,515	74.4 %
Deductions:				
Benefits and refunds paid	749,552,455	707,788,583	41,763,872	5.9 %
Administrative expenses	6,787,811	6,308,487	479,324	7.6 %
Total deductions	756,340,266	714,097,070	42,243,196	5.9 %
Changes in net position	$1,830,266,107	$ 769,433,788	$ 1,060,832,319	137.9 %

Investment income for the Fiscal Year 2014 was $2 billion as a result of the gross investment return of 17.2%. Contributions and other additions totaled $529.1 million, resulting in total additions of $2.6 billion exceeding benefits and administrative expenses paid of $756 million by $1.8 billion. For Fiscal Year 2013, the gross investment return was 9.1%. Contributions and other additions totaled $484.3 million resulting in total additions of $1.4 billion. The benefits and administrative expenses paid of $714 million were less than additions by $769.4 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 2014, 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, 2014	As of June 30, 2013	$ Change	% Change
Assets:				
Cash	$ 15,377	$ -	$ 15,377	100.0 %
Short-term investments	936,136	2,585,228	(1,649,092)	(63.8)%
Investments — at fair value	647,117,262	522,804,939	124,312,323	23.8 %
Receivables	1,676,095	1,604,191	71,904	4.5 %
Total assets	649,744,870	526,994,358	122,750,512	23.3 %
Net position	$ 649,744,870	$ 526,994,358	$ 122,750,512	23.3 %

Net position increased from Fiscal Year 2013 to Fiscal Year 2014. 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, 2014	Year Ended June 30, 2013	$ Change	% Change
Additions:				
Member contributions	$ 39,062,685	$ 36,348,413	$ 2,714,272	7.5 %
Employer contributions	14,230,058	9,119,848	5,110,210	56.0 %
Investment income	90,462,323	45,648,892	44,813,431	98.2 %
Transfers and rollovers in	10,706,301	9,132,179	1,574,122	17.2 %
Total additions	154,461,367	100,249,332	54,212,035	54.1 %
Deductions:				
Benefits and refunds paid	11,147,689	10,251,319	896,370	8.7 %
Transfers and rollovers out	20,563,166	17,001,384	3,561,782	20.9 %
Total deductions	31,710,855	27,252,703	4,458,152	16.4 %
Change in net position	$ 122,750,512	$ 72,996,629	$ 49,753,883	68.2 %

The change in net position was impacted for the year by a positive investment return for the Fiscal Year. Member contributions increased due to an increase in 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. This has resulted in 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 2014, 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 which are comingled for investment purposes.

Sick Leave Insurance Reserve Funds Net Position

	As of June 30, 2014	As of June 30, 2013	$ Change	% Change
Assets:				
Cash	$ 74,515	$ 78,584	$ (4,069)	(5.2)%
Investments — at fair value	384,536,247	322,861,632	61,674,615	19.1 %
Prepaid insurance premium	1,345,152	1,197,547	147,605	12.3 %
Due from other funds	1,718,284	1,675,063	43,221	2.6 %
Total assets	387,674,198	325,812,826	61,861,372	19.0 %
Liabilities — other liabilities	39,526	32,708	6,818	20.8 %
Net position	$387,634,672	$325,780,118	$61,854,554	19.0 %

The net position increased in Fiscal Year 2014 from Fiscal Year 2013 because of positive investment returns and contributions exceeding benefits paid.

Sick Leave Insurance Reserve Funds Changes in Net Position

	Year Ended June 30, 2014	Year Ended June 30, 2013	$ Change	% Change
Additions:				
Employer contributions	$ 19,353,135	$ 19,430,658	$ (77,523)	(0.4)%
Investment income	59,977,995	39,621,813	20,356,182	51.4 %
Other additions	1,406	2,014	(608)	(30.2)%
Total additions	79,332,536	59,054,485	20,278,051	34.3 %
Deductions:				
Benefits and refunds paid	17,373,642	16,687,698	685,944	4.1 %
Administrative expenses	104,340	104,340	-	.0 %
Total deductions	17,477,982	16,792,038	685,944	4.1 %
Changes in net position	$ 61,854,554	$ 42,262,447	$ 19,592,107	46.4 %

The changes in net position reflect a net investment return of 18.5% resulting in $60 million in investment income, compared to $39.6 million for Fiscal Year 2013. The decrease in other additions was due to a decrease in interest earnings on the cash balance held at the Idaho State Treasurer's Office.

Plan Membership

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

Changes in Plan Membership

	Base Plan			Choice Plan		
	2014	2013	Change	2014	2013	Change
Active participants	66,223	65,535	1.0 %	42,021	42,196	(0.4)%
Vested - Base Plan	43,965	44,447	(1.1)%			
Non-vested - Base Plan	22,258	21,088	5.5 %			
Actively contributing - Choice Plan				13,850	13,254	4.5 %
Retirees and beneficiaries	40,776	38,947	4.7 %	120	140	(14.3)%
Terminated vested	11,504	11,084	3.8 %	13,453	12,724	5.7 %

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)

	2014	2013
Beginning — July 1	38,947	37,150
New retirements	2,852	2,815
Death of retiree/beneficiary	(1,023)	(1,018)
Ending — June 30	40,776	38,947

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, 2014, PERSI's Base Plan had a funded ratio of 93.9% and an amortization period on the unfunded actuarial liability of 5.5 years. The investment return net of all expenses for 2014 was 16.7% compared to the assumed return of 7.0%. 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 59% investment income, 26% employer contributions and 15% member contributions. PERSI is viewed as a well-run and conservatively managed pension plan compared to plans nationally. This reputation stems from sound decisions made by the legislature and the 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 FIDUCIARY NET POSITION
JUNE 30, 2014 WITH COMPARATIVE FINANCIAL INFORMATION FOR JUNE 30, 2013

	Pension Trust Funds			
	PERSI	Firefighters'	PERSI Choice Plan	
	Base Plan	Retirement Fund	414(k)	401(k)
ASSETS				
Cash and cash equivalents	$ 3,314,324	$ 84,579	$ -	$ 15,377
Investments—at fair value				
Fixed income investments				
Domestic	2,653,906,981	67,725,808	-	-
International	71,547,792	1,825,849	-	-
Idaho commercial mortgages	482,145,576	12,304,010	-	-
Short-term investments	396,399,931	10,115,843	-	936,136
Real estate equities	414,074,467	10,566,884	-	-
Equity securities				
Domestic	5,828,730,668	148,745,038	-	-
International	3,041,535,087	77,617,800	-	-
Private equity	987,986,829	25,212,717	-	-
Mutual, collective, unitized funds	-	-	63,580,829	583,536,433
Total investments	13,876,327,331	354,113,949	63,580,829	584,472,569
Receivables				
Investments sold	134,603,438	3,418,977	-	-
Contributions	4,424,139	20,671	-	299,952
Interest and dividends	36,048,273	915,639	159,373	1,216,770
Total receivables	175,075,850	4,355,287	159,373	1,516,722
Assets used in plan operations - net	7,107,840	-	-	-
Due from other plans	-	-	-	-
Prepaid retiree benefits	56,581,990	-	-	-
Total assets	14,118,407,335	358,553,815	63,740,202	586,004,668
LIABILITIES				
Accrued liabilities	11,446,702	286,010	-	-
Benefits and refunds payable	403,145	-	-	-
Due to other plans	1,718,284	-	-	-
Investments purchased	239,897,722	6,093,491	-	-
Total liabilities	253,465,853	6,379,501	-	-
NET POSITION				
Net position restricted for pensions and amounts held in trust	$ 13,864,941,482	$ 352,174,314	$ 63,740,202	$ 586,004,668

See notes to Financial Statements

Other Trust Funds			
Sick Leave Insurance Reserve Fund		Totals	
State	Schools	2014	2013
$ 35,991	$ 38,524	$ 3,488,795	$ 3,086,239
44,235,765	62,021,568	2,827,890,122	2,664,555,461
-	-	73,373,641	75,117,428
-	-	494,449,586	470,363,405
-	-	407,451,910	423,931,155
-	-	424,641,351	477,503,930
82,866,669	137,022,455	6,197,364,830	5,077,163,550
22,247,738	36,142,052	3,177,542,677	2,645,027,022
-	-	1,013,199,546	988,018,414
-	-	647,117,262	522,804,939
149,350,172	235,186,075	15,263,030,925	13,344,485,304
-	-	138,022,415	182,452,753
-	-	4,744,762	5,041,113
-	-	38,340,055	37,329,637
-	-	181,107,232	224,823,503
-	-	7,107,840	4,748,082
500,507	1,217,777	1,718,284	1,675,063
365,517	979,635	57,927,142	54,226,719
150,252,187	237,422,011	15,514,380,218	13,633,044,910
15,222	24,304	11,772,238	10,132,941
-	-	403,145	662,770
-	-	1,718,284	1,675,063
-	-	245,991,213	380,949,971
15,222	24,304	259,884,880	393,420,745
$ 150,236,965	$ 237,397,707	$ 15,254,495,338	$ 13,239,624,165

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2014 WITH COMPARATIVE FINANCIAL INFORMATION
FOR JUNE 30, 2013

	Pension Trust Funds			
	PERSI	Firefighters'	PERSI Choice Plan	
	Base Plan	Retirement Fund	414(k)	401(k)
ADDITIONS				
Contributions				
Members	$ 203,890,954	$ 9,095	$ -	$ 39,062,685
Employers	310,986,283	14,200,323	-	14,230,058
Transfers and rollovers in	-	-	-	10,706,301
Total contributions	514,877,237	14,209,418	-	63,999,044
Investment income				
Net appreciation in fair value of investments	1,725,718,641	43,833,891	8,177,394	69,529,511
Interest, dividends and other investment income	327,702,592	8,323,767	1,496,183	11,628,642
Less investment expenses	(46,881,067)	(1,190,796)	(202,930)	(166,477)
Total investment income - net	2,006,540,166	50,966,862	9,470,647	80,991,676
Other- net	12,690	-	-	-
Total additions	2,521,430,093	65,176,280	9,470,647	144,990,720
DEDUCTIONS				
Benefits and refunds paid to members and beneficiaries	729,593,655	19,958,800	2,210,950	8,936,739
Administrative expenses	6,787,811	-	-	-
Transfers and rollovers out	-	-	1,661,723	18,901,443
Total deductions	736,381,466	19,958,800	3,872,673	27,838,182
INCREASE IN NET POSITION	1,785,048,627	45,217,480	5,597,974	117,152,538
NET POSITION				
Beginning of year	12,079,892,855	306,956,834	58,142,228	468,852,130
End of year	$ 13,864,941,482	$ 352,174,314	$ 63,740,202	$ 586,004,668

See notes to Financial Statements

Other Trust Funds			
Sick Leave Insurance Reserve Fund		Totals	
State	Schools	2014	2013
$ -	$ -	$ 242,962,734	$ 221,011,839
6,088,489	13,264,646	358,769,799	328,218,679
-	-	10,706,301	9,132,179
6,088,489	13,264,646	612,438,834	558,362,697
23,157,455	36,976,160	1,907,393,052	820,186,858
-	-	349,151,184	307,897,315
(60,006)	(95,614)	(48,596,890)	(43,630,520)
23,097,449	36,880,546	2,207,947,346	1,084,453,653
1,079	327	14,096	18,325
29,187,017	50,145,519	2,820,400,276	1,642,834,675
4,366,900	13,006,742	778,073,786	734,727,600
40,181	64,159	6,892,151	6,412,827
-	-	20,563,166	17,001,384
4,407,081	13,070,901	805,529,103	758,141,811
24,779,936	37,074,618	2,014,871,173	884,692,864
125,457,029	200,323,089	13,239,624,165	12,354,931,301
$ 150,236,965	$ 237,397,707	$ 15,254,495,338	$ 13,239,624,165

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

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 (the "State") and is included in the State of Idaho Comprehensive Annual Financial Report. The basic financial statements of the System include the financial activities of all of the above funds. A five member retirement board (the "Board"), appointed by the Governor and confirmed by the Idaho Senate, manages the System. State law requires that two members of the Board be active PERSI members with at least ten years of service and three members who are Idaho citizens not members of the system except by reason of having served on the Board. Responsibilities of the Board include selecting the funding agents, establishing funding policy, and setting contribution rates.

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

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

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

The contribution rates for employees are set by statute at 60% (72%) of the employer rate. As of June 30, 2014, it was 6.79% (8.36%). The employer contribution rate is set by the Retirement Board and was 11.32% (11.66%) as of June 30, 2014. In addition, Idaho Statute 59-1394(1)(a) requires 50% of the gross receipts by the State of the tax on fire insurance premiums, as provided by Idaho Statute 41-402 is perpetually appropriated for the purpose of partially funding the benefit payment requirements of Chapter 14, Title 72 of the Idaho Code (Firemen's Retirement Fund).

Plans Membership - State agencies, school districts, cities, counties, highway districts, water and sewer districts, and other political subdivisions contribute to the System. As of June 30, 2014 and 2013, and the number of participating employer units in the PERSI Base Plan was:

	2014	2013
Cities	150	149
School districts	163	160
Highway and water districts	130	129
State subdivisions	95	95
Counties	42	42
Other	183	180
	763	755

As of June 30, 2014 and 2013, the number of benefit recipients and members in the System consisted of the following:

	2014	2013
Active system members	66,223	65,535
Inactive system members entitled to but not yet receiving benefits	11,504	11,084
Inactive system members or beneficiaries currently receiving benefits	40,776	38,947
Total system members	118,503	115,566

FRF has 22 participating employer units all consisting of fire departments also participating in PERSI. As of June 30, 2014, there were 2 active members and 547 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.

Benefits Provided - 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.

Contributions - 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 and FRF member contribution rates are determined by the Board within limitations, as defined by state law. The Board may make periodic changes to employer and employee contribution rates (expressed as percentages of annual covered payroll) if current rates are actuarially determined to be inadequate to accumulate sufficient assets to pay benefits when due. 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.

Level percentages of payroll normal costs are determined using the Entry Age Normal Cost Method for the PERSI Base Plan and FRF. Under the Entry Age Normal Cost Method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated as a level percentage of each year's earnings of the individual between entry age and assumed exit age. The PERSI Base Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. Unfunded actuarial accrued liability for FRF is the difference between the actuarial present value of the FRF benefits not provided by the Base Plan and the FRF assets. FRF amortizes any such unfunded liability based on a level dollar amount funded by employer contributions determined as a percentage of the earnings of all firefighters. The maximum amortization period for the Base Plan permitted under Section 59-1322, Idaho Code, is 25 years. The maximum amortization period for FRF permitted under Section 59-1394, Idaho Code, is 50 years. The payroll for employees covered by the PERSI Base Plan and FRF was approximately $2,705,995,000 and $374,000, respectively for the year ended June 30, 2014.

Upon termination of employment, accumulated member contributions plus interest, accrued at 7.77% from January 1, 2014 through June 30, 2014 (1.04% from July 1, 2013 through December 31, 2013) 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.

Normal cost is 14.34% of covered payroll and the amount available to amortize the unfunded actuarial liability is 4.05% 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.

FRF employer and employee contribution rates for firefighters hired before October 1, 1980, are 25.89% and 3.09%, 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%.

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

The PERSI Choice Plans are defined contribution pension plans made up of a qualified 401(k) plan and a 414(k) plan. The assets of the two plans within the PERSI Choice Plans are commingled for investment and recordkeeping purposes. Participants direct their investment mix with the some trading frequency restrictions. Participants have twelve investment options; two balance funds, seven equity funds and three fixed income funds.

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

Participants may allocate their assets in 1% increments among the 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.

As of June 30, 2014, there were 42,021 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, 2014, the Choice Plan 401(k) had 25,153 participants, and the Choice Plan 414(k) had 28,580. The administrative expenses of the PERSI Choice Plans are funded by the PERSI Base Plan. Investment management expenses are paid by participants.

Optional Retirement Plan – Junior colleges and universities participate in an optional retirement plan (ORP) in accordance with the provisions of Idaho Code 33-107(A) and (B). The contribution rate to the plan is 1.49% of applicable payroll with an expected payoff date of 2025 for the universities. The junior colleges were paid in full as of June 30, 2011.

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

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

The rate for state agency contributions was 0.65% of covered salary at June 30, 2014.

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	
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 significant GASB standards affecting the System are:

- GASB Statement No. 34 *Financial Statements – and Management's Discussion and Analysis for State and Local Governments,*
- GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus,*
- GASB Statement No. 38, *Certain Financial Statement Note Disclosures,*
- GASB Statement No. 44*, Economic Condition Reporting: The Statistical Section,*
- GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*
- GASB Statement No.53, *Accounting and Financial Reporting for Derivative Instruments,* and
- GASB Statement No.67 *Financial Reporting for Pension Plans.*

Investments — The System's investments are presented at fair value. Purchases and sales are recorded at the trade date. At month end, there may be certain pending trades that were initiated by managers but not confirmed and, therefore, are not included in the fair value of investments. Investments of the PERSI Base Plan, FRF, and the PERSI TRF (an option of the PERSI Choice Plan) are pooled for investment purposes as is disclosed in Note 3.

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

The fair value of investments is based on published market prices and quotations from major investment brokers, when available. Mortgages have been valued on the basis of their future principal and interest payments discounted at prevailing interest rates for similar instruments of matching duration. The fair value of real estate investments is based on industry practice. For recent acquisitions, cost closely approximates fair value. The fair value of longer term real estate holdings is estimated based on the System's consultant assessments and/or independent appraisals. Short-term investments are reported at market value, when published market prices and quotations are available, or at cost plus accrued interest, which approximate market value. The fair values of private equity limited partnership investments by their nature have no readily ascertainable market prices. Similar to real estate, cost closely approximates fair value for recent acquisitions. Thereafter, the fair values of limited partnership funds are based on the valuations as presented by the general partner, approved by the funds' advisory committee, and reviewed by consultants. Generally, the companies within a fund are valued by the general partner, taking into account many factors such as the purchase price, estimated liquidation value, significant events like initial public offerings, bankruptcies, and additional rounds of financing, and other relevant factors. Because of the lack of published market prices for these investments, the estimated fair values may differ significantly from the values that would have been used had a ready market for the investments existed. Although these differences could be material to the individual company values, private equity represents 7.3% of total investments. PERSI's real estate and commercial mortgage investments are 3.6% and 3.5%, respectively of total investments.

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

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

The following is the Board's adopted asset allocation policy (adopted June 2012) as of June 30, 2014 and 2013:

Asset Class	2014	2013
Fixed Income	30%	30%
US/Global Equity	55%	55%
International Equity	15%	15%
Cash	0%	0%
Total	100%	100%

Use of Estimates — The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of net assets and liabilities, disclosure of contingent liabilities, and the actuarial present value of accumulated plan benefits at the date of the financial statements. Actual results could differ from those estimates. The System utilizes various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the financial statements.

Assets Used in Plan Operations — These assets represent buildings, equipment, and computer software development costs used by the System and are recorded at cost. Depreciation and amortization are calculated on the straight-line method over the estimated useful lives of the assets. The estimated useful life for buildings is 30-50 years. The estimated useful life of computer software development costs is 10-15 years. Computer and technology equipment has a 3-5 year useful life.

Totals — The basic financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the System's basic financial statements for the year ended June 30, 2013, from which the summarized information was derived.

New Accounting Standards – GASB Statement No. 67, which was adopted during the year ended June 30, 2014, addresses accounting and financial reporting requirements for pension plans. The requirements for GASB No. 67 require changes in presentation of the notes to the financial statements and required supplementary information. Significant changes include an actuarial calculation of total and net pension liability. It also includes comprehensive footnote disclosure regarding the pension liability, the sensitivity of the net pension liability to the discount rate and increased investment activity disclosures. The implementation of GASB No. 67 did not impact the accounting for accounts receivable and investment balances. The total pension liability, determined in accordance with GASB No. 67, is presented in Note 4 and in the Required Supplementary Information on page 53.

3. DEPOSITS AND INVESTMENTS

A. Deposits

Cash and cash equivalents are deposited with various financial institutions and are carried at cost plus accrued interest. Cash balances represent operating cash accounts held by various banks and on deposit with the State Treasurer. In accordance with Idaho Code Sections 67-1210 and 67-1210A, the State Treasurer invests cash not needed to meet immediate obligations in the pooled Idle Short-Term Fund. Deposits are held by its agent in the State Treasurer's name. Pooled balances are available on demand. Cash deposits in other bank accounts are covered by federal depository insurance up to $250,000. The System does not have a policy for custodial credit risk related to cash on deposit at local financial institutions.

Cash and cash equivalents:	
Held by the State Treasurer	$ 2,237,937
FDIC insured/collateralized	275,377
Uninsured and uncollateralized	975,481
Total	$ 3,488,795

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. This includes policies pertaining to asset allocation. Refer to Note 2 for additional asset allocation information. 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.

Investments at fair value as of June 30, 2014 are as follows:

Investment Table

Domestic fixed income	$	2,721,632,790
Co-mingled domestic fixed income (Sick Leave Insurance Reserve Fund)		106,257,332
International fixed income		73,373,641
Idaho commercial mortgages		494,449,586
Short-term investments		407,451,910
Real estate		424,641,351
Domestic equities		5,977,475,706
Co-mingled domestic equity (Sick Leave Insurance Reserve Fund)		219,889,124
International equities		3,119,152,887
Co-mingled international equity (Sick Leave Insurance Reserve Fund)		58,389,790
Private equity		1,013,199,546
Mutual funds, collective unitized funds		647,117,262
Total Investments	$	15,263,030,925

Concentrations - In line with policy, the System does not have any investments from a single issuer (excluding explicitly guaranteed governments) that represent more than 5% of the System's net assets.

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, 2014, the System had futures contracts with a fair value of $(22,797) 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, 2014, the System had the following net futures contracts exposure:

		Exposure covered by contract
Cash and Cash Equivalents		
90 day Eurodollar	$	18,958,662
Euro Foreign Currency		(171,225)
Fixed Income		
US Treasury Bond		(7,408,125)
US Ultra Bond		1,349,438
Euro-Bund		(1,811,509)
US 10yr Treasury Note		(58,204,922)
US 5yr Treasury Note		(6,331,430)
US 2yr Treasury Note		(658,781)
Net Futures Exposure	$	(54,277,892)

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, 2014, the System had option contracts payable with a fair value of $127,255, which is included in Domestic Fixed Income and $81,166 which is included in Investments Payable. At June 30, 2014, the System had the following options contract exposure:

		Exposure covered by contract
Fixed Income		
Purchased Call Options	$	7,500
Purchased Put Options		124,492
Investments Payable		
Written Call Options		(20,484)
Written Put Options		(63,703)
Net Futures Exposure	$	47,805

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, 2014, the System had entered into forward currency contracts to sell foreign currencies with a fair value of $98,644,718 and had entered into forward currency contracts to buy foreign currencies with a fair value of $99,531,658. Forward currency contracts are receivables or payables reported as investments sold or investments purchased. Net unrealized loss of $902,696 at June 30, 2014 were recorded, which represent the loss which would occur from executing these forward foreign currency contracts.

Mortgage-Backed Securities — These investments are valued based on the cash flows from interest and principal payments on the underlying mortgages. As a result, they are sensitive to prepayments, which are likely to occur in declining interest rate environments, thereby reducing the value of the securities. Details regarding interest rate risk for these investments are included in the Interest Rate Risk section below.

TIPS — Treasury Inflation Protected Securities (TIPS) are fixed income securities issued by the U.S. Treasury that pay a fixed coupon rate plus an adjustment for subsequent inflation. At June 30, 2014, the System had invested in TIPS with a fair value of $1,388,369,239.

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, 2014, the System's fixed income assets that are not government guaranteed represented 51.3% of the fixed income portfolio. The System's fixed income assets are shown with current credit ratings in the table below.

Credit Quality S&P Rating Level	Domestic	International	Total
Short Term			
A-1+	$ 28,897,116	$ -	$ 28,897,116
A-1	67,422,056	-	67,422,056
A-2	14,453,871	-	14,453,871
Long Term			
AAA	50,618,143	20,224,065	70,842,208
AA*	392,524,579	1,181,110	393,705,689
A	254,185,693	27,161,059	281,346,752
BBB	168,803,880	9,018,808	177,822,688
BB	10,459,920	-	10,459,920
B	5,703,785	-	5,703,785
CCC	7,495,263	-	7,495,263
CC	3,186,085	-	3,186,085
C	-	-	-
D	1,690,133	-	1,690,133
Not rated	226,291,312	15,788,599	242,079,911
Total Credit Risk fixed income securities	1,231,731,836	73,373,641	1,305,105,477
U.S. Government	1,851,799,586	-	1,851,799,586
Pooled Investments (unrated)	150,701,000	-	150,701,000
Idaho Mortgages (unrated)	494,449,585	-	494,449,585
Total	$ 3,728,682,007	$ 73,373,641	$ 3,802,055,648

*Includes US Government Agencies implicitly guaranteed by US Government:
FFCB $179,895; FHLB $39,852,971; FHLMC $79,152,044; FNMA $97,540,273

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 84.7%, in short-term instruments held at the custodian bank. Of the remaining cash and deposits at June 30, 2014, approximately 4.2% or, $17,513,428, was held by various counterparties not in the System's name. The remainder, approximately 11.1%, is invested in custodial bank-maintained collective investment funds.

E. Concentration of Credit Risk

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

Per the Systems Investment policy, managers will provide expected concentration of credit risk exposures in their portfolio guidelines. If the concentration of credit risk exceeds expectations, managers are required to report these occurrences to Staff and these disclosures are to be made available to the Board. For the portfolio as a whole, Staff will report to the Board at a regular Board Meeting if the exposure to a non-US government guaranteed credit exceeds 5% of the System's 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	Effective Duration in Years
Asset-backed Securities	$	5,619,012	(0.37)
Asset-backed Securities		62,786	N/A
Mortgages		22,162,868	1.81
Mortgages		737,867	N/A
Commercial Paper		125,228,228	0.29
Corporate Bonds		542,483,451	7.09
Corporate Bonds		731,417	N/A
Fixed Income Derivatives		(428,839)	3.87
Fixed Income Derivatives		45,983	N/A
Government Agencies		61,797,025	7.05
Government Bonds		510,783,248	1.21
Government Mortgage-backed Securities		307,273,019	2.58
Government Mortgage-backed Securities		2,787,578	N/A
Pooled Investments		44,443,667	0.08
Pooled Investments		106,257,333	N/A
Private Placements		71,736,218	3.89
Private Placements		93,975,170	N/A
TIPS		1,338,536,391	8.33
Idaho Mortgages		494,449,585	N/A
Total	$	3,728,682,007	

Effective duration of international fixed income assets by security type:

Investment		Fair Value	Effective Duration in Years
Asset Backed Securities	$	253,611	2.32
Corporate Bonds		2,197,267	3.88
Government Agencies		6,000,766	0.95
Government Bonds		64,921,997	5.52
Total	$	73,373,641	

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, 2014, is highlighted in the table that follows. Negative fair values related to variable-rate debt instruments that are highly sensitive to changes in interest rates.

Currency exposures:

CURRENCY	Short-term Investments	Equity	Fixed Income	Total USD Equivalent Fair Value
AUSTRALIAN DOLLAR	$ (15,124,029)	$ 59,983,600	$ 6,867,151	$ 51,726,722
BRAZIL REAL	147,307	99,272,203	1,958,678	101,378,188
CANADIAN DOLLAR	(17,906,268)	41,917,140	15,248,183	39,259,055
CHILEAN PESO	6,586	7,224,670	-	7,231,256
COLOMBIAN PESO	630	3,718,407	-	3,719,037
CZECH KORUNA	49,620	8,058,525	-	8,108,145
DANISH KRONE	49,209	25,852,552	-	25,901,761
EGYPTIAN POUND	14,581	1,733,279	-	1,747,860
EURO CURRENCY UNIT	(19,544,844)	740,054,634	25,646,740	746,156,530
HONG KONG DOLLAR	667,627	286,602,584	-	287,270,211
HUNGARIAN FORINT	60,811	6,037,653	-	6,098,464
INDIAN RUPEE	(770,934)	-	-	(770,934)
INDONESIAN RUPIAH	(434,616)	41,891,118	-	41,456,502
ISRAELI SHEKEL	76,844	11,843,439	-	11,920,283
JAPANESE YEN	(8,537,369)	418,465,468	-	409,928,099
KENYAN SHILLING	63,558	639,218	-	702,776
MALAYSIAN RINGGIT	150,226	26,615,697	-	26,765,923
MEXICAN NEW PESO	(3,633,441)	49,555,284	12,225,095	58,146,938
NEW TAIWAN DOLLAR	2,647,135	129,536,839	-	132,183,974
NEW TURKISH LIRA	44,840	51,363,893	-	51,408,733
NEW ZEALAND DOLLAR	793	750,627	1,189,048	1,940,468
NORWEGIAN KRONE	2,694,382	4,885,370	-	7,579,752
PHILIPPINES PESO	32,423	40,852,824	-	40,885,247
POLISH ZLOTY	115,347	8,126,586	8,583,798	16,825,731
POUND STERLING	1,779,380	536,626,332	2,237,386	540,643,098
RUSSIAN RUBLE (NEW)	-	15,573,977	-	15,573,977
S AFRICAN COMM RAND	95,044	82,406,392	-	82,501,436
SINGAPORE DOLLAR	172,956	34,357,975	-	34,530,931
SOUTH KOREAN WON	46,507	203,003,336	-	203,049,843
SRI LANKA RUPEE	12,535	453,851	-	466,386
SWEDISH KRONA	10,714	34,036,722	-	34,047,436
SWISS FRANC	939,333	153,276,351	-	154,215,684
THAILAND BAHT	1,433	57,482,748	-	57,484,181
Total value of investments subject to foreign currency risk	$ (56,071,680)	$ 3,182,199,294	$ 73,956,079	$ 3,200,083,693

H. Rate of Return

For the years ended June 30, 2014 and 2013, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 16.89 percent and 8.76 percent, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

4. NET PENSION LIABILITY

The components of the net pension liability of the participating employers as of June 30, 2014 are as follows:

	PERSI (In $millions)		FRF (In $millions)	
	2014	2013	2014	2013
Total pension liability	$ 14,569.3	$ 13,966.6	$ 314.4	$ 318.1
Plan fiduciary net position	13,833.1	12,053.5	352.2	307.0
Employers' Net pension liability	$ 736.2	$ 1,913.1	$ (37.8)	$ 11.1
Plan fiduciary net position as a percentage of total pension liability	94.95%	86.30%	112.01%	96.50%

The net pension liability is calculated using a discount rate of 7.1%, which is the expected rate of return on investments reduced by investment expenses. The unfunded liability as reported in Management's Discussion and Analysis is calculated using 7.0%, which is the expected rate of return on investments reduced by investment and administrative costs. The net pension liability was determined by an actuarial valuation as of July 1, 2014, applied to all prior periods included in the measurement. Actuarial valuation involves estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. An experience study was performed in 2012 for the period July 1, 2007 through June 30, 2011 which reviewed all economic and demographic assumptions other than mortality. Mortality and all economic assumptions were studied in 2014 for the period from July 1, 2009 through June 30, 2013.

The Schedule of Employers' Net Pension Liability presents information about whether the plan fiduciary net positions are increasing or decreasing over time relative to the total pension liability. These schedules are presented in the Required Supplementary Information section. The Total Pension Liability as of June 30, 2014 is based on the results of an actuarial valuation date of July 1, 2014.

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

Inflation	3.25 percent
Salary increases	4.5-10.25 percent,
Salary inflation	3.75 percent
Investment rate of return	7.10 percent, net of pension plan investment expense
Cost of Living (COLA) adjustments	1.0 percent

Mortality rates were based on the RP – 2000 combined table for healthy males or females as appropriate with the following offsets:

- Set back 3 years for teachers
- No offset for male fire and police
- Forward one year for female fire and police
- Set back one year for all general employees and all beneficiaries

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

Even though history provides a valuable perspective for setting the investment return assumption, we rely primarily on an approach which builds upon the latest capital market assumptions. Specifically, the Retirement Board uses Callan Associates 2014 capital market assumptions in analyzing the System's asset allocation. The assumptions and the System's formal policy for asset allocation are shown below. The formal asset allocation policy is somewhat more conservative than the current allocation of PERSI's assets.

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per Callan Associates investment consulting as of January 1, 2014.

Asset Class	Index	Target Allocation	Long-Term Expected Real Rate of Return
Core Fixed Income	Barclays Aggregate	30.00%	0.80%
Broad US Equities	Wilshire 5000 / Russell 3000	55.00%	6.90%
Developed Foreign Equities	MSCI EAFE	15.00%	7.55%
Assumed Inflation - Mean			3.25%
Assumed Inflation - Standard Deviation			2.00%
Portfolio Arithmetic Mean Return			8.42%
Portfolio Standard Deviation			13.34%
Portfolio Long-Term Expected Rate of Return			7.50%
Assumed Investment Expenses			0.40%
Long-Term Expected Rate of Return, Net of Investment Expenses			**7.10%**

Discount rate – The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the pension plans' net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

Sensitivity of the net pension liability to changes in the discount rate – The following presents the net pension liability of PERSI and FRF employers calculated using the discount rate of 7.10% as well as what the employers' liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease (in $ millions)	Current Discount Rate (in $ millions)	1% Increase (in $ millions)
Employers' net pension liability – PERSI	2,556.5	736.2	(777.0)
Employers' net pension liability – FRF	(2.2)	(37.8)	(67.8)

5. ASSETS USED IN PLAN OPERATIONS

Assets used in plan operations at June 30, 2014, consist of the following:

	2014	2013
Buildings and improvements	$ 5,515,888	$ 5,515,888
Less accumulated depreciation	(3,963,581)	(3,802,886)
Total buildings and improvements	1,552,307	1,713,002
Computer software development - Galena	6,331,360	6,331,360
Less accumulated amortization	(6,331,360)	(6,331,360)
Total computer software development - Galena	-	-
Equipment	481,849	481,849
Less accumulated depreciation	(443,544)	(370,366)
Total equipment	38,305	111,483
Computer software development - IRIS	1,077,517	1,077,517
Less accumulated amortization	(165,522)	(23,646)
Total computer software development - IRIS	911,995	1,053,871
Equipment - IRIS	254,114	230,312
Less accumulated depreciation	(57,532)	(7,677)
Total equipment - IRIS	196,582	222,635
Computer software development-in progress - IRIS	4,408,651	1,647,091
Total assets used in plan operations	$ 7,107,840	$ 4,748,082

Depreciation expense is a component of administrative expense. For the year ended June 30, 2014, depreciation expense on the buildings and improvements was $160,695. The equipment had a total depreciation expense of $123,033 for 2014. In January 2012 development began on the Idaho Retirement Information System (IRIS) system. Costs of the IRIS system 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 2014 was $141,876. 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, 2014 was $7.2 million.

6. OTHER POST EMPLOYMENT BENEFITS

The State funds, or partially funds, postemployment benefits relating to health, disability, and life insurance. Employees of PERSI participate 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.

7. COMMITMENTS

The System had unfunded private equity commitments as of June 30, 2014 of $525,226,712 and €34,318,334.

8. SUBSEQUENT EVENT

On July 1, 2014 PERSI took over the administration of the Judges' Retirement Fund. On that date $75,010,866 was transferred to PERSI control, which constitutes .5% of total assets.

* * * * * *

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

REQUIRED SUPPLEMENTARY INFORMATION

PUBLIC EMPLOYEE RETIREMENT FUND AND FIREFIGHTERS' RETIREMENT FUND

SCHEDULE OF CHANGES IN NET PENSION LIABILITY
(Dollars in $Millions)
FISCAL YEAR ENDING JUNE 30

	PERSI 2014	FRF 2014
Total pension liabiity		
Changes for the year		
Service cost	$ 376.8	$ -
Interest	992.9	21.9
Effect of plan changes	(1.3)	-
Effect of economic/demographic gains or losses	(111.2)	(5.6)
Effect of assumptions changes or inputs	74.6	-
Benefit payments, including refunds of member contributions	(729.1)	(20.0)
Net change in total pension liabiity	**602.7**	**(3.7)**
Total pension liability - beginning	13,966.6	318.1
Total pension liability - ending	14,569.3	314.4
Plan net position		
Contributions - employer	311.0	14.2
Contributions - employee	203.9	-
Net investment income	2,000.6	51.0
Benefit payments, including refunds of member contributions	(729.1)	(20.0)
Administrative expense	(6.8)	-
Net change in plan net position	**1,779.6**	**45.2**
Plan net position - beginning	12,053.5	307.0
Plan net position - ending	13,833.1	352.2
Plan net pension liability - ending	**$ 736.2**	**$ (37.8)**

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

PUBLIC EMPLOYEE RETIREMENT FUND AND FIREFIGHTERS' RETIREMENT FUND

SCHEDULES OF NET PENSION LIABILITY
(Dollars in $Millions)
FISCAL YEAR ENDING JUNE 30

	PERSI 2014	FRF 2014
Total Pension Liability	$ 14,569.3	$ 314.4
Plan net position	13,833.1	352.2
Net pension liability (asset)	736.2	(37.8)
Plan net position as a percentage of the total pension liability	94.95%	112.01%
Covered employee payroll	$2,702.9	$ 63.0
Net pension liability (asset) as a percentage of covered employee payroll	27.24%	-59.94%

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

PUBLIC EMPLOYEE RETIREMENT FUND AND FIREFIGHTERS' RETIREMENT FUND

SCHEDULE OF CONTRIBUTIONS
FISCAL YEARS 2005-2014

PERSI
(In $Millions)

Fiscal Year	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
2005	$ 236.7	$ 236.2	$ 0.5	$ 2,208.7	10.69%
2006	238.1	250.8	(12.7)	2,343.5	10.70%
2007	235.4	259.5	(24.1)	2,421.0	10.72%
2008	251.4	273.3	(21.9)	2,578.9	10.60%
2009	232.0	284.6	(52.6)	2,683.5	10.61%
2010	260.3	284.9	(24.6)	2,684.4	10.61%
2011	326.5	279.1	47.4	2,627.9	10.62%
2012	327.9	277.2	50.7	2,619.6	10.58%
2013	295.5	285.4	10.1	2,697.6	10.58%
2014	325.0	311.0	14.0	2,702.9	11.51%

FRF

Fiscal Year	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
2005	$ 7,225,585	$ 11,725,615	$ (4,500,030)	$42,198,856	27.79%
2006	6,455,083	12,022,203	(5,567,120)	45,012,038	26.71%
2007	5,033,291	12,119,173	(7,085,882)	47,638,976	25.44%
2008	1,826,307	12,870,406	(11,044,099)	52,097,173	24.70%
2009	1,826,307	13,215,989	(11,389,682)	55,747,655	23.71%
2010	7,959,238	13,542,331	(5,583,093)	58,360,452	23.20%
2011	7,959,238	13,313,715	(5,354,477)	59,337,447	22.44%
2012	1,666,127	13,486,309	(11,820,182)	59,883,692	22.52%
2013	1,666,127	14,227,314	(12,561,187)	62,969,139	22.59%
2014	1,119,619	14,200,323	(13,080,704)	63,017,405	22.53%

PUBLIC EMPLOYEE RETIREMENT FUND AND FIREFIGHTERS' RETIREMENT FUND

SCHEDULE OF INVESTMENT RETURNS
YEAR ENDED JUNE 30, 2014

	2014	2013
Annual money weighted rate of return, net of investment expenses	16.89%	8.76%

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

PUBLIC EMPLOYEE RETIREMENT FUND AND FIREFIGHTERS' RETIREMENT FUND
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2014

Methods and assumptions used in calculations of actuarially determined contributions. The actuarially determined contribution rates in the employers' contributions are calculated as of June 30, 2012 for PERSI and as of June 30, 2013 for FRF. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

	PERSI	**FRF**
Valuation date	July 1, 2012	July 1, 2013
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level percentage of projected payroll — open	Level dollar amount — open
Remaining amortization period	25 years	30 years
Asset valuation method	Market value	Market value
Actuarial assumptions:		
Investment Rate of Return - Gross	7.50 %	7.50 %
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 %
Discount Rate - Actuarial Accrued Liability	7.00%	7.00%

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

ADDITIONAL SUPPLEMENTARY SCHEDULES

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

SCHEDULE OF INVESTMENT EXPENSES
YEAR ENDED JUNE 30, 2014

INVESTMENT AND RELATED SERVICES:		
Adelante Capital	$	3,407,351
AEW Capital Management LP		4,097,588
Baring Asset Management, Inc.		1,814,862
BCA Publication, Inc.		7,500
Bernstein, Sanford C.		5,067,433
Bloomberg, LP		61,303
Brandes Investment Partners, LP		1,932,949
Capital Guardian Trust Company		1,800,333
Choice Plan Managers		369,406
Clearwater Advisors, LLC		744,732
D.B. Fitzpatrick & Co., Inc.		2,209,183
Donald Smith & Company		3,738,948
Genesis Asset Managers, Ltd.		2,484,310
Longview Partners		2,747,551
Mellon Capital Management		927,906
Mellon Trust		3,474,198
Mondrian Investment Partners		1,449,285
Mountain Pacific Investment Advisors, Inc.		1,469,911
Peregrine Capital Management		1,834,603
Prudential Investments		358,458
State Street Global Advisors		498,848
Tukman Grossman Capital Management, Inc.		2,364,475
Wells Fargo Bank		72,255
Western Asset		1,016,994
Yardarni Research		7,500
Zesiger Capital Group-Public		2,259,248
		46,217,130
CONSULTING AND OTHER SERVICES:		
Alban Row LLC		86,843
Berkadia Commercial Mortgage LLC		21,290
Callan Associates		306,791
Chartwell Consulting LLC		76,476
Eide Bailly LLP		76,200
Foster Pepper, PLLC		150,095
Gabriel, Roeder, Smith & Company		73,000
Hamilton Lane Advisors, Inc.		170,000
Ice Miller LLP		7,904
Milliman, Inc.		362,494
Robert Storer		80,781
Whiteford, Taylor & Preston LLP		2,982
Xerox HR Solutions LLC		964,904
		2,379,760
TOTAL	$	48,596,890

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

SCHEDULE OF ADMINISTRATIVE EXPENSES
YEAR ENDED JUNE 30, 2014

PORTFOLIO-RELATED EXPENSES:	
Personnel expenses	$649,436
Operating expenses	175,823
	825,259
OTHER ADMINISTRATIVE EXPENSES:	
Personnel expenses	3,419,358
Operating expenses	2,117,590
Building depreciation expense	160,695
Equipment depreciation expense	123,033
Software amortization expense	141,876
	5,962,552
SICK LEAVE FUND EXPENSES - Administrative personnel expenses	104,340
	$6,892,151

CPAs & BUSINESS ADVISORS

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the pension and other trust funds of the Public Employee Retirement System of Idaho (the "System"), as of and for the year ended June 30, 2014, 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 December 15, 2014.

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 PERSI's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses 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
December 15, 2014