FINANCIAL SECTION

PERSI

Helping Idaho public employees
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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 fiduciary net position as of June 30, 2016, 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, 2015, 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, 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 15, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 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 56-63 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 accompanying financial information listed as supplemental schedules 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 11, 2016, 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.

Eide Bailly LLP

October 11, 2016
Boise, Idaho

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016

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, 2016. The June 30, 2015 amounts are combined and are provided for comparative purposes. This overview and analysis is designed to focus on current known facts and activities and resulting changes.

The System administers seven fiduciary funds. These consist of three defined benefit pension trust funds – the PERSI Base Plan, the Firefighters' Retirement Fund (FRF) and the Judges' Retirement Fund (JRF), two defined contribution pension trust funds – the PERSI Choice Plan 401(k) and 414(k), and two Sick Leave Insurance Reserve trust funds – State and Schools.

Financial Highlights

- The net position for all pension and other funds administered by the System decreased $40.6 million during Fiscal Year 2016 and increased $262 million during the Fiscal Year 2015. The decrease in the defined benefit plans reflects the total of contributions received and an investment return less than benefits paid and administrative expenses. Changes in net position for the years ended June 30, 2016 and 2015 were as follows:

	2016	2015
PERSI Base Plan	$ (70,539,031)	$ 126,304,090
FRF	(7,246,721)	641,556
JRF	(1,018,991)	76,467,630
PERSI Choice Plan 414(k)	(5,035,147)	(3,304,865)
PERSI Choice Plan 401(k)	33,746,842	45,142,722
Sick leave - state	5,140,646	7,519,824
Sick leave - schools	4,376,818	9,159,619
Total increase (decrease) in plan net position	$ (40,575,584)	$ 261,930,576

Assets for the three defined benefit plans, the PERSI Base Plan, FRF and JRF, are pooled for investment purposes. For the Fiscal Years ended June 30, 2016 and 2015, 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.

	2016	2015
PERSI Defined Benfit Plans	1.5%	2.7%
Sick Leave Insurance Reserve Fund	1.8%	3.8%

- All of the plans experienced investment gains in Fiscal Year 2016 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, 2016 and 2015, was $228 million and $417 million, respectively.

	2016	2015
PERSI Base Plan	$ 204,778,070	$ 371,080,117
FRF	5,083,454	9,357,909
JRF	1,092,130	2,049,895
PERSI Choice Plan 414(k)	866,171	1,677,651
PERSI Choice Plan 401(k)	8,855,749	18,620,191
Sick leave - state	3,356,390	5,722,685
Sick leave - schools	3,919,755	9,043,823
Total net investment income	$ 227,951,719	$ 417,552,271

- As of June 30, 2016 the net pension liability (asset) was as follows:

	PERSI Base Plan 2016	FRF 2016	JRF 2016
Total pension liability	$ 15,911,317,335	$ 291,820,746	$ 99,229,007
Plan fiduciary net position	13,884,163,748	345,569,149	75,448,639
Net pension liability (asset)	$ 2,027,153,587	$ (53,748,403)	$ 23,780,368
Plan net position as a percentage of total pension liability	87.26%	118.42%	76.03%

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

PERSI assumed the administration for the JRF fund starting July 1, 2014.

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, 2016 and 2015 indicates the net position available to pay future benefits and gives a snapshot at a particular point in time. The statements of changes in plan net position for the years ended June 30, 2016 and 2015 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 33-55 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, the Firefighters' Retirement Fund, and the Judges' 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, 2016	As of June 30, 2015	$ Change	% Change
Assets:				
Cash and cash equivalents	$ 4,040,182	$ 3,568,905	$ 471,277	13.2%
Investments sold receivable	167,859,370	111,457,406	56,401,964	50.6%
Other receivables	48,753,444	51,792,373	(3,038,929)	-5.9%
Investments - at fair value	14,344,593,357	14,428,374,876	(83,781,519)	-0.6%
Prepaid retiree benefits	64,755,500	61,531,000	3,224,500	5.2%
Capital assets - net of accumulative depreciation	11,791,827	9,707,788	2,084,039	21.5%
Due from other plans	11,299	13,737	(2,438)	-17.7%
Total assets	14,641,804,979	14,666,446,085	(24,641,106)	-0.2%
Liabilities:				
Investment purchased payable	286,890,388	232,707,110	54,183,278	23.3%
Benefits and refunds payable	309,960	209,765	100,195	47.8%
Other liabilities	12,880,302	13,000,138	(119,836)	-0.9%
Total liabilities	300,080,650	245,917,013	54,163,637	22.0%
Net Position:				
Net investment in capital assets	11,791,827	9,707,788	2,084,039	21.5%
Amounts held in trust	14,329,932,502	14,410,821,284	(80,888,782)	-0.6%
Net Position	$ 14,341,724,329	$ 14,420,529,072	$ (78,804,743)	-0.5%

The fair value of investments decreased due to the combination of contributions received and an investment return of 1.48% (net of investment expenses) exceeded by 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

	As of June 30, 2016	As of June 30, 2015	$ Change	% Change
Additions:				
Member contributions	$ 221,497,019	$ 212,104,025	$ 9,392,994	4.4%
Employer contributions	346,179,284	336,141,518	10,037,766	3.0%
Investment income	210,953,654	382,487,921	(171,534,267)	-44.8%
Other additions	27,854	18,830	9,024	47.9%
Total additions	778,657,811	930,752,294	(152,094,483)	-16.3%
Deductions:				
Benefits and refunds paid	850,463,930	796,519,404	53,944,526	6.8%
Adminsitrative expenses	6,998,624	6,683,914	314,710	4.7%
Total deductions	857,462,554	803,203,318	54,259,236	6.8%
Special Item:				
Transfer in of Judges' Retirement Fund	-	75,864,300	(75,864,300)	
Changes in net position	$ (78,804,743)	$ 203,413,276	$ (282,218,019)	

Investment income for the Fiscal Year 2016 was $211 million as a result of the gross investment return of 1.78%. Contributions and other additions totaled $568 million. Total additions including investment income, contributions and transfers totaled $779 million. The benefits and administrative expenses paid of $857 million were more than additions by $79 million for 2016. Investment income for the Fiscal Year 2015 was $382 million, the gross investment return was 3%. Contributions and other additions totaled $548 million resulting in total additions of $931 million. The transfer of the JRF funds to PERSI totaled $76 million. The benefits and administrative expenses paid of $803 million were less than additions by $203 million for 2015.

For Fiscal Year 2016, the increase in benefits and refunds paid was a result of an increase in the number of retirees and the annual Cost of Living Adjustment (COLA) increase for benefits paid to retirees. The COLA adjustment for 2016 was .2% up to 1% based on date of retirement compared to 2015 which was 1.7% up to 4% based on date of retirement.

Defined Contribution Pension Trust Funds

During Fiscal Year 2016, 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, 2016	As of June 30, 2015	$ Change	% Change
Assets:				
Cash	$ 281,590	$ 513,130	$ (231,540)	-45.1%
Short-term investments	811,780	824,942	(13,162)	-1.6%
Investments-at fair value	716,995,107	688,598,067	28,397,040	4.1%
Receivables	2,373,428	1,798,384	575,044	32.0%
Total assets	720,461,905	691,734,523	28,727,382	4.2%
Liabilities				
Other liabilities	167,483	151,796	15,687	10.3%
Net Position	$ 720,294,422	$ 691,582,727	$ 28,711,695	4.2%

Net position increased from Fiscal Year 2015 to Fiscal Year 2016. The change reflects a positive return in the investment market and excess contributions compared to benefits paid out. The change in cash is due to the timing of a transfer of funds at the end of the month. Receivables include contributions that are not yet recorded by the record keeper at year end plus accrued interest and dividends. The change in other liabilities consists of amount due to the base plan and advanced revenue.

Defined Contribution Pension Trust Funds Changes in Net Position

	As of June 30, 2016	As of June 30, 2015	$ Change	% Change
Additions:				
Member contributions	$ 45,299,030	$ 42,874,459	$ 2,424,571	5.7%
Employer contributions	4,778,923	5,166,873	(387,950)	-7.5%
Transfers and rollovers in	11,868,500	14,575,338	(2,706,838)	-18.6%
Investment income	9,721,920	20,297,842	(10,575,922)	-52.1%
Total additions	71,668,373	82,914,512	(11,246,139)	-13.6%
Deductions:				
Benefits and refunds paid	41,363,965	40,925,161	438,804	1.1%
Administrative Expenses	1,592,713	151,494	1,441,219	951.3%
Total deductions	42,956,678	41,076,655	1,880,023	4.6%
Change in net position	$ 28,711,695	$ 41,837,857	$ (13,126,162)	-31.4%

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 as well as an increase in the number of members actively contributing. Transfers in represent rollovers from other plans. Changes in employer contributions vary up or down according to individual employers' desire to match employee contributions. The increase in benefits and refunds paid is a result of an increase in the number of retirees receiving benefits. Administration costs for the current year reflect twelve months of record keeping costs that began in May 2015 (2 months in fiscal year 2015).

Other Trust Funds

During Fiscal Year 2016, 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, 2016	As of June 30, 2015	$ Change	% Change
Assets:				
Cash	$ 40,805	$ 73,870	$ (33,065)	-44.8%
Investments-at fair value	410,625,545	401,187,919	9,437,626	2.4%
Prepaid insurance premium	1,436,628	1,388,641	47,987	3.5%
Due from other funds	1,767,238	1,701,875	65,363	3.8%
Total assets	413,870,216	404,352,305	9,517,911	2.4%
Liabilities:				
Other liabilities	38,637	38,190	447	1.2%
Net Position	$ 413,831,579	$ 404,314,115	$ 9,517,464	2.4%

The net position increased in Fiscal Year 2016 from Fiscal Year 2015 because of positive investment returns and contributions exceeding benefits paid.

Sick Leave Insurance Reserve Funds Changes in Net Position

	As of June 30, 2016	As of June 30, 2015	$ Change	% Change
Additions:				
Employer contributions	$ 20,783,321	$ 19,869,520	$ 913,801	4.6%
Investment income	7,276,145	14,766,508	(7,490,363)	-50.7%
Other additions	1,249	764	485	63.5%
Total additions	28,060,715	34,636,792	(6,576,077)	-19.0%
Deductions:				
Benefits and refunds paid	18,438,911	17,853,009	585,902	3.3%
Administrative expenses	104,340	104,340	-	0.0%
Total deductions	18,543,251	17,957,349	585,902	3.3%
Change in net position	$ 9,517,464	$ 16,679,443	$ (7,161,979)	-42.9%

The changes in net position reflect a net investment return of 1.8% resulting in $7 million in investment income, compared to $15 million for Fiscal Year 2015. The increase in other additions was due to a increase 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

	2016	2015	Change
Active participants	68,517	67,008	1,509
Vested - Base Plan	42,414	43,043	(629)
Non-vested - Base Plan	26,103	23,965	2,138
Retirees and beneficiaries	44,181	42,657	1,524
Terminated and vested	12,251	11,859	392

	Choice Plan		
	2016	2015	Change
Participants	37,738	41,937	(4,199)
Actively contributing	15,381	12,832	2,549
Periodic installment payments	1,979	144	1,835

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)

	2016	2015
Beginning - July 1	42,657	40,776
New Retirements	2,634	2,889
Death of Beneficiary	(1,110)	(1,008)
Ending - June 30	44,181	42,657

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, 2016, PERSI's Base Plan had a net pension liability of $2 billion, an increase over the July 1, 2015 liability of $1.3 billion. The investment return net of all expenses for 2016 was 1.43% compared to the assumed return of 7.0%. The change in net pension liability is due in large part to a decline 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”. The amortization period of the unfunded liability for FY16 is 36.6 years which is in excess of the 25 year maximum allowed by statute. As a result the Board will be considering action to raise contribution rates. Since inception, the cumulative funding of the plan is 58% investment income, 26% 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 FIDUCIARY NET POSITION
JUNE 30, 2016 WITH COMPARATIVE FINANCIAL INFORMATION FOR JUNE 30, 2015

	Pension Trust Funds				
	PERSI	Firefighters'	Judges'	PERSI Choice Plan	
	Base Plan	Retirement Fund	Retirement Fund	414(k)	401(k)
ASSETS					
Cash and cash equivalents	$ 3,437,820	$ 85,836	$ 516,526	$ 81,010	$ 200,580
Investments—at fair value					
Fixed income investments					
Domestic	3,106,633,058	77,566,790	16,824,619	-	-
International	25,693,797	641,526	139,150	-	-
Idaho commercial mortgages	655,380,120	16,363,610	3,549,348	-	-
Short-term investments	391,298,899	9,769,998	2,119,160	-	811,780
Real estate equities	462,602,229	11,550,308	2,505,319	-	-
Equity securities					
Domestic	5,908,475,835	147,523,539	31,998,583	-	-
International	2,472,067,120	61,722,871	13,387,995	-	-
Private equity	899,450,726	22,457,594	4,871,163	-	-
Mutual, collective, unitized funds	-	-	-	55,184,817	661,810,290
Total investments	13,921,601,784	347,596,236	75,395,337	55,184,817	662,622,070
Receivables					
Investments sold	162,932,434	4,044,665	882,271	-	-
Administrative fee	-	-	-	-	148,046
Contributions	5,486,583	14,191	-	-	465,093
Interest and dividends	41,983,137	1,042,197	227,336	147,241	1,613,048
Total receivables	210,402,154	5,101,053	1,109,607	147,241	2,226,187
Assets used in plan operations - net	11,791,827	-	-	-	-
Due from other plans	11,299	-	-	-	-
Prepaid retiree benefits	64,755,500	-	-	-	-
Total assets	14,212,000,384	352,783,125	77,021,470	55,413,068	665,048,837
LIABILITIES					
Accrued liabilities	10,786,045	262,087	64,932	12,009	144,175
Benefits and refunds payable	309,960	-	-	-	-
Due to other plans	1,767,238	-	-	869	10,430
Advanced revenue	-	-	-	-	-
Investments purchased	278,430,600	6,951,889	1,507,899	-	-
Total liabilities	291,293,843	7,213,976	1,572,831	12,878	154,605
NET POSITION					
Net position restricted for pensions and amounts held in trust	$ 13,920,706,541	$ 345,569,149	$ 75,448,639	$ 55,400,190	$ 664,894,232

See notes to Financial Statements

Other Trust Funds			
Sick Leave Insurance Reserve Fund		Totals	
State	Schools	2016	2015
$ 16,090	$ 24,715	$ 4,362,577	$ 4,155,905
51,405,473	67,910,115	3,320,340,055	3,340,940,201
-	-	26,474,473	37,901,492
-	-	675,293,078	553,504,788
-	-	403,999,837	348,294,350
-	-	476,657,856	506,568,317
91,516,453	149,836,236	6,329,350,646	6,167,253,647
19,026,568	30,930,700	2,597,135,254	2,909,923,906
-	-	926,779,483	966,001,036
-	-	716,995,107	688,598,067
161,948,494	248,677,051	15,473,025,789	15,518,985,804
-	-	167,859,370	111,457,406
-	-	148,046	-
-	-	5,965,867	5,751,813
-	-	45,012,959	47,838,944
-	-	218,986,242	165,048,163
-	-	11,791,827	9,707,788
535,173	1,232,065	1,778,537	1,715,612
412,913	1,023,715	66,192,128	62,919,641
162,912,670	250,957,546	15,776,137,100	15,762,532,913
15,235	23,402	11,307,885	11,336,453
-	-	309,960	209,765
-	-	1,778,537	1,715,612
-	-	-	138,059
-	-	286,890,388	232,707,110
15,235	23,402	300,286,770	246,106,999
$ 162,897,435	$ 250,934,144	$ 15,475,850,330	$ 15,516,425,914

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2016 WITH COMPARATIVE FINANCIAL INFORMATION
FOR JUNE 30, 2015

	Pension Trust Funds				
	PERSI	Firefighters'	Judges'	PERSI Choice Plan	
	Base Plan	Retirement Fund	Retirement Fund	414(k)	401(k)
ADDITIONS					
Contributions					
Members	$ 220,866,936	$ 6,329	$ 623,754	$ -	$ 45,299,030
Employers	335,610,100	7,198,597	3,370,587	-	4,778,923
Transfers and rollovers in	-	-	-	-	11,868,500
Total contributions	556,477,036	7,204,926	3,994,341	-	61,946,453
Investment income					
Net appreciation (depreciation) in fair value of investments	(72,888,917)	(1,809,410)	(413,420)	639,034	(3,529,621)
Interest, dividends and other investment income	319,620,321	7,934,323	1,730,965	233,469	14,274,857
Less investment expenses	(41,953,334)	(1,041,459)	(225,415)	(6,332)	(1,889,487)
Total investment income - net	204,778,070	5,083,454	1,092,130	866,171	8,855,749
Other- net	25,283	-	2,571	-	-
Total additions	761,280,389	12,288,380	5,089,042	866,171	70,802,202
DEDUCTIONS					
Benefits and refunds paid to members and beneficiaries	825,012,765	19,476,228	5,974,937	5,378,148	35,985,817
Administrative expenses	6,806,655	58,873	133,096	523,170	1,069,543
Total deductions	831,819,420	19,535,101	6,108,033	5,901,318	37,055,360
SPECIAL ITEM					
Transfer in of Judges' Retirement Fund	-	-	-	-	-
INCREASE/(DECREASE) IN NET POSITION	(70,539,031)	(7,246,721)	(1,018,991)	(5,035,147)	33,746,842
NET POSITION					
Beginning of year	13,991,245,572	352,815,870	76,467,630	60,435,337	631,147,390
End of year	$ 13,920,706,541	$ 345,569,149	$ 75,448,639	$ 55,400,190	$ 664,894,232

See notes to Financial Statements

Other Trust Funds			
Sick Leave Insurance Reserve Fund		Totals	
State	Schools	2016	2015
$ -	$ -	$ 266,796,049	$ 254,978,484
6,804,354	13,978,967	371,741,528	361,177,911
-	-	11,868,500	14,575,338
6,804,354	13,978,967	650,406,077	630,731,733
3,420,628	4,019,000	(70,562,706)	125,306,457
-	-	343,793,935	340,869,400
(64,238)	(99,245)	(45,279,510)	(48,623,586)
3,356,390	3,919,755	227,951,719	417,552,271
889	360	29,103	19,594
10,161,633	17,899,082	878,386,899	1,048,303,598
4,980,235	13,458,676	910,266,806	855,449,068
40,752	63,588	8,695,677	6,788,254
5,020,987	13,522,264	918,962,483	862,237,322
-	-	-	75,864,300
5,140,646	4,376,818	(40,575,584)	261,930,576
157,756,789	246,557,326	15,516,425,914	15,254,495,338
$ 162,897,435	$ 250,934,144	$ 15,475,850,330	$ 15,516,425,914

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

NOTE 1. GENERAL DESCRIPTION OF THE FUNDS

General — The Public Employee Retirement System of Idaho (the "System" or "PERSI") is the administrator of seven plans including three defined benefit retirement plans, the Public Employee Retirement Fund Base Plan ("PERSI Base Plan"), the Firefighters' Retirement Fund (FRF); and the Judges' Retirement Fund (JRF); and two defined contribution plans, the Public Employee Retirement Fund Choice Plans 401(k) and 414(k) ("PERSI Choice Plan"). PERSI also administers two Sick Leave Insurance Reserve Trust Funds, 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.

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

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

Plans Membership - State agencies, school districts, cities, counties, highway districts, water and sewer districts, and other political subdivisions contribute to the System. As of June 30, 2016 and 2015, and the number of participating employer units in the PERSI Base Plan was:

	2016	2015
Cities	152	150
School districts	163	163
Highway and water districts	131	130
State subdivisions	98	97
Counties	44	42
Other	187	184
	775	766

As of June 30, 2016 and 2015, the number of benefit recipients and members in the System consisted of the following:

	2016	2015
Members:		
Active	68,517	67,008
Terminated and vested	12,251	11,859
Retirees and beneficiaries	44,181	42,657
	124,949	121,524

FRF has 22 participating employer units all consisting of fire departments also participating in PERSI. As of June 30, 2016, there were 2 active members and 521 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.

JRF as of June 30, 2016 had 53 active members and 93 retired members or beneficiaries collecting benefits from JRF.

Benefits Provided - The benefit payments for the PERSI Base Plan, FRF and JRF are calculated using a benefit formula adopted by the Idaho Legislature. The Base Plan is required to provide a 1% minimum cost of living increase per year provided the Consumer Price Index increases 1% or more. The Retirement Board has the authority to provide higher PERSI Base Plan cost of living increases to a maximum of the Consumer Price Index movement or 6%, whichever is less; however, any amount above the 1% minimum is subject to review by the Idaho Legislature.

The cost of living increase for the FRF retirees is based on the increase in the statewide average firefighter's wage for employer units who belong to the FRF plan.

Adjustments to JRF benefits are made by either the PERSI COLA as described above or by a statutory adjustment which is based on active judge's salaries. Whether the PERSI COLA or the statutory adjustment applies depend on the date the judge first assumed office, on or before July 1, 2012 and/or by whether the judge (if it was an option available) made an irrevocable election to use the PERSI COLA.

Contributions - The PERSI Base Plan, FRF and JRF benefits are funded by contributions from members and employers and earnings from investments. Additional FRF funding is obtained from receipts from a state fire insurance premium tax. Member and employer contributions are paid as a percentage of member compensation. PERSI Base Plan, FRF and JRF member contribution rates are determined by the Board within limitations, as defined by state law. The Board may make periodic changes to employer and employee contribution rates (expressed as percentages of annual covered payroll) that are adequate to accumulate sufficient assets to pay benefits when due. Contributions are based on actuarial assumptions, the benefit formulas, and employee groups of the System. Costs of administering the fund are financed through the contributions and investment earnings of the System.

Level percentages of payroll normal costs are determined using the Entry Age Normal Cost Method for the PERSI Base Plan, FRF and JRF. Under the Entry Age Normal Cost Method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated as a level percentage of each year's earnings of the individual between entry age and assumed exit age.

The PERSI Base Plan and the JRF Plan amortizes any net pension liability based on a level percentage of payroll. The payroll for employees covered by the PERSI Base Plan and JRF Plan was $2,943,182,035 and $6,076,571, respectively for the year ended June 30, 2016.

Net pension liability for FRF is the difference between the pension liability of the FRF benefits not provided by the Base Plan and the FRF assets. The payroll for active employees covered by the FRF Plans was $193,208.

Service cost is 13.72% of covered payroll for the PERSI Base Plan. There is no service cost associated with FRF, and all contributions to FRF are available to pay benefits and reduce the net pension liability. For JRF the service cost is 51.02% of covered payroll. The Board's has elected to increase total contribution rates starting on July 1, 2017.

The Base Plan contribution rates for employees are set by statute at 60% of the employer rate for general employees and 72% for police and firefighters. As of June 30, 2016, the employee rate was 6.79% for general employees and 8.36% for police and firefighters. The employer contribution rate is set by the Retirement Board and was 11.32% for general employees and 11.66% for police and firefighters.

The total FRF employer contribution rate as of June 30, 2016 was 25.31% which includes the employer excess rate of 13.65% plus the PERSI class 2 firefighters rate of 11.66%. The FRF member rate for the year for class B is 11.45% which is 3.09% above the class 2 rate of 8.36%.

Idaho Statute 59-1394(1)(a) requires 50% of the gross receipts by the State of the tax on fire insurance premiums, as provided by Idaho Statute 41-402 is perpetually appropriated for the purpose of partially funding the benefit requirements of Chapter 14, Title 72 of the Idaho Code (Fireman's Retirement Fund).

The JRF employee contribution rate is 18.50% of the employer contribution rate as set by the Board. As of June 30, 2016, the employee contribution rate was 10.23% and the employer contribution rate was 55.28%. Active employees who have 20 or more years of service are exempt from employee contributions.

Upon termination of employment, PERSI Base Plan participants are entitled to accumulated member contributions plus interest, accrued at 2.39% from January 1, 2016 through June 30, 2016 (15.04% from July 1, 2015 through December 31, 2015) 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.

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

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

The PERSI Choice Plans made up of a qualified 401(k) plan and a 414(k) plan. The assets of the two plans within the PERSI Choice Plans are commingled for investment purposes. Participants can direct their investment mix with some trading frequency restrictions. Participants have fifteen investment options: two balanced funds, four fixed income funds and eight equity funds and one specialty fund. Participants investing in the Total Return Balanced Fund and the PERSI Short-Term Investment Portfolio pay investment management fees of .27% and .11%, respectively. Since inception of the plans participants have paid investment management fees for all other options.

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

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

As of June 30, 2016, there were 37,738 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, 2016, the Choice Plan 401(k) had 26,546 participants, and the Choice Plan 414(k) had 23,001.

Optional Retirement Plan – Certain junior colleges and university employees participate in an optional retirement plan (ORP) in accordance with the provisions of Idaho Code 33-107(A) and (B). For university employees who opted out of PERSI in 1993, the employer by statute pays 1.49% of ORP payroll in lieu of a withdrawal liability payment to PERSI with a payoff date of July 1, 2025. The 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, 2016.

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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

- GASB Statement No. 34 *Financial Statements – and Management's Discussion and Analysis for State and Local Governments,*
- GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus,*
- GASB Statement No. 38, *Certain Financial Statement Note Disclosures,*

- GASB Statement No. 40, *Deposit and Investment Risk Disclosures,*
- GASB Statement No. 44*, Economic Condition Reporting: The Statistical Section,*
- GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets,*
- GASB Statement No.53, *Accounting and Financial Reporting for Derivative Instruments,*
- GASB Statement No.67 *Financial Reporting for Pension Plans,*
- GASB Statement No. 69 *Government Combinations and Disposal of Government Operations,*
- GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68, and*
- GASB Statement No. 72 *Fair Value Measurement and Application*

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

The 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 fair value, when published market prices and quotations are available, or at cost plus accrued interest, which approximate fair value. The fair values of private equity limited partnership investments by their nature have no readily ascertainable market prices. Similar to real estate, cost closely approximates fair value for recent acquisitions. Thereafter, the fair values of limited partnership funds are based on the valuations as presented by the general partner, approved by the funds' advisory committee, and reviewed by consultants. Generally, the companies within a fund are valued by the general partner, taking into account many factors such as the purchase price, estimated liquidation value, significant events like initial public offerings, bankruptcies, and additional rounds of financing, and other relevant factors. Because of the lack of published market prices for these investments, the estimated fair values may differ significantly from the values that would have been used had a ready market for the investments existed. Although these differences could be material to the individual company values, private equity represents 6.6% of total investments. PERSI's real estate and commercial mortgage investments are 4.0% and 4.7%, 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 February 2016) as of June 30, 2016 and 2015:

Asset Class	2016	2015
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, 2015, from which the summarized information was derived.

Reclassification — Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassification had no impact on the net increase/(decrease) in net position.

Special Item — Special Item consists of the transfer of the Judges Retirement Fund to PERSI. Through legislative action the administration of the JRF plan was transferred to PERSI effective July 1, 2014.

NOTE 3. DEPOSITS AND INVESTMENTS

A. Deposits

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

Cash and cash equivalents		
Held by the State Treasurer	$	2,905,130
FDIC insured/collateralized		548,416
Uninsured and uncollateralized		909,031
Total	$	4,362,577

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 and risk described in subsequent sections. 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.

The following investments, risks disclosures and rate of return do not include assets from the SLIRF or other non TRF Choice Plan options:

Derivatives
Mortgage-Backed Securities
TIPS
Custodial Credit Risk
Concentration of Credit Risk
Foreign Currency Risk

Investments at fair value as of June 30, 2016 are as follows:

Domestic fixed income	$ 3,201,024,467
Co-mingled domestic fixed income (Sick Leave Insurance Reserve Fund)	119,315,588
International fixed income	26,474,473
Idaho commercial mortgages	675,293,078
Short-term investments	403,999,837
Real estate	476,657,856
Domestic equities	6,087,997,956
Co-mingled domestic equity (Sick Leave Insurance Reserve Fund)	241,352,690
International equities	2,547,177,986
Co-mingled international equity (Sick Leave Insurance Reserve Fund)	49,957,268
Private equity	926,779,483
Mutual, collective, and unitized funds	716,995,107
Total Investments	$ 15,473,025,789

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, 2016, the System had futures contracts with a fair value of $(224,386) 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, 2016, the System had the following net futures contracts exposure:

		Exposure covered by contract
Cash and Cash Equivalents		
90 Day Eurodollar	$	73,654,300
Euro Foreign Currency		(1,110,750)
Australian/US Dollar Currency		593,920
British Pound Foreign Currency		(414,000)
Japanese Yen Foreign Currency		(5,702,863)
Total Cash and Cash Equivalents		67,020,607
Fixed Income		
US Treasury bond		(15,510,938)
US Ultra Bond		(16,773,750)
EURO BTP (Buoni del Tesora Poliennali)		316,865
EURO BUXL 30yr Bond		(217,924)
EURO-BOBL		1,187,383
EURO-Bund		(7,426,479)
JAPAN 10yr Bond		(7,452,968)
US 10yr Treasury Note		(73,540,360)
US 5yr Treasury Note		167,975,587
US 2yr Treasury Note		18,862,219
Total Fixed Income		67,419,635
Net Futures Exposure	**$**	**134,440,242**

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, 2016, the Base Plan, TRF, JRF, and FRF had option contracts payable with a fair value of $258,481, which is included in Domestic Fixed Income and $(240,584) which is included in Investments Purchased.

At June 30, 2016, the System had the following net futures contracts exposure:

		Exposure covered by contract
Fixed Income		
Cash/Cash Equivalents-Purchased Put Options	$	14,863
Fixed Income-Purchased Call Options		217,430
Fixed Income-Purchased Put Options		26,188
Total Fixed Income		258,481
Investments Purchased		
Cash/Cash Equivalents-Written Call Options		(50)
Cash/Cash Equivalents-Written Put Options		(16,488)
Fixed Income-Written Call Options		(170,867)
Fixed Income-Written Put Options		(53,180)
Total Investments Purchased		(240,585)
Net Option Exposure	$	17,896

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, 2016, the System had entered into forward currency contracts to sell foreign currencies with a fair value of $146,351,782 and had entered into forward currency contracts to buy foreign currencies with a fair value of $145,851,078. Forward currency contracts are receivables or payables reported as investments sold or investments purchased. A net unrealized gain of $491,293 at June 30, 2016 was recorded, which represent the gain which would occur from executing these forward foreign currency contracts.

Mortgage-Backed Securities — These investments are valued based on the cash flows from interest and principal payments on the underlying mortgages. As a result, they are sensitive to prepayments, which are likely to occur in declining interest rate environments, thereby reducing the value of the securities. Details regarding interest rate risk for these investments are included in the Interest Rate Risk section on pages 45 and 46.

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, 2016, the System had invested in TIPS with a fair value of $1,508,630,549.

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, 2016, the System's fixed income assets that are not government guaranteed represented 50.6% of the fixed income portfolio. The System's fixed income assets are shown with current credit ratings in the table on the next page.

Credit Quality S&P Rating Level	PERSI Base/FRF Plans Domestic	 International	JRF Domestic	 International	Total Return Fund Domestic	 International	 Total
Short Term							
A-1+	$ 42,898,315	$ -	$ 226,665	$ -	$ 1,747,020	$ -	$ 44,872,000
A-1	26,621,634	-	140,663	-	1,084,158	-	27,846,455
A-2	28,642,988	-	151,343	-	1,166,477	-	29,960,808
Long Term							
AAA	64,132,175	2,916,095	338,860	15,408	2,611,762	118,757	70,133,057
AA*	292,399,396	-	1,544,975	-	11,907,872	-	305,852,243
A	362,876,785	17,999,788	1,917,362	95,107	14,778,041	733,036	398,400,119
BBB	296,824,407	3,017,297	1,568,356	15,943	12,088,079	122,878	313,636,960
BB	14,839,011	1,406,227	78,406	7,430	604,314	57,269	16,992,657
B	5,792,604	-	30,607	-	235,902	-	6,059,113
CCC	6,301,707	-	33,297	-	256,635	-	6,591,639
CC	1,840,028	-	9,722	-	74,935	-	1,924,685
C	-	-	-	-	-	-	-
D	1,498,277	-	7,917	-	61,017	-	1,567,211
Not rated	225,157,109	987,467	1,189,681	5,218	9,169,452	40,214	236,549,141
Total Credit Risk fixed income securities	1,369,824,435	26,326,874	7,237,854	139,106	55,785,664	1,072,154	1,460,386,088
U.S. Government	2,169,996,975	-	11,465,792	-	88,372,435	-	2,269,835,202
Pooled Investments-(unrated)	39,411,893	-	208,244	-	1,605,037	-	41,225,174
Pooled Investments-SLIRF (unrated)	-	-	-	-	-	-	119,315,588
Idaho Mortgages	671,743,730	-	3,549,348	-	27,356,549	-	702,649,627
Total	$ 4,250,977,034	$ 26,326,874	$ 22,461,238	$ 139,106	$ 173,119,685	$ 1,072,154	$ 4,593,411,679

*Total includes US Government Agencies implicitly guaranteed by US Government:
FHLB $19,951,897; FHLMC $41,650,731; FNMA $59,398,130

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

D. Custodial Credit Risk

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

The System's cash and deposits are swept daily by the System's custodian and cash manager into short-term investment funds. Clearwater Advisors, LLC is the System's cash manager and invests the bulk of the System's cash, approximately 86.4%, in short-term instruments held at the custodian bank. Of the remaining cash and deposits at June 30, 2016, approximately 3.8% or, $16,211,794, was held by various counterparties not in the System's name. The remainder, approximately 9.8%, is invested in custodial bank-maintained collective investment funds.

E. Concentration of Credit Risk

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

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

F. Interest Rate Risk

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

Effective duration of domestic fixed income assets by security type:

Investment	Effective Duration in Years	Fair Value Allocations			Total
		PERSI Base/FRF Plans	Judges' Plan	Total Return Fund	
Asset-backed Securities	0.11	$ 5,292,848	$ 27,966	$ 215,550	$ 5,536,364
Asset-backed Securities	N/A	1,874,249	9,904	76,328	1,960,481
Mortgages	1.01	15,761,401	83,280	641,878	16,486,559
Mortgages	N/A	2,494,833	13,182	101,601	2,609,616
Commercial Paper	0.20	55,287,938	292,129	2,251,584	57,831,651
Corporate Bonds	7.44	816,572,218	4,314,589	33,254,643	854,141,450
Corporate Bonds	N/A	862,085	4,556	35,108	901,749
Fixed Income Derivatives	(257.47)	75,161	397	3,061	78,619
Fixed Income Derivatives	N/A	(71,855)	(380)	(2,926)	(75,161)
Government Agencies	2.73	70,450,070	372,243	2,869,057	73,691,370
Government Agencies	N/A	278,238	1,470	11,332	291,040
Government Bonds	7.30	728,431,788	3,848,875	29,665,152	761,945,815
Government MBS*	(0.18)	163,622,196	864,544	6,663,462	171,150,202
Government MBS*	N/A	12,584,761	66,495	512,510	13,163,766
Pooled Investments	0.08	39,411,893	208,244	1,605,037	41,225,174
Pooled Investments-SLIRF Domestic Fixed Income Fund	N/A	N/A	N/A	N/A	119,315,588
Private Placements	5.83	107,214,600	566,499	4,366,280	112,147,379
Private Placements	N/A	116,817,131	617,236	4,757,340	122,191,707
TIPS	7.83	1,442,273,749	7,620,661	58,736,139	1,508,630,549
Idaho Mortgages	N/A	671,743,730	3,549,348	27,356,549	702,649,627
Total		$ 4,250,977,034	$ 22,461,238	$ 173,119,685	$ 4,565,873,545

*(MBS-Mortgage-backed Securities)

Effective duration of international fixed income assets by security type:

Asset Backed Securities	0.64	$	199,784	$	1,056	$	8,136	$	208,976
Asset Backed Securities	N/A		47,694		252		1,942		49,888
Corporate Bonds	2.75		1,299,128		6,864		52,907		1,358,899
Government Bonds	6.41		24,780,268		130,934		1,009,169		25,920,371
Total		$	26,326,874	$	139,106	$	1,072,154	$	27,538,134

G. Foreign Currency Risk

Foreign currency risk is the risk that changes in currency exchange rates will adversely impact the fair value of an investment. The System’s currency risk exposures, or exchange rate risk, primarily reside within the international equity investment holdings. The System expects the managers of these holdings to maintain adequately diversified portfolios to limit foreign currency risk. Per the System’s investment policy, the individual manager guidelines will outline the expected current exposures (either specifically or through ranges of security exposures to particular currency areas) of the underlying portfolio and if the actual currency exposure differs from the expected, managers are to be required to report these occurrences to Staff and these disclosures are to be made available to the Board. Currency gains and losses will result from exchange rate fluctuations. The System’s exposure to foreign currency risk expressed in U.S. dollars as of June 30, 2016, 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	Short-term Investments	Equity	Fixed Income	Total USD Equivalent Fair Value
AUSTRALIAN DOLLAR	$ 941,797	$ 48,474,859	$ -	$ 49,416,656
BRAZIL REAL	(99,151)	83,331,402	1,461,817	84,694,068
CANADIAN DOLLAR	(2,735,616)	32,177,830	3,175,204	32,617,418
CHILEAN PESO	28	6,642,091	-	6,642,119
CHINESE YUAN RENMINBI	(3,392,445)	-	563,772	(2,828,673)
COLOMBIAN PESO	24,549	2,357,780	-	2,382,329
CZECH KORUNA	117	860,916	-	861,033
DANISH KRONE	26,582	31,247,116	-	31,273,698
EGYPTIAN POUND	84,128	1,606,741	-	1,690,869
EURO CURRENCY UNIT	(3,464,759)	531,136,938	1,224,249	528,896,428
HONG KONG DOLLAR	1,329,735	277,952,351	-	279,282,086
HUNGARIAN FORINT	191,194	10,976,954	-	11,168,148
INDIAN RUPEE	1,894,192	-	-	1,894,192
INDONESIAN RUPIAH	22,352	18,558,604	-	18,580,956
ISRAELI SHEKEL	47,242	4,800,537	-	4,847,779
JAPANESE YEN	873,917	317,932,500	(46,128)	318,760,289
KENYAN SHILLING	(13,169)	2,965,434	-	2,952,265
MALAYSIAN RINGGIT	18,111	24,034,960	-	24,053,071
MEXICAN NEW PESO	(9,017,595)	38,428,147	12,051,066	41,461,618
MOROCCAN DIRHAM	-	863,565	-	863,565
NEW TAIWAN DOLLAR	167,293	122,914,095	-	123,081,388
NEW ZEALAND DOLLAR	2,479	772,473	-	774,952
NORWEGIAN KRONE	54,181	2,670,936	-	2,725,117
PHILIPPINES PESO	24,503	14,406,594	-	14,431,097
POLISH ZLOTY	(3,367,926)	7,540,065	5,352,771	9,524,910
POUND STERLING	(805,376)	421,734,416	1,706,285	422,635,325
ROMANIAN LEU	47,639	150,762	-	198,401
RUSSIAN RUBLE (NEW)	20,233	15,315,737	1,040,409	16,376,379
S AFRICAN COMM RAND	257	33,180,484	-	33,180,741
SINGAPORE DOLLAR	109,908	70,341,200	-	70,451,108
SOUTH KOREAN WON	11,321	222,662,365	-	222,673,686
SRI LANKA RUPEE	15,320	271,478	-	286,798
SWEDISH KRONA	32,110	41,538,450	-	41,570,560
SWISS FRANC	2,200,934	145,076,731	-	147,277,665
THAILAND BAHT	19,977	30,103,154	-	30,123,131
TURKISH LIRA	69,820	27,442,212	-	27,512,032
Total value of investments to foreign currency risk	$ (14,666,118)	$ 2,590,469,877	$ 26,529,445	$ 2,602,333,204

H. Rate of Return

For the years ended June 30, 2016 and 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 1.51 percent and 2.75 percent, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE 4. FAIR VALUE

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

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

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

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

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

The following table presents fair value measurements as of June 30, 2016:

		Fair Value Measurements Using		
	6/30/2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Instruments by fair value level				
Short Term Securities	$ 117,641,924	$ -	$ 117,641,924	$ -
Fixed Income Securities:				
U.S. Government	2,287,923,784	2,272,789,590	15,134,194	-
Asset backed-Securitized	338,619,744	-	337,712,888	906,857
Corporate	726,379,629	-	726,379,629	-
Idaho Mortgages	702,649,627	-	702,649,627	-
Non-U.S. Government	154,307,250	-	154,048,386	258,864
Total Fixed Income Securities	**4,209,880,035**	**2,272,789,590**	**1,935,924,724**	**1,165,720**

	6/30/2016	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equities:				
Domestic	5,540,232,982	5,540,232,982	-	-
Developed Markets	2,156,332,878	2,156,332,878	-	-
Emerging Markets	1,221,209,021	1,220,365,947	-	843,074
Total Equities	**8,917,774,881**	**8,916,931,807**	**-**	**843,074**
Preferred Securities	61,773,997	44,859,861	3,581,217	13,332,919
Convertible or Exchangeable Securities	1,700,896	-	1,550,016	150,880
Futures	(224,386)	(224,386)	-	-
Mutual Funds-Defined Contribution investment options	60,569,003	60,569,003	-	-
Total investments by fair value level*	13,369,116,349	$ 11,294,925,875	$ 2,058,697,881	$ 15,492,593

* The Total Return Fund and Short Term Investment Portfolio are unitized Defined Contribution investment options included with the Equity and Fixed Income totals above

Investments measured at the net asset value (NAV)	**Fair Value**	**Unfunded commitments**	**Redemption Frequency**	**Redemption Notice**
Private Equity Partnerships:				
Growth Equity	27,120,379	$ 1,432,406	N/A	N/A
Corporate Finance/Buyout	711,465,510	412,324,949	N/A	N/A
Distressed Debt	44,527,963	16,412,532	N/A	N/A
Co/Direct Investment	58,683,821	33,197,752	N/A	N/A
Secondaries	19,519,328	63,239,251	N/A	N/A
Venture Capital	103,006,904	3,709,001	N/A	N/A
Private Real Estate:				
Open Ended Co-mingled Insurance Company separate	56,195,509	N/A	N/A	N/A
Affordable Housing	102,426,940	N/A	N/A	N/A
Multifamily properties (Olympic)	172,884,837	N/A	N/A	N/A
Value added apartments	65,298,107	N/A	N/A	N/A
Office/Industrial properties	170,369,301	N/A	N/A	N/A
Development properties	31,165,930	N/A	N/A	N/A
Collective Funds:				
REIT Index Collective Fund	2,291,869	N/A	Daily	None
TIPS Index Collective Fund	451,234	N/A	Daily	None
US Broad Equity Market Index Collective Fund	6,905,257	N/A	Daily	None
Emerging Equity Market Index Fund	397,560	N/A	Daily	None
US Large Cap Equity Market Index Collective Fund	18,038,413	N/A	Daily	None
US Bond Market Index Collective Fund	10,839,097	N/A	Daily	None
International Equity Index Collective Fund	5,760,266	N/A	Daily	None
US Small/Midcap Equity Index Collective Fund	11,395,890	N/A	Daily	None
Sick Leave Insurance Reserve Trust Fund				
Russell 3000 Index Co-Mingled Fund	241,352,690	N/A	Daily	Trade date less 2 days
Government Credit Bond Index Co-Mingled Fund	119,315,588	N/A	Daily	Trade date less 2 days
MSCI ACWI Ex-US Strategy Co-mingled Fund	49,957,268	N/A	Bi-Monthly	Trade date less 2 days
Total investments measured at the NAV	2,029,369,661			
Total investments measured at fair value	$ 15,398,486,010			

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

Short Term Securities: These are Level 2 and include commercial paper and other short term notes.

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

Fixed Income: These securities are primarily in Level 1 and 2. Information such as sector groupings, benchmark curves, like security benchmarking, reported trades, broker/dealer quotes and other reference data are all used to assist with pricing of all types securities. Specifically, these categories used the following methodologies. *US Government* Electronic fixed income trade platform and broker feeds are used and reviewed for consistency and outliers *Asset backed/ Securitized* Uses volatility-driven multi-dimensional spread tables and Option Adjusted Spread and prepayment model. *Corporate and Non US Government* Multi-dimensional relational models are used along with option adjusted spread. *Idaho Mortgages* The fair value of the commercial mortgage portfolio is calculated daily. Expected cash flows for loans are discounted with rates that are based on the U.S. Treasury yield curve. The relevant discount rates include a spread above Treasury yields that accounts for credit and liquidity risk.

Mutual Funds: Valued at the daily closing price as reported by the fund and reported as Level 1. Mutual funds held by the Plan are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

Private Equity Partnerships: This are reported at the Net Asset Value (NAV) and includes limited partnerships invested in the following strategies: Growth Equity, Corporate Finance/Buyout, Distressed Debt, Co/Direct Investments, Secondaries, and Venture Capital. Fair value is obtained by using a valuation provided by the General Partner, adjusting for interim cash flows and rolling forward to the measurement date of the Plan. A gatekeeper is used to monitor values, cash flows, and provide due diligence for new investments. The fair values presented may differ from actual amounts realized from these investments. On average, distributions received through the liquidation of underlying assets/investments can occur over the span of 5-15 years.

Real Estate: *Real Estate Investment Trusts (REITs)* are publicly traded securities and are included with Equities: Domestic, level 1, as those securities are traded in an active market. *Private Real Estate* These are investments owned directly or with other partnership interests and are in several general categories to include Affordable Housing, Multifamily properties, Value added apartments, Office/Industrial Properties, and Development Properties and are listed with investments measured at the NAV. Each property in the Portfolio is externally appraised at a minimum every year. Appraisals are completed by third-party MAI certified appraisers. For properties not subject to an external appraisal during a quarter, internal valuations are completed by AEW (the Plan's private real estate consultant) (or Pinnacle and reviewed by AEW), based on updated operational performance at the subject property and any relevant sale comparable. A discounted cash flow analysis is utilized to determine asset value. Prior to finalizing the values, Altus (an independent professional advisory with expertise in appraisals) reviews every valuation quarterly and communicates its questions/findings to AEW before approval. The valuation of the Affordable Housing properties is calculated by a third party valuation and accounting specialist in the affordable housing industry once a year at December 31st. Development properties are initially valued at their accumulated cost amounts until completion, upon which an appraisal is done. *Prudential* This is an open ended co-mingled insurance company separate account comprised primarily of real estate investments either directly owned or through partnership interests and mortgage and other loans on income producing real estate. Fair value is generally determined through an appraisal process that is conducted by independent appraisers within a reasonable amount of time following acquisition and no less frequently than annual thereafter. On average, distributions received through the liquidation of underlying assets/investments can occur over the span of 5-15 years.

Collective Trust Funds: There are eight collective trust funds offered as investment options in the Defined Contribution Plan, reported at the Net Asset Value. The NAV is based on the value of the underlying investments. Collective Trusts are regulated, but not registered investment vehicles.

Co-Mingled Funds: These are the investment vehicles used for the Plan's Sick Leave Insurance Reserve Trust Fund where funds are pooled from numerous plans They are valued at net asset value of units held at the end of the period based upon the fair value of the underlying investments.

Derivatives: Foreign Currency Forward Contracts use a market approach with foreign exchange rates.

NOTE 5. NET PENSION LIABILITY

The components of the net pension liability of the participating employers as of June 30, 2016 and 2015 are as follows:

	PERSI Base Plan 2016	FRF 2016	JRF 2016
Total pension liability	$ 15,911,317,335	$ 291,820,746	$ 99,229,007
Plan fiduciary net position	13,884,163,748	345,569,149	75,448,639
Employers' net pension liability (asset)	$ 2,027,153,587	$ (53,748,403)	$ 23,780,368
Plan fiduciary net position as a percentage of total pension liability	87.26%	118.42%	76.03%

	PERSI Base Plan 2015	FRF 2015	JRF 2015
Total pension liability	$ 15,273,500,000	$ 298,805,178	$ 96,851,839
Plan fiduciary net position	13,956,662,675	352,815,870	76,467,630
Employers' net pension liability (asset)	$ 1,316,837,325	$ (54,010,692)	$ 20,384,209
Plan fiduciary net position as a percentage of total pension liability	91.38%	118.08%	78.95%

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, 2016, 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. Experience studies were performed for the period 2007 through 2013 for the PERSI Base Plan; for the period 2011 through 2015 for the FRF; and 2009 through 2013 for the JRF. These studies 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 for all funds.

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

Actuarial Assumptions	PERSI Base Plan	FRF	JRF
Inflation	3.25 percent	3.25 percent	3.25 percent
Salary increases	4.25-10.00 percent	3.75 percent	3.75 percent
Salary inflation	3.75 percent	3.75 percent	3.75 percent
Investment rate of return *	7.10 percent	7.10 percent	7.10 percent
Cost of Living (COLA) adjustments	1.00 percent	3.75 percent	**

*net of pension plan investment expense

**3.75 percent or 1.00 percent depending on whether the member was hired on or before July 1, 2012 and by whether the judge (if it was an option available) made an irrevocable election to use the PERSI COLA

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. 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.

Capital Market Assumptions

Asset Class	Expected Return*	Expected Risk	Strategic Normal	Strategic Ranges
Equities			70%	66%-77%
Broad Domestic Equity	9.15%	19.00%	55%	50%-65%
International	9.25%	20.20%	15%	10%-20%
Fixed Income	3.05%	3.75%	30%	23%-33%
Cash	2.25%	0.90%	0%	0%-5%

Total Fund	Expected Return*	Expected Inflation	Expected Real Return	Expected Risk
Actuary	7.00%	3.25%	3.75%	N/A
Portfolio	6.58%	2.25%	4.33%	12.67%

* Expected arithmetic return net of fees and expenses

Actuarial Assumptions

Assumed Inflation - Mean	3.25%
Assumed Inflation - Standard Deviation	2.00%
Portfolio Arithmetic Mean Return	8.42%
Portfolio Long-Term Expected Geometric Rate of Return	7.50%
Assumed Investment Expenses	0.40%
Long-Term Expected Geometric 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 (asset) to changes in the discount rate – The following presents the net pension liability (asset) of PERSI, FRF and JRF employers calculated using the discount rate of 7.10% as well as what the employers' liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Employers' net pension liability - PERSI	$ 3,976,555,892	$ 2,027,153,584	$ 406,010,297
Employers' net pension (asset) - FRF	(22,078,803)	(53,748,403)	(80,522,700)
Employers' net pension liability - JRF	33,771,642	23,780,368	15,227,356

NOTE 6. ASSETS USED IN PLAN OPERATIONS

Assets used in plan operations at June 30, 2016, consist of the following:

	2016	2015
Buildings and improvements	$ 5,515,888	$ 5,515,888
Less accumulated depreciation	(4,284,972)	(4,124,276)
Total buildings and improvements	1,230,916	1,391,612
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	607,175	524,044
Less accumulated depreciation	(490,204)	(469,480)
Total equipment	116,971	54,564
Computer software development - IRIS	1,077,517	1,077,517
Less accumulated amortization	(449,274)	(307,398)
Total computer software development - IRIS	628,243	770,119
Equipment - IRIS	254,114	254,114
Less accumulated depreciation	(159,175)	(108,354)
Total equipment	94,939	145,760
Computer software development-in progress - IRIS	9,720,758	7,345,733
Total assets used in plan operations	$ 11,791,827	$ 9,707,788

Depreciation expense is a component of administrative expense. For the year ended June 30, 2016, depreciation expense on the buildings and improvements was $160,695. The equipment had a total depreciation expense of $71,545 for 2016. 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 2016 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, 2016 was $1.9 million..

NOTE 7. 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.

NOTE 8. COMMITMENTS

The System had unfunded private equity commitments as of June 30, 2016 of $519,903,054 and €54,379,307.

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PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2016

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

SCHEDULE OF CHANGES IN NET PENSION LIABILITY
FISCAL YEAR ENDING JUNE 30

PERSI Base Plan

	2016	2015	2014
Total pension liability changes for the year			
Service cost	$ 397,283,921	$ 384,419,252	$ 376,800,000
Interest	1,088,670,726	1,045,505,462	992,942,358
Effect of plan changes	67,800,000	150,400,000	(1,300,000)
Effect of ecomonic/demographic gains or losses	(104,512,779)	(105,531,304)	(111,248,209)
Effect of assumptions changes or inputs	13,100,000	-	74,600,000
Benefit payments, including refunds of member contributions	(824,524,533)	(770,593,410)	(729,094,149)
Net change in total pension liabilities	637,817,335	704,200,000	602,700,000
Total pension liability - beginning	15,273,500,000	14,569,300,000	13,966,600,000
Total pension liability - ending	15,911,317,335	15,273,500,000	14,569,300,000
Plan net position			
Contributions - employer	335,610,100	321,240,628	310,986,283
Contributions - employee	220,866,936	211,468,780	203,890,954
Net investment income	202,329,942	367,820,877	2,000,619,926
Other	25,283	16,767	-
Benefit payments, including refunds of member contributions	(824,524,533)	(770,593,410)	(729,094,149)
Administrative expense	(6,806,655)	(6,434,462)	(6,787,811)
Net change in plan net position	(72,498,927)	123,519,180	1,779,615,203
Plan net position - beginning	13,956,662,675	13,833,143,496	12,053,528,293
Plan net position - ending	13,884,163,748	13,956,662,675	13,833,143,496
Plan net pension liability - ending	$ 2,027,153,587	$ 1,316,837,325	$ 736,156,504

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

See Notes to Required Supplementary Information

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

SCHEDULES OF CHANGES IN NET PENSION LIABILITY
FISCAL YEAR ENDING JUNE 30

Firefighers' Retirement Fund

	2016	2015	2014
Total pension liability changes for the year			
Service cost	$ -	$ -	$ -
Interest	20,496,009	21,479,861	21,888,712
Effect of plan changes	(557,863)	(2,100,000)	-
Effect of ecomonic/demographic gains or losses	(7,446,350)	(15,100,408)	(5,629,912)
Effect of assumptions changes or inputs	-	-	-
Benefit payments, including refunds of member contributions	(19,476,228)	(19,874,275)	(19,958,800)
Net change in total pension liabilities	(6,984,432)	(15,594,822)	(3,700,000)
Total pension liability - beginning	298,805,178	314,400,000	318,100,000
Total pension liability - ending	291,820,746	298,805,178	314,400,000
Plan net position			
Contributions - employer	7,198,597	11,305,473	14,200,323
Contributions - employee	6,329	6,168	9,095
Net investment income	5,083,454	9,357,909	50,966,862
Benefit payments, including refunds of member contributions	(19,476,228)	(19,874,275)	(19,958,800)
Administrative expense	(58,873)	(153,719)	-
Net change in plan net position	(7,246,721)	641,556	45,217,480
Plan net position - beginning	352,815,870	352,174,314	306,956,834
Plan net position - ending	345,569,149	352,815,870	352,174,314
Plan net pension liability (asset) - ending	$ (53,748,403)	$ (54,010,692)	$ (37,774,314)

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

See Notes to Required Supplementary Information

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

SCHEDULES OF CHANGES IN NET PENSION LIABILITY
FISCAL YEAR ENDING JUNE 30

Judges' Retirement Fund

	2016	2015
Total pension liability changes for the year		
Transfer in from JRF	$ -	$ 92,302,982
Service cost	3,110,818	3,251,679
Interest	6,888,876	6,589,779
Effect of ecomonic/demographic gains or losses	(1,647,589)	284,788
Benefit payments, including refunds of member contributions	(5,974,937)	(5,577,389)
Net change in total pension liabilities	2,377,168	96,851,839
Total pension liability - beginning	96,851,839	-
Total pension liability - ending	99,229,007	96,851,839
Plan net position		
Contributions - employer	3,370,587	3,595,417
Contributions - employee	623,754	629,077
Net investment income	1,092,130	2,049,895
Transfer in	-	75,864,300
Other	2,571	2,063
Benefit payments, including refunds of member contributions	(5,974,937)	(5,577,389)
Administrative expense	(133,096)	(95,733)
Net change in plan net position	(1,018,991)	76,467,630
Plan net position - beginning	76,467,630	-
Plan net position - ending	75,448,639	76,467,630
Plan net pension liability - ending	$ 23,780,368	$ 20,384,209

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

See Notes to Required Supplementary Information

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

SCHEDULE OF NET PENSION LIABILITY
FISCAL YEAR ENDING JUNE 30

PERSI Base Plan	2016	2015	2014
Total Pension Liability	$ 15,911,317,335	$ 15,273,500,000	$ 14,569,300,000
Plan net position	13,884,163,748	13,956,662,675	13,813,143,496
Net pension liability (asset)	$ 2,027,153,587	$ 1,316,837,325	$ 756,156,504
Plan net position as a percentage of total pension liability	87.26%	91.38%	94.95%
Covered employee payroll	$ 2,895,430,105	$ 2,791,109,393	$ 2,702,945,352
Net pension liability as a percentage of covered employee payroll	70.01%	47.18%	27.24%

Firefighters' Retirement Fund	2016	2015	2014
Total Pension Liability	$ 291,820,746	$ 298,805,178	$ 314,400,000
Plan net position	345,569,149	352,815,870	352,174,314
Net pension liability (asset)	$ (53,748,403)	$ (54,010,692)	$ (37,774,314)
Plan net position as a percentage of total pension liability	118.42%	118.08%	112.01%
Covered employee payroll	$ 68,017,833	$ 63,780,545	$ 63,017,405
Net pension liability (asset) as a percentage of covered employee payroll	-79.02%	-84.68%	-59.94%

Judges' Retirement Fund	2016	2015	2014
Total Pension Liability	$ 99,229,007	$ 96,851,839	$ -
Plan net position	75,448,639	76,467,630	-
Net pension liability (asset)	$ 23,780,368	$ 20,384,209	$ -
Plan net position as a percentage of total pension liability	76.03%	78.95%	0.00%
Covered employee payroll	$ 6,097,302	$ 6,149,339	$ -
Net pension liability as a percentage of covered employee payroll	390.01%	331.49%	0.00%

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

See Notes to Required Supplementary Information

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

SCHEDULE OF CONTRIBUTIONS
FISCAL YEARS 2007-2016

PERSI BASE PLAN

Fiscal Year	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
2007	$ 235,473,617	$ 259,489,787	$ (24,016,170)	$ 2,420,984,935	10.72%
2008	251,362,544	273,335,059	(21,972,515)	2,578,933,669	10.60%
2009	232,091,865	284,608,663	(52,516,798)	2,683,535,923	10.61%
2010	260,316,830	284,932,419	(24,615,589)	2,684,360,943	10.61%
2011	326,554,992	279,174,844	47,380,148	2,627,850,654	10.62%
2012	327,832,536	277,143,887	50,688,649	2,619,568,411	10.58%
2013	295,502,818	285,440,860	10,061,958	2,697,575,738	10.58%
2014	325,041,599	310,986,283	14,055,316	2,702,945,352	11.51%
2015	327,101,958	321,240,628	5,861,330	2,791,109,393	11.51%
2016	297,262,331	335,610,100	(38,347,769)	2,895,430,105	11.59%

Firefighters' Retirement Fund

Fiscal Year	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
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	7,959,283	13,542,331	(5,583,048)	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%
2015	-	11,305,473	(11,305,473)	63,780,545	17.73%
2016	-	7,198,597	(7,198,597)	68,017,833	10.58%

Judges' Retirement Fund

Fiscal Year	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
2015	$ 3,492,825	$ 3,595,417	$ (102,592)	$ 6,149,339	58.47%
2016	3,463,268	3,370,587	92,681	6,097,302	55.28%

See Notes to Required Supplementary Information

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

SCHEDULE OF INVESTMENT RETURNS
YEAR ENDED JUNE 30, 2016

	2016	2015	2014	2013
Annual money weighted rate of return, net of investment expenses	1.51%	2.75%	16.89%	8.76%

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

See Notes to Required Supplementary Information

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2016

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, 2016 for PERSI, as of June 30, 2016 for FRF and as of June 30, 2016 for JRF. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule.

	PERSI Base Plan	FRF	JRF
Valuation date	July 1, 2014	July 1, 2015	July 1, 2016
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Amortization method	Level percentage of projected payroll open	Level dollar amount - open	Level percentage of projected payroll open
Remaining amoritzation period	25 years	N/A	25 years
Asset valuation method	Market Value	Market Value	Market Value
Actuarial assumptions:			
Investment Rate of Return - Gross	7.50%	7.50%	7.50%
Projected salary increases	4.25%-10.00%	3.75%	3.75%
Includes salary inflation	3.75%	3.75%	3.75%
Postretirement benefit increase	1.00%	3.75%	1.00% or 3.75%
Implied price inflation rate	3.25%	3.25%	3.25%
Discount Rate - Actuarial Accrued Liability	7.00%	7.00%	7.00%

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

ADDITIONAL SUPPLEMENTARY SCHEDULES
June 30, 2016

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

SCHEDULE OF INVESTMENT EXPENSES
YEAR ENDED JUNE 30, 2016

INVESTMENT AND RELATED SERVICES:	
Adelante Capital	$ 4,133,412
AEW Capital Management	3,943,399
Baring Asset Management, Inc.	1,795,979
BCA Publication, Inc.	7,875
Bernstein, Sanford C.	4,398,728
Bloomberg, LP	64,451
Brandes Investment Partners, LP	1,796,308
Capital Guardian Trust Company	1,719,047
Capital Economics (N.A.) Ltd	10,000
Clearwater Advisors, LLC	667,208
D.B. Fitzpatrick & Co., Inc.	2,533,843
Donald Smith & Company	3,353,633
Genesis Asset Managers, Ltd.	2,027,842
Hamilton Lane Advisors, Inc.	121,272
Longview Partners	2,935,281
Mellon Capital Management	1,653,469
Mellon Trust	2,969,366
Mondrian Investment Partners	1,293,422
Mountain Pacific Investment Advisors, Inc.	1,612,328
Peregrine Capital Management	2,089,269
Prudential Investments	411,373
State Street Global Advisors	639,266
Tukman Grossman Capital Management, Inc.	2,412,987
Wells Fargo Bank	78,245
Western Asset	1,045,806
Yardarni Research	7,500
	43,721,309
CONSULTING AND OTHER SERVICES:	
Alban Row	83,808
Berkadia Commercial Mortgage	35,000
Callan Associates	401,020
Chartwell Consulting	80,310
Eide Bailly, LLP	83,760
Foster, Pepper, PLLC	237,050
Hamilton Lane Advisors, Inc.	185,000
Ice Miller LLP	814
Milliman, Inc.	360,250
Robert Storer	86,348
Whiteford, Taylor & Preston	4,841
	1,558,201
TOTAL	$ 45,279,510

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

SCHEDULE OF ADMINISTRATIVE EXPENSES
YEAR ENDED JUNE 30, 2016

PORTFOLIO-RELATED EXPENSES:	
Personnel expenses	$ 710,324
Operating expenses	95,305
	805,629
OTHER ADMINISTRATIVE EXPENSES:	
Personnel expenses	3,248,018
Operating expenses	2,437,764
Building depreciation expense	160,696
Equipment depreciation expense	71,545
Software amortization expense	141,876
	6,059,899
SICK LEAVE FUND EXPENSES — Administrative expenses	104,340
JUDGES' FUND EXPENSES — Administrative expenses	133,096
DEFINED CONTRIBUTION FUND — Administrative expenses	1,592,713
Total	$ 8,695,677

EideBailly
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, 2016, 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 11, 2016

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.

Eide Bailly LLP

Boise, Idaho
October 11, 2016